Long-term Investors: Buy BlackBerry (TSX:BB) Before It Bounces Back

Description

BlackBerry (TSX:BB)(NYSE:BB) has been a tough stock to hold over the past few years, even for the most patient of long-term investors (including the likes of Prem Watsa).

Not only does the stock not pay a dividend, leaving many with nothing to show for their year continued patience, but the company has also endured some discouraging trends of late, most notably weakness exhibited in the enterprise software services (ESS) segment that have challenged the original investment theses of many investors.

Indeed, BlackBerry is one of those deep-value investments that will stand to reward those who stick with the name through thick and thin, as the stock looks like one that could go from zero to one without a moment's notice (perhaps on a quarter that shows sustained momentum in its ESS business).

While the company is poised to enjoy long-lived secular tailwinds (in the realm of cybersecurity and internet-of-things), with promising technologies under the hood (the QNX operating system), the high degree of uncertainty, limited visibility from restructuring moves, and lack of catalysts make BlackBerry stock appear as an untimely and unworthy investment for those who consider a "long-term investment horizon" as being just a year.

The company is making massive changes behind the scenes, but with such massive changes come a set of risks that have been underestimated by investors over the years.

New acquisitions (including the the recent scoop up of Cylance) bode well for BlackBerry's growth profile, albeit also introduce further risks (integration risks) into a company that already has a tonne of moving parts.

Fortunately, the integration of Cylance is well ahead of schedule as of the third quarter and will open up encouraging cross-selling opportunities as fears over cyberwarfare look to mount through the 2020s.

Even if BlackBerry has a problem with sustaining organic growth, I'm a huge fan of BlackBerry's growing portfolio of cybersecurity products, which could further cement the firm's position as a leader in the booming space.

Through the eyes of a shorter-term investor who's looking for a quick buck, BlackBerry may be seen as a structural wreck that's fallen off the rails.

But for those looking to own a stock for the next decade, BlackBerry definitely looks like a dirt-cheap tech titan that's slowly and steadily evolving into an enterprise software player worthy of a significantly higher multiple.

The stock trades at just 1.4 times book, far too cheap for a company with the ability to grow its high-margin software revenues by the double-digits over the next five years and beyond.

I'd label BlackBerry as a deep-value play and urge investors to hang onto the name only if they see themselves adding to a position on a further dip.

As I mentioned in a previous piece: "The BlackBerry ship isn't sinking. It's just navigating through some very rough waters, and those who don't jump ship will be the ones that could reap massive rewards in 2020 and beyond."

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