



## Why it's Inevitable That BlackBerry Will Get Acquired

### Description

Shares of **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) surged last week as rumours circulated that **Fairfax Financial Holdings** was looking to buy more shares of the tech company. But whether it's Fairfax or someone else investing in the company, it's inevitable that someone will acquire BlackBerry at some point, and here's why.

### The COVID-19 pandemic has heightened the need for cybersecurity

One of the ways that businesses are adapting to the pandemic is that they're letting people work from home. It's not viable for every business, but for tech companies and people who work with computers, it's one of the ways businesses can remain operating without putting their workers at risk and having them physically come into the office.

But with that comes risk. One of the dangers for companies is that it means more information and data is shared remotely. And IT departments don't necessarily have the same level of control as they would if employees were in the office working on a company's internal network. A recent study done by cybersecurity company Tessian found that around half (48%) of employees who are working from home are less likely to follow safe data practices.

That opens up companies to a lot of risk, as [compromised data](#) can lead to costly lawsuits, especially when it involves sensitive information. That makes a company like BlackBerry, which focuses on cybersecurity and has an excellent reputation for privacy, incredibly valuable. The problem is that investors haven't been terribly excited about the company's prospects, as lacklustre sales numbers and a lack of profitability has made them hesitant to take a chance on BlackBerry.

Through the first five months of 2020, shares of the Waterloo-based tech stock were down more than 23%.

## BlackBerry is grossly undervalued

With a market cap of just \$4 billion, BlackBerry is not a terribly expensive stock to buy for a big tech company. And if shares of BlackBerry continue to falter this year, the price may become too good for a larger company to pass up. BlackBerry is a trusted name that's worked with the National Security Agency and that's been building its capabilities. In 2018, it acquired artificial intelligence company [Cylance](#), giving its cybersecurity capabilities another dimension.

But one of the concerns that's kept investors at bay is the company's lack of growth. In its most recent fiscal year, BlackBerry's sales were up just 15% year over year. The year before that, they were down 3%. However, there's still a lot of potential for the company that investors are ignoring. And with the stock trading close to its book value, it offers a lot of value to a potential acquirer.

## Bottom line

One of the reasons I've held on to my shares of BlackBerry is because I know the business is sound and a lot stronger than it was back when it was making cell phones. Its gross margins have been above 70% in each of its last 10 quarters. Although the company's incurred a loss for four straight quarters, there's reason to be optimistic that with a bit more growth it could consistently find its way back into the black.

COVID-19 may impact the timeline of when an acquisition of BlackBerry may happen, but it's a scenario that appears likely given the company's capabilities, the opportunities in the industry, and the stock's low price point.

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