



A \$200 Billion Canada Pension Fund Doubled Holdings in BlackBerry (TSX:BB) Then Dumped Disney (NYSE:DIS)

Description

One of the largest pensions in the world re-balanced its stock portfolio in the fourth quarter of 2019. Ontario Teachers' Pension Plan is a pension managing about \$201.4 billion worth of net assets. It sold and reduced holdings in animator **Disney** as well as coffee chain **Starbucks**.

The information was contained in the pension's filing with the Securities and Exchange Commission. In the same form, the disclosed trade of the Ontario Teachers' Pension Plan was the purchase of 11.2 million shares of **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)).

There must be a logical reason why the giant pension raised its total investments in BlackBerry to 19 million shares. Things are [unraveling](#), I suppose.

Losing proposition

BlackBerry investors lost 13.59% in 2019. If you look at the historical stock performance, the former device maker lost 17.36% and 36.90% in the last three and five years, respectively. It has lost big time in the past two years, too. Furthermore, the beta value is 1.41%, which means BB is sensitive to market volatility.

In fiscal 2019, net income fell by 77% compared with fiscal 2018. Market observers also note that BlackBerry moves up when the market is trending upward and declines when the market is going down. So, why did the Ontario Teachers' Pension Plan take a fresh position in a losing proposition?

Following a road map

I can only surmise that the giant pension took a position on BlackBerry because the company is on the verge of making significant profits. This \$4.47 billion provider of enterprise software and services is gaining ground through the software application business.

The company is operating in the Internet of Things (IoT) space, which is potentially worth US\$22 billion, with an estimated CAGR of 27%. BlackBerry expects to achieve sequential growth in revenue in several billion-dollar markets.

Endpoint security is worth at least \$14 billion (30% CAGR), while the market size for Unified Endpoint Management is \$3.2 billion (9% CAGR). Crisis Communications's CAGR projection is 34% in a \$3 billion market, and Embedded Software should be worth \$1.8 billion with a CAGR of 19%.

BlackBerry's executive chairman and CEO John Chen is confident that all software businesses should be generating healthy non-GAAP profitability and free cash flow, because the pipeline is growing. The company hopes to deliver against its product road map and execute its go-to-market expansion.

\$1 billion revenue in 2020

Management is upbeat on the financial outlook. BlackBerry should be generating \$1 billion in revenue for fiscal 2020, or growth of 25% versus the previous year. Likewise, earnings and cash flows should be positive. The improving demand for software application products is the [growth driver](#).

Analysts are bullish, as they are projecting BlackBerry to reach the \$14 mark by the end of 2020, or a rise of 73% from its current price of \$8.09. It seems that the Ontario Teachers' Pension Plan is raising its holdings because the company is building a dominant market share in software.

BlackBerry is not about to lose it, like what happened in the smartphone space. This time, the footprint it is carving out is for keeps.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/07/03

Date Created

2020/02/29

Author

cliew

default watermark

default watermark