Market Crash: Should You Buy BlackBerry (TSX:BB) at $5?

Description

It's tough to like **BlackBerry** (TSX:BB)(NYSE:BB) stock with shares now down a staggering 70% from its March 2018 highs. Based on traditional valuation metrics, the stock was already dirt cheap going into the coronavirus correction.

And after shares got pummelled further in March, the stock has fallen into deep-value territory, leaving many long-term holders with nothing but steep losses to show for their patience over the years.

In a prior piece, I noted that BlackBerry is suitable only for extremely long-term investors (those with investment horizons beyond 10 years) who would lick their chops at the opportunity to buy more shares on a further dip.

There's limited visibility into the company, and it's very easy to lose confidence, even as a long-term thinker racks up double-digit losses on a name that seems to have lost its way, with seemingly nothing going for it over the intermediate-term.

A tough transition, but BlackBerry stock begs for investor patience

The company is still in the midst of a massive transformation into an enterprise software company. There have been big bumps in the road and tall hurdles that the company has stumbled upon.

Still, in the grander scheme of things, I do see BlackBerry as a legitimate contender in the booming enterprise software space with its growing portfolio of value-adding cybersecurity products.

Don't expect much over then near-term, as there is a lack of catalysts, other than positive broader market news, that can propel BlackBerry stock out of its funk. Moreover, after nearly a decade of revenue decay, the company is going to need a lot more than just a decent quarter or a few compelling acquisitions for investors to put the troubled tech titan back on their radar.

"New acquisitions (including the recent scoop up of Cylance) bode well for BlackBerry's growth profile, [but they] also introducing further risks into a company that already has a tonne of moving parts," I said in a prior piece.

"I'd [still] label BlackBerry as a value play and would urge [extremely long-term] investors to hang onto the name only if they see themselves adding to a position on a further dip."

A glimmer of hope in a dark time

More recently, BlackBerry clocked in a pretty decent fourth quarter, with GAAP revenue up 11% year over year to $282 million. Still, the stock struggled to sustain a meaningful bounce in a market that's been in the grips of the coronavirus.

Moreover, BlackBerry's IoT business was seen as a major sore spot for the quarter, with a contraction of 12% year over year due to weakness in QNX as a result of a coronavirus-induced slowdown in the auto market.

Moving forward, the coronavirus is likely to continue taking a toll on the auto market, which could drag the IoT segment down over the coming quarters.

In due time, however, I do expect IoT to get back on the right track as BlackBerry looks to sustain meaningful top-line growth from recent acquisitions after years of top-line growth struggles.

Foolish takeaway

I see no significant catalysts for BlackBerry stock at these depressed valuations. However, super-patient investors should still consider nibbling on the name at $5 and change. Shares trade at a mere 0.79 times book, and if you've got a decade to wait, the name may prove to be a big winner over such an extended time horizon.

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