Down 22% in September: Is it Finally Time Investors Gave Up on BlackBerry (TSX:BB) Stock?

Description

BlackBerry (TSX:BB)(NYSE:BB) stock fell another 22% in September, down now more than 29% year to date and more than 50% off its March 52-week highs.

It's been a wild ride for the company's shareholders, without question, but is the latest sell-off a sign that it's time you finally bailed on one of Canada's largest technology companies?

Or conversely, has this latest sell-off created what is now arguably the best opportunity in recent memory for investors to go all-in on the company's stock?

Q2 results a mixed bag … to say the least

To say that BlackBerry's latest quarterly results — and the market's corresponding response — were a little confusing would be an understatement.

GAAP revenues were up 16% in the quarter year over year, and non-GAAP earnings were essentially break even and right on target with analyst consensus for an expected loss of one penny per share.

Yet shares have continued to sell off very heavily following BlackBerry's latest earnings release, and here are the best justifications I've been able to come up with as to why that might be.

Investors are losing patience (and confidence) with the turnaround narrative

BB's CEO John Chen arrived on the scene in 2013 and recently had his contract extended through to 2023.

Chen is lauded within the investment community for his track record of turning around failedcompanies, yet the reality is that we are now in 2019 and more than five years into Chen's tenure.

Alongside the company's second-quarter earnings release, management reaffirmed fiscal 2020 revenue guidance to be up in the neighbourhood of 23-25% year over year. That news also came with the announcement that the company has hired a new chief of revenue.

In the wake of that announcement, there have been whispers among some in the analyst community that it could take time for the new revenue chief's plan to really take hold — a prospect that could delay Chen's ambitious turnaround plans that much further down the road.

Skepticism concerning the frequent use of non-GAAP reported numbers

This was an issue that first came to light earlier in the year.

However, at least to date, management has done little, if anything, to address concerns among some analysts and investors that the problem is being rectified.

By adding emphasis on non-GAAP measures, some could make the argument that BlackBerry is making things to appear better than the underlying reality.

Focusing on non-GAAP measures like billed sales rather than focusing on sales that have already been delivered helps to showcase future demand for the company's product offerings, but also runs the risk of over-promising and under-delivering against expectations down the road, not to mention that the costs associated with those sales have still yet to be incurred.

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