Value Opportunity! 1 Hot Canadian Favourite Beats Tanking Apple Inc. (NASDAQ:AAPL) Stock

Description

A revised quarterly earnings guidance from just one company was all it took to send markets into meltdown, as the latest FAANG implosion continues to roil the markets in ways few, if any, pundits might have predicted. With trade tensions, weak sales, and a nebula of jumpy investors combining to raise the perfect storm, let's go through the data and review exactly what's happening with two of the biggest North American tech stocks and see whether either of them belongs in a value-focused portfolio.

BlackBerry (TSX:BB)(NYSE:BB)

It might be time to forgive this domestic tech giant for that contraction in one-year past earnings by 91.3%. After all, Canadian software only returned about 7% in the same period. Over the last five years, though, BlackBerry has averaged earnings growth of 67.7%, so in terms of growth, at least, let's give this popular ticker the benefit of the doubt. Furthermore, an acceptable level of debt at 26.4% of net worth makes for a healthy stock that should be good to hold long term.

Tech stock value indicators are always fun to comb through, and BlackBerry has some truly wacky market variables today. Check out a wild-eyed P/E of 120.5 times earnings, negative PEG, and contrastingly acceptable P/B of 1.6 times book. There's a discount to be aware of, too, which we'll look at shortly.

Now for the bad news. While a lack of dividends generally means that you're looking at a capital gains or momentum stock, BlackBerry, unfortunately, has little to offer investors of either stripe: poor quality indicators such as a one-year ROE of only 1%, a negligible EPS, and an expected earnings contraction by 34.6% over the next couple of years certainly count this out as growth stock.

Meanwhile, momentum indicators are mixed: BlackBerry shed 2.09% in the last five days, likely as a result of a broad tech stock sell-off, its beta of 1.48 indicates moderate volatility against the TSX index, and its share price is discounted by 20% compared to its future cash flow value. In summary, there's a value opportunity in a fairly sturdy stock here for fans of long-term capital gains, but that forecast contraction may mean that some patience is required.

Apple (NASDAQ:AAPL)

This NASDAQ thoroughbred has shed 8.3% in the last five days, following a disastrous stumble that has caused chaos in the markets. Who would have thought that one of the head honchos of the FAANG gang would get hit so hard so soon in 2019 and with such far-reaching consequences?

Apple's core fundamentals deserve a glance at this juncture: though a P/E of 13 times earnings looks sane, a PEG of 4.3 times growth is too hot for a mild-mannered value investor's palate, and a P/B ratio of 6.9 times book is simply unacceptable in terms of value per assets. A dividend yield of 1.87% doesn't seem all that enticing in this light.

It's a better-quality stock than BlackBerry, though, so if you're a hardcore tech stock fan, you may want to plump for the American option. Check out a high past-year ROE of 56%, decent EPS, and (minimal but at least positive) 3% expected annual growth in earnings. Momentum-wise, a beta of 1.19 indicates normally fairly moderate volatility, while an 8% discount against future cash flow value adds up with that slim expected growth.

The bottom line

With Apple's alarming slide causing much more harm than simply knocking value off a few tech stocks, expect to see that ticker's woes continue for some time. A true value opportunity may be some time coming for Apple; however, there's likely a window opening for Canadian tech stocks if you've been keeping your eye on their valuations.

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