



BlackBerry (TSX:BB) Could Skyrocket in a Correction to the Upside

Description

When it comes to enterprise Software-as-a-Service (SaaS) plays, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) stock probably offers one of the [best bangs for your buck](#) in today's market crossroads.

Sure, the same could have been said before the stock's latest spill. And while shares of one of the evolving software developer are likely to remain ridiculously volatile for the entirety of this pandemic, I think some of the more patient deep-value investors out there ought to think about getting some skin in the game sooner rather than later, as the stock looks to skyrocket through its mid-\$6 level of resistance.

BlackBerry: Who says you need to pay a pie-in-the-sky multiple to gain exposure to “hot” tech sub-industries?

BlackBerry provides investors with a front-row seat to some of the hottest tech sub-industries out there, including cybersecurity, enterprise software services, and the Internet of Things (IoT).

After a couple of stumbles and setbacks, the company that provides investors with sought-after exposure to some of the most lucrative markets out there trades more like a stalwart caught on the wrong side of a secular trend than a run-of-the-mill tech stock.

Make no mistake. BlackBerry isn't at the end of the road, even though its valuation suggests it's on its way out. The company is still in the midst of its major transformation, which, if successful, will allow patient investors to profit from some serious multiple expansion.

The company needs more time to prove itself, and once it does, most folks will be scratching their heads, wondering why they didn't back up the truck on the name when shares were trading at just over 1.4 times book — a multiple that's lower than most no-growth stalwarts.

The company had years to prove itself to investors, and with many folks throwing in the towel, why should you jump in now?

Of all highly liquid firms (BlackBerry sports an impressive 1.02 quick ratio) with stocks trading around their book value, BlackBerry is one of few names that's realistically capable of multi-bagger upside, as it strives to command a multiple that's more in line with its high-tech peers, many of which trade at valuations that are multitudes higher.

Nobody knows when such multiple expansion will happen, but if you consider yourself a deep-value investor who believes in the capabilities of management (CEO John Chen is one of the best when it comes to turnarounds), the timing of the upward move shouldn't be of too much concern to you.

BlackBerry stock looks like deep value at its finest

You see, value investors know that Mr. Market is prone to making mistakes with his pricing of certain stocks. Such mistakes are [corrected](#) (to the upside or downside) over time, but it can take years, if not decades, for a severe mispricing to be corrected. In the case of BlackBerry, the mispricing may prove to be steep, but it'll only be corrected once management can demonstrate that its ability to get its businesses all moving in the right direction.

Prem Watsa has been quite the raging bull on BlackBerry stock over the years. And it's been a pretty unrewarding ride for BlackBerry shareholders such as Watsa thus far.

But to quote almost every financial advisor out there, "past performance is not an indication of future returns." In the case of BlackBerry, that's a good thing for prospective investors who seek to ride the rebound in what could be a generational turnaround story in one of the most misunderstood tech stocks out there.

Foolish takeaway

If you believe in BlackBerry's seasoned management team, have the conviction (and patience) to hang on when stock movements suggest you were wrong, and have a good understanding of the complicated business that is BlackBerry, I see few reasons to pass up on the name while it trades at these unprecedented depths.

I think around nine out of 10 investors either lack the temperament, patience, or a full understanding of BlackBerry's business to justify making a contrarian bet. For the 10% willing to put in the homework in a company that has a tonne of moving parts, the rewards could be tremendous once BlackBerry's perceived mispricing has a chance to be corrected to the upside.

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Author

joefrenette

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