



37,500 Reasons BlackBerry (TSX:BB) Is an Acquisition Target

Description

There's no greater tragedy than a company that's past its prime. And, with its steady decline over the past decade, no other company exemplifies this tragedy better than Canada's most well-known technology company, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)).

Years before the iPhone was launched, Blackberry dominated the market for secure smartphones across the world. Since the launch, the stock has declined nearly 95%.

To their credit, BlackBerry's new management recognized the changing landscape and waved the white flag early. They gave up on making mobile devices and pivoted to providing enterprise solutions years ago. However, that hasn't been enough to turn the ship around and compensate shareholders for the tremendous value they've lost.

Nevertheless, BlackBerry is far from a failed enterprise. In fact, I believe there are precisely 37,500 reasons loyal shareholders should hold onto the stock and [value-seeking investors](#) should consider buying in at the current stock price.

Hidden value

BlackBerry's value now hinges on the vast portfolio of patents it has accumulated over the years. These patents, which were cutting edge when they were created a decade ago, are now basic elements in the smartphone ecosystem we now take for granted.

For example, the company's 500 patents which cover elliptic curve cryptography are a critical element in digital encryption and are licensed by mobile phone makers and software providers to secure their users.

Other patents could be just as critical and BlackBerry seems to have a treasure trove of such intellectual property on its books. Here's a statement from a quarterly report they published earlier this year:

“As of February 28, 2019, the Company owned approximately 37,500 worldwide patents and applications, with an average life of about 10 years.”

At the moment, the company generates revenue by collecting royalties on these patents. However, since they expire within ten years, I believe the best way the team can unlock value for shareholders is by selling the whole basket to a major phone-maker or technology giant south of the Canadian border.

According to some expert estimates, this basket of 37,500 patents could be worth close to US\$3 billion (C\$3.95 billion). Coincidentally, BlackBerry's market capitalization is also \$4 billion today.

In other words, the company's market price is on par with its basket of underlying assets. In case of an acquisition, shareholders can expect a substantial premium to the current price when the value of the BlackBerry brand and tangible assets like property and equipment are accounted for.

An acquisition driven by intellectual property rights would be nothing out of the ordinary in the tech industry.

Foolish takeaway

At its current price, BlackBerry's stock is worth less than the underlying basket of patents the company holds. These patents have a lifespan of nearly a decade and are essential for elements of the digital ecosystem we've all come to rely on.

Paying over \$4 billion to acquire BlackBerry and secure this patent portfolio should be a no-brainer for the trillion-dollar tech giants that sell smartphones across the world. In other words, BlackBerry is a solid buy for value-seeking investors.

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