



Here's Why BlackBerry Ltd. Is Down 20% in the Past Month

Description

Last month, **BlackBerry Ltd.** ([TSX:BB](#))([NYSE:BB](#)) posted a [good earnings report](#) that beat expectations and continued to show growth among its key segments. However, despite the positive quarter, the stock has gone on to decline and is now down 20% in just the last month. From over \$16 a share, the stock is now struggling to stay above \$13.

What's behind the decline?

It may seem a bit confusing as to why BlackBerry has fallen so much despite an earnings beat, but there are a couple of reasons that could explain why the stock has continued to slide.

First, although BlackBerry beat earnings and its profits were up, it did benefit from fair value adjustments, and sales were perhaps not as strong as investors had hoped for. The stock had seen significant growth up to that point, but without a big increase in sales, investors may have found it difficult to justify the high price tag.

Even after the sell-off, BlackBerry's stock still trades at more than 17 times its earnings, making it a bit pricey for an investment that carries some risk with it. After all, BlackBerry is still continuing to rebuild its business model and has effectively started over after giving up on competing with the big tech giants for handheld device sales.

The second reason for the decline is that the markets as a whole have been very bearish to start 2018. Year-to-date, the TSX has declined 6% as global uncertainty and concerns about NAFTA have made North American investors very cautious. As a result we've seen highly-valued stocks fall significantly.

Stocks are not immune to market-related risk that can sometimes outweigh a company's strong internal performance, which could explain why, even though BlackBerry had a good quarter, it wasn't good enough to offset the overall negativity in the markets.

Why BlackBerry is a good long-term hold

While the company continues to build on its improved results, investors have much reason for

optimism when it comes to BlackBerry's future. Not only is the company working on securing more stable streams of revenue through a more service-oriented business model, but it's also taking [big steps](#) in the self-driving industry as it works to develop software that will integrate with hardware to help create a driverless environment in the years to come.

BlackBerry is also known for its security; at a time when we're seeing social media sites come under fire for failing to protect data and numerous breaches, the company has an opportunity to grow that segment of its business. Last year, BlackBerry even won a contract with the U.S. government to provide it with secure messaging tools.

Bottom line

BlackBerry is down, but it's not because of its own doing. The company is doing all the right things and the dip in share price should attract investors given that the stock is hovering around six-month lows and could therefore offer a great opportunity to secure a low price for a stock with significant upside.

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