



Why BlackBerry (TSX:BB) Stock Fell 15% in May

Description

Kitchener-based **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) was flying along entering the month of May, up 27% year to date, including dividends. And then the wheels fell off, eliminating 15% of its gains in 2019.

Most times, when a company loses 15% of its value in a single month, there's often an event or catalyst that causes the fall from grace. In the case of BlackBerry, it's tough to find the cause.

Fool contributor David Jagielski recently [commented](#) that BlackBerry is a stock to watch in June because it delivered strong numbers in its fourth-quarter report and is likely to do the same when it reports its Q1 2019 results later this month.

For all of 2019, BlackBerry managed to generate a US\$131 million non-GAAP profit on US\$916 million in revenue. While revenues fell by 5.3% in 2019, earnings rose 70.1%, giving investors hope that the company is on the road to delivering consistent profits.

"This profitable growth is a clear indication that we have successfully pivoted to become an enterprise software company," CEO John Chen stated in March discussing 2019's results.

None of this would seem to suggest BB stock was ready for a fall.

Fool contributor Amy Legate-Wolfe recently [wondered](#) if a tech bubble existed in Canada. Although Legate-Wolfe doesn't believe Canada is experiencing a tech bubble at the moment, it is likely that BlackBerry investors opted to take some profits off the table. Its stock's been on a downward slide since announcing earnings March 29.

At the height of the tech bubble in 2000, 80% of the new IPOs didn't make money. In 2018, the percentage of IPOs that weren't profitable was even higher. Investors have become obsessed with user engagement numbers rather than profitable revenue growth.

It's currently trading at 44 times its 2019 non-GAAP earnings of \$131 million; investors were wise to take some profits.

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