Should You Join the BlackBerry Ltd. Rodeo?

Description

Yeee-haaah! What a ride!

Shareholders of **BlackBerry Ltd.** (TSX: BB) (NASDAQ: BBRY) spent the weekend recovering from a serious case of whiplash after some heavy volatility hit the stock in the last two trading sessions.

News of a new mobile-security partnership with **Samsung Electronics Co.** sent BlackBerry higher last Thursday by as much as 11%. On Friday, traders apparently decided to take some money off the table and the stock dropped 8%.

For the week, the shares enjoyed a 5% gain.

There's no doubt that BlackBerry is a great stock for day traders; it has been volatile all year. But the overall trend at this point is also looking good for buy-and-hold investors – at least for those who took a position at the beginning of the year. In fact, investors are looking at a year-to-date gain of 60%.

Is it time to saddle-up? Let's take a look at the current situation to see if it is time to add BlackBerry to your portfolio.

Vote of confidence

BlackBerry's turnaround-expert CEO, John Chen, is winning the support and investment dollars of some of Canada's savviest fund managers. **Fairfax Financial Holdings Ltd.** (TSX: FFH) owns almost 9% of BlackBerry and the Ontario Teachers' Pension Plan recently increased its holdings to 8.23 million shares, or about $104 million based on Friday's closing price of $12.64 per share.

Prem Watsa, Fairfax Financial's CEO, is often referred to as Canada's Warren Buffet. The Ontario Teachers' Pension Plan has delivered a 10% average rate of return since 1990, and has a war chest of more than $140 billion in assets under management.

If these two heavyweights think BlackBerry is worthy of their investment dollars, investors should feel confident that they are in good company.

Handset success

John Chen is driving home the message that BlackBerry is a software company first, and a device provider second, but the smartphones are still a key part of the revenue mix. The Passport is gaining traction in the business market with its "phablet" appeal and the highly anticipated BlackBerry Classic should be out before the holidays.

If the Classic resonates well with consumers, the handset division might actually survive, or even thrive in a niche corner of the competitive global smartphone market. BlackBerry is a small company now, and can afford to sell fewer phones at strong margins, as long as the products are compelling.

Software focus

Chen said on November 13 that the latest version of the company's BlackBerry Enterprise Service technology or BES 12, is the foundation of the new software strategy targeted specifically at business customers.

The important part for investors is the fact that BlackBerry now understands it has to crawl into bed with its competitors if it wants to survive. Businesses are implementing bring-you-own-device (BYOD) policies and BlackBerry has to embrace, rather than fight, the trend. The partnership with Samsung and a willingness to design software that is cross-platform friendly is a sign the company is finally growing up.

Momentum

There is certainly some momentum behind BlackBerry's stock right now. A strong holiday season for the new smartphones and a move back into the black in the next earnings report will go a long way toward instilling broader confidence in the story.

Right now, the rodeo will probably continue, but the potential upside looks a lot bigger than the downside risk at this point.

If BlackBerry is still too volatile for your comfort, you might want to read our latest free report detailed below and discover one stock that offers investors stability, dividend growth and capital appreciation.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:FFH (Fairfax Financial Holdings Limited)

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