



Down More Than 20% Since June: Is BlackBerry (TSX:BB) Stock Trading at Bargain Prices?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) shares have lost more than 20% of their value over the past three weeks and are now down more than 15% since delivering what the market viewed as a lackluster first-quarter earnings report.

But now with BB stock trading at less than \$10 per share on the TSX has the Waterloo-based tech company finally reached bargain-basement prices?

BlackBerry's latest earnings report certainly appeared to deliver the goods, at least as far as its top-line growth is concerned.

In the first quarter, sales were up across the board 16% year over year, while non-GAAP revenues were up even more, a reported 23% year-over-year gain, with the strongest generator of growth being the firm's revamped software and services division.

Within software and services, GAAP revenues were up 27% year over year and non-GAAP revenues were up also by an impressive 35% margin.

So, if the company continues to execute its [much-hyped turnaround strategy](#), then why exactly are its shares selling off?

Part of the reason may have something to do with recent allegations from an independent business news and financial organization that John Chen and company are guilty of promoting non-GAAP financial measures in place of GAAP (generally accepted accounting practices) — something that may catch the ire of the Securities Exchange Commission (SEC), a U.S.-based industry watchdog.

Following the allegations, the company has been quick to defend itself, stating, among other things, that “the information in our financial disclosures complies with U.S. securities laws” and that it believes “the non-GAAP information, together with our GAAP information, provides shareholders with valuable information regarding our financial performance.”

Whether those allegations are likely to lead to any sort of swift punishment being handed down by the SEC anytime soon will remain to be seen, yet there may be another factor at play that contributed to BB stock's recent sharp sell-off, and it's something that has a lot more to do with the underlying fundamentals of the company than any "market noise" or "headline risk."

That factor is simply that following three consecutive quarters of posting a net profit BB once again found itself back in the red during the first quarter.

Despite strong showings in terms of both its booked and billed revenues, the mobile technology company found itself once again unable to operate profitably during Q1.

Now, that may have something to do with the fact that during the first quarter, it began integrating its acquisition of AI and machine learning firm Cylance.

R&D spending, general administrative costs, and "other" expenses were all higher in Q1, collectively contributing to a \$64 million net operating loss.

Yet when a company makes a large acquisition — and the Cylance acquisition was the largest in BlackBerry's 35-year history — it isn't at all uncommon for the acquiring firm to see a spike in its costs for the first few quarters as it gets the "wrinkles" ironed out.

Foolish bottom line

Longer term, however, the Cylance merger could end up paying dividends for Chen & Co. (and shareholders) as the newly combined entity stands to benefit from being able to offer clients a more robust, mobile cybersecurity platform.

With the BB shares now trading not far off from their 52-week lows, now might be an opportune time to revisit this exciting [Internet of Things](#) stock.

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