How Immune Is BlackBerry (TSX:BB) Stock to Market Turbulence?

Description

One overheated industry and one iconic Canadian tech ticker. While U.S. tech stocks try to rebound following their sudden meltdown last week, is the following potential growth portfolio addition a solid buy or a dodgy liability? Let's go through some of the data pertaining to one of the best domestic tech stocks to buy for capital gains and see how safe it is as the markets enter a period of uncertainty that has the potential to finally precipitate the end of an epic bull run.

BlackBerry (TSX:BB)(NYSE:BB)

Back in the day, BlackBerry was the quintessential must-have phone. Nowadays, the company is muscling in on the Internet of Things (IoT) market, delivering endpoint tech solutions for what is likely to become a huge market in the future. But for a whole generation of new investors, the name simply denotes a high-growth stock – more so than either a tech icon of the past or an Internet innovator of the future.

Whatever your bias toward this hotly contested ticker, the fact is that it is in the direct firing line of the North American tech stock selloff that bubbled over last week when markets started shedding value left, right and centre. Although this led to more than a few deals getting snapped up, the event proved just how volatile this overheated sector is likely to become as further uncertainty is injected into the stock markets. With this in mind, let's go through some of the value and quality data for BlackBerry and see just how secure it is.

An overpriced but solid growth stock

A one-year past earnings contraction by 157.4% compares pretty unfavourably compared to the Canadian software industry average of 13.5% which BlackBerry trounced its own five-year average past earnings growth of 59.4%. However, a 45% expected annual growth in earnings over the next couple years looks set to put BlackBerry back in the black.

Overvalued by almost four times its future cash flow value, negative P/E and PEG ratios leave multiples-based valuation down to a P/B of just over twice book. A third indicator would be good to go by, but from these two signifiers alone it is probably fairly safe to say that BlackBerry is overvalued at the moment. This, combined with some inside selling in the last 12 months, is a little off-putting. That latter also signifies fear among those in the know – and that often doesn't bode well.

So far so good, but what about quality?

Last year's negative ROE detracts from the overall quality of this stock, and underlines that +150% contraction in earnings over the past year. Don't expect dividends from BlackBerry, either; another black mark against this otherwise solid stock. In fact, in terms of solidity, a debt level of 30.3% of net worth combined with a $7 billion market cap show that BlackBerry is unlikely to be going anywhere soon.

BlackBerry's closest competitors include your usual FAANG stocks – that's right, the ones that have been taking a battering of late south of the border. Compared to those kinds of stocks, most of which are still overvalued, BlackBerry looks like good value despite clear overvaluation in terms of future cash flow value and assets. However, a P/B ratio of 2.1 times book isn't all that bad, especially not when you see some other tech stocks' per-assets valuation.

The bottom line

The Internet of Things is going to be a big deal for Canadian tech, with a number of big names becoming attached to an industry set to explode into wearables, open hardware, environmental monitoring, and the so-called smart grid, among other products and services. With every facet of society potentially capable of getting connected to the Internet, the possibilities for investing in related tech is huge. BlackBerry is uniquely placed to benefit from, and supply, IoT solutions, and as such constitutes an excellent pick for a domestic growth portfolio.

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