



Why BlackBerry Ltd. Shares Got Pummeled on Thursday

Description

Thursday was not a good day for stocks, but it was especially bad for **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY). The company saw its shares slide by more than 8% on the day.

So what exactly caused the drop, and has this created a nice buying opportunity?

Another Android phone

At the Consumer Electronics Show (CES), which is currently taking place in Las Vegas, BlackBerry CEO John Chen said that the company is planning on releasing one to two more phones this year, both of which will run Android.

He declined to give further details. But based on earlier reports and leaks, BlackBerry's next device will likely come with a cheaper price tag than its first Android phone, the Priv. This device would also feature a fixed QWERTY keyboard located at the bottom of the phone.

Why do investors not want to see another phone?

Mr. Chen has said that BlackBerry needs to sell five million handsets to make that business profitable, and if that target isn't reached, BlackBerry will stop selling phones. But it seems that BlackBerry's shareholders want the company to stop selling handsets immediately.

There are a few reasons why. First of all, if BlackBerry stopped selling phones it would instantly transform from a struggling handset maker to a fast-growing software provider. The company could focus on what it does best. And no one would have to worry about more losses in the handset business.

Besides, any Android-based device, especially one with a cheaper price tag, would certainly be targeting the consumer market. It would also face heavy competition. So there's little reason to believe BlackBerry would be successful in this endeavour.

There's yet another reason for abandoning the handset business. Fellow Motley Fool Canada

contributor Nelson Smith has suggested that if BlackBerry stopped selling phones, the company could enforce its mobile patents more vigorously, since it wouldn't have to worry so much about retaliation.

Is this an opportunity to buy?

BlackBerry's shares may look cheap now, but even at US\$8 per share, the stock is still quite expensive on most financial metrics. And its handset business is certainly in for a tough slog.

Of course, software is far more important to BlackBerry's future. For example, the company is showcasing its QNX operating system at CES. But these are competitive markets as well, and if BlackBerry is still making handsets, it may not have the focus required to win in software.

So for now at least, there are better options for your portfolio.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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