



Black Friday Bargain: BlackBerry (TSX:BB) Looks Like an Absolute Steal

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) is an enterprise software company that's endured a slow and painful transition away from the business of smartphones and tablets.

Led by turnaround artist CEO John Chen, BlackBerry's future as an enterprise software solutions (ESS) player seems promising. Still, the transformation thus far has failed to yield meaningful fruit for patient investors, including Prem Watsa, CEO of **Fairfax**, who've stayed the course over the past few years.

For a company that's undergoing such a massive [transformation](#), investors looking to score significant gains need an extremely long-term time horizon.

The recent barrage of acquisitions, among other massive changes, have turned BlackBerry into a firm that has a tonne of "moving parts," making it tough for everyday investors and analysts to evaluate the business given the limited visibility into the company and the complexity of the BlackBerry's technologies.

BlackBerry owns some terrific assets (like QNX) and is poised to ride secular tailwinds within some of the hottest tech sub-industries out there, including IoT, ESS, and cybersecurity.

From a longer-term viewpoint, BlackBerry is on the right trajectory. Still, recent quarters were seen as significant [backward steps](#) by investors who can't be blamed for their impatience with the company.

BlackBerry doesn't pay a dividend, and with many long-term investors having nothing to show for their investment, it's tough not to want to throw in the towel after three straight quarters of missed expectations from the ESS business.

Competition in ESS is undoubtedly fierce, and it does seem like BlackBerry may be falling victim to competitive pressures once again, as it did when the company's phone business imploded. With all the change going on behind the scenes, it's tough to maintain conviction in the company, but given the recent sell-off, it does seem like BlackBerry is now oversold beyond proportion.

Missing the mark on ESS for three consecutive quarters has caused many sell-side analysts to adjust their expectations negatively. The bar is now set quite low such that a fourth miss, I believe, is far less likely. And a surprise beat could send the stock skyrocketing into the stratosphere.

BlackBerry is priced as though there's something fundamentally wrong with the company when, in reality, the company is just begging for a bit more patience. John Chen is a terrific CEO, even though the stock price may not be suggestive of such. And with the stock trading at 1.2 times book, I'd say the risk/reward looks very attractive going into 2020.

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Author

joefrenette

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