



## Should you Buy BlackBerry Ltd. (TSX:BB) Ahead of Earnings?

### Description

**BlackBerry Ltd.** ([TSX:BB](#))([NYSE:BB](#)) is scheduled to release its first-quarter results for 2019 later this month. A stock can get a big boost on earnings day depending on how strong its performance is. Thus, if you can correctly predict a company's performance, you could net a good return in the process.

The big problem, however, is that many factors can impact whether investors are bullish on a stock or not, and sometimes even an earnings beat is not enough for the share price to increase in value. Let's take a close look at BlackBerry to see whether the company might be poised for a good quarter and whether it's a good buy before it releases Q1 results.

### A look back at Q4 and the aftermath that followed

In the company's [most recent quarter](#), BlackBerry posted a decent result and was able to trim some costs from its financials, but it was also helped by fair value adjustments. Despite the earnings beat, investors weren't impressed with the results and the stock price would plummet in the days following.

From around \$16 a share the stock would go on to drop to the \$13 range until finding some support. The stock has since recovered and again finds itself priced at \$16, undoing the damage that its last earnings had on price.

### Financial health is improving

There can be a lot of noise in a company's income statement that impacts earnings, which can skew investors' opinions as to whether performance was good or not. Rather than looking at net income, it's the operating income that might offer more of an insight into a company's long-term health.

In BlackBerry's case, the company has been in the red in each of the past five quarters. However, it has been trending downward, as in the last 12 months, it recorded an operating loss of \$189 million, which is well below the \$428 million loss it posted in 2017 and the \$517 million loss from 2016.

The company is still in the middle of a very big transition, so it may still take a lot of time for it to get its house in order.

### **Good valuation minimizes investor risk**

BlackBerry trades at a very modest 17 times earnings and 2.6 times its book value, multiples that compare favourably against the industry averages. This is important because at the current valuation, the stock isn't trading at a big premium, which gives it a lot of potential to rise rapidly if the company releases a strong result.

### **Why the stock is a good buy**

In recent months we've seen cyber security take [center stage](#) once again as data breaches and concerns about privacy have weighed on the minds of many consumers and investors. As this trend continues, the opportunities for BlackBerry will continue to grow, as the company has positioned itself as a brand that is known for security.

Whether or not BlackBerry beats expectations this upcoming quarter, it still remains a good long-term buy as the opportunities that the company possess could generate a lot of growth in the years to come.

### **CATEGORY**

1. Investing
2. Tech Stocks

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