



The Ontario Teachers Pension Plan Owns Almost \$100 Million Worth of BlackBerry Ltd.: Should You Buy, Too?

Description

The Ontario Teachers Pension Plan (OTPP) just became a top 10 shareholder of **BlackBerry Ltd.** ([TSX: BB](#)) (NASDAQ: BBRY) with its purchase of nearly 7.8 million shares during the third quarter. The latest investment brings the giant pension fund's holdings to 8.23 million shares, or nearly \$100 million.

The OTPP finished 2013 with more than \$140 billion in assets under management and is considered one of the best when it comes to making smart investments. The huge bet will certainly help bring new investors into BlackBerry's stock, and gives John Chen a pat on the back as he continues his efforts to turn around the beleaguered company.

Let's take a look at where things stand with BlackBerry right now and see if you should follow the OTPP's lead.

Profitability

BlackBerry is making progress but it still isn't profitable. In its most recent earnings report, BlackBerry lost \$11 million or 2 cents per share. Analysts had forecasted a loss of 16 cents per share so the company executed better than expected. Investors will be watching carefully to see if the company can actually move into the black in the next quarterly report. If BlackBerry surprises again to the upside, the stock might not look back.

New handsets

BlackBerry says it needs to sell 10 million handsets per year to be profitable. The new Passport smartphone initially sold out and appears to be doing well. The market is now eagerly anticipating the launch of the BlackBerry Classic. If the Passport continues to gain traction with business users and the new Classic is successful, the company should be on track to have a profitable handset division.

Part of BlackBerry's handset success depends on international sales, and the firm is still losing ground in some its key markets. One example is Indonesia, where BlackBerry once dominated the market but is now struggling.

Takeover rumours

Rumours of a possible takeover by Lenovo Group made the rounds a couple of weeks ago. In an earlier article I wrote about the [reasons why John Chen won't sell](#) the company right now, and especially not to Lenovo. BlackBerry is still in the early stages of its turnaround and suitors will want to see that the company can be profitable before making a serious bid.

At the end of the day, BlackBerry will have to stay Canadian. Maybe the OTPP will make a joint bid with another Canadian powerhouse but that won't happen for a while, and investors shouldn't buy the stock on the hope of making a quick buck on a buyout.

Future growth

John Chen has made it clear that he wants BlackBerry to be one of the key players in the rollout of the Internet of Things (IoT). The connection of gadgets to the Internet is expected to go far beyond phones and computers. In fact, it has already started and there are reasons to believe that BlackBerry could carve out a profitable niche business by helping companies in a variety of industries operate more efficiently by enabling their machines to securely send data through the Internet to protected, cloud-based storage sites.

BlackBerry isn't the only company setting its sights on the IoT, and some of its competitors have a much bigger war chest to fund the battle for control of this new industry. One example is **Cisco Systems Inc.** ([NASDAQ: CSCO](#)). With a market cap of US\$130 billion, Cisco has the financial firepower to invest heavily in R&D, recruit top talent, and buy niche players in the IoT space. BlackBerry's market cap is only about US\$5.5 billion.

The move by the OTPP should be seen as a positive for BlackBerry. The company has made it through the toughest part of its turnaround battle and the upside potential at this point probably outweighs the downside risks for new investors.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:CSCO (Cisco Systems Inc.)
2. NYSE:BB (BlackBerry)
3. TSX:BB (BlackBerry)

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