



BlackBerry (TSX:BB): Should You Buy at \$6?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) is a company that begs for investor [patience](#). The evolving enterprise software solutions (ESS) provider hasn't participated in the recent tech rally thanks to COVID-19-induced weakness in the automotive sector that's spread to BlackBerry's results.

The company recently beefed up its balance sheet with a liquidity position that will better allow it to survive this unprecedented crisis.

In the first quarter, revenues fell drastically by 17% on a year-over-year basis thanks in part to weakness in BlackBerry's QNX business, which experienced a pullback in royalty revenues.

Gross margins also declined to 69%, and with no meaningful forward-looking guidance, BlackBerry remains clouded in a ridiculously thick haze of uncertainty.

BlackBerry stock hits another bump in the road

Even before the pandemic disrupted BlackBerry's end markets, the ever-evolving turnaround story was tough for most investors to understand and value. There were a lot of moving parts in the company that were further complicated by acquisitions.

While BlackBerry does have a front-row seat to some of the most compelling tech sub-industries out there alongside a valuation that's too good for most deep-value hunters to pass up, there are few, if any, things to be excited about at this juncture.

Moreover, the COVID-19 pandemic could weigh further on BlackBerry, especially if a vaccine doesn't arrive promptly. CEO John Chen, who's a known turnaround artist, thinks BlackBerry can grow sequentially into Q2, with year-over-year growth in the cards for fiscal 2022.

Given how many bumps in the road there have been in the turnaround story, though, I remain skeptical.

BlackBerry still hasn't proven itself to investors

Many analysts and investors are still waiting patiently for the firm to prove itself. With the latest barrage of operational disruptions, though, people could be waiting many years for shares of BB to reverse course.

BlackBerry stock remains a perennial underperformer, and the longer this pandemic drags on, the less likely the company will be able to close enough deals to move the needle on the stock.

The ESS and Cylance businesses, as well as the launch of the Spark Suites, are positives for BlackBerry amid the pandemic-sparked work-from-home (WFH) shift. But until QNX can get out of its rut, I wouldn't be surprised if shares continued retreating towards the low single-digits.

That said, BlackBerry looks ridiculously cheap at these depths, with shares trading at just 1.4 times book.

Until management can prove itself, though, I'd urge most investors to look elsewhere, as BlackBerry looks like a very untimely investment compared to most other bargains available on the **TSX Index** today.

Foolish takeaway

As I wrote in a [prior piece](#), I'd only urge you to buy BB stock here if you're keen on the name and have the patience to wait for the longer-term turnaround story to finally yield fruit.

The COVID-19 pandemic is yet another setback for the evolving software company, so unless you're willing to hold the name for a decade, you could stand to lose big money in the name.

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