



BlackBerry (TSX:BB): Should You Buy Before It's Acquired?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)), the forgotten tech stock that's been undergoing a profound transformation over the years, has been [back in the headlines](#), with rumours that **Fairfax Financial Holdings** ([TSX:FFH](#)) is interested in scooping it up.

Back on June 1, BB stock popped following a *Street Insider* report that Fairfax had discussions to acquire the firm outright. Rumours continued to swirl over the following week, but to this day, Fairfax is in denial that it's looking to acquire the heavily out-of-favour firm that Fairfax CEO Prem Watsa seems to like very much.

No reason to believe it'll get any sweeter anytime soon

BlackBerry has been quite a sour investment for Watsa and Fairfax over the years. But knowing Watsa, who's known to be one of the most patient big-league money managers on the planet, he'd probably be all for a BB takeover if he were able to get the right price.

You see, Watsa is a deep-value investor at heart. And he'll only pay up if there were a reasonable chance of getting a massive discount to intrinsic value. Given the recent run-up in the talk following chatter of a potential takeover, I find it doubtful that Fairfax would be interested now.

While BlackBerry does have a cheap stock, you must remember that outright acquisitions come at a considerable premium to that of the market value of a stock. Knowing how value-conscious Watsa is, it's probably a wiser idea for the man to just buy more shares of BB on the public market to avoid having to pay a lofty multiple, especially if he's still content with management's progress.

Fairfax denies it's bidding for BlackBerry

After the recent pop in BB stock, I'd urge investors to steer clear of the name because of how fast Fairfax was to dismiss the rally-inducing report: "Fairfax is not currently making a bid, or engaged in making a bid, for BlackBerry," wrote Derek Bulas in an email sent to *BNN Bloomberg*.

Even if some talks were going on behind the scenes, a deal would probably be off the deal now given the run in the stock. This could change in time, however, should speculators looking to bet on a takeover start to grow impatient.

Even after the latest upward surge, BlackBerry is a dirt-cheap stock. Still, with limited visibility amid the coronavirus pandemic and all the moving parts of the business, I'd say now is not the time to back up the truck for the hope of some quick gains.

Foolish takeaway

Yes, BlackBerry is becoming a significant player in the cybersecurity and enterprise software service space. But without meaningful catalysts to get excited about, BB continues to look like an untimely investment. As such, I'd recommend waiting comfortably on the sidelines if you're not one to chase a stock with the hopes that it'll get acquired.

If you're keen on the name, it can't hurt to get some skin in the game today while shares trade at a mere 1.2 times book if you're willing to scale into a long-term position over time.

At these depths, though, Fairfax looks to be the far better value bet, as I called the stock ["one of the cheapest on the TSX"](#) in one of my prior pieces.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing
2. Stocks for Beginners
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:FFH (Fairfax Financial Holdings Limited)

PARTNER-FEEDS

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

Category

1. Investing
2. Stocks for Beginners
3. Tech Stocks

Date

2025/08/05

Date Created

2020/06/12

Author

joefrenette

default watermark

default watermark