



Why BlackBerry (TSX:BB) Needs to Exit the Smartphone Market for Good!

Description

Everyone likes a comeback story. Think about John Travolta. Travolta was a superstar in the 1970s and early 80s during the time of disco music. However, when disco died, so did Travolta's career. He was out in the gutter (movie-wise) until Quentin Tarantino cast him in his 1994 classic *Pulp Fiction*.

Now, substitute John Travolta with **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)), disco with the 2000s smartphone craze, Quentin Tarantino with Prem Watsa, and *Pulp Fiction* with the new 5G phone. You have all the ingredients for a great comeback, except that it won't ever happen.

BB blew its advantage in the mobile devices space. To its credit, it moved on from being a phone maker into IoT and cybersecurity software. However, while the move has enabled it to survive, the company hasn't thrived. The COVID pandemic has affected the whole market but cybersecurity stocks have largely remained unscathed, except BB.

As Fellow [Fool Ryan Vanzo said](#), "(BlackBerry) shares still trade at three times sales, even though the competition trades at 10 to 30 times sales." You could look at this in two ways: BlackBerry is massively undervalued, or the market thinks it is not up to the fight anymore. I choose the latter. BlackBerry stock was trading at almost \$17.5 in 2018 and has consistently fallen since then to currently trade at \$6.25.

BlackBerry has outsourced smartphone manufacturing

Chinese telecom company TCL was making smartphones for BlackBerry until recently, when BlackBerry gave Texas-based OnwardMobility the contract to make new BB phones. In a press release, BlackBerry CEO John Chen said, "BlackBerry is thrilled OnwardMobility will deliver a BlackBerry 5G smartphone device with physical keyboard leveraging our high standards of trust and security synonymous with our brand ... We are excited that customers will experience the enterprise and government level security and mobile productivity the new BlackBerry 5G smartphone will offer."

This is the main reason why I don't think BB is a good stock to buy. The company still assumes that people want to buy its phones. In 2007, when BB stock touched a record of \$245, [it shipped out 11.76 million units of its phones](#). It peaked at 48.8 million units in 2010 and crashed to 19.3 million units in

2013, never recovering from there.

Mobile apps don't support BlackBerry anymore. Have you tried opening an Instagram story on a BB phone? The top of the screen is cut off. **Facebook** doesn't work smoothly either. Why am I focusing on apps like Facebook and BB compatibility?

Because the younger generation probably doesn't know what a BlackBerry device is. It makes no sense to talk about Tik-Tok and BlackBerry. A BlackBerry is going to be the last phone a Tik-Tokker would ever use. A business case for BB phones will have to start with the older generation who still reminisce about the BlackBerry keyboard and the pearl ball. The rest of the world has moved on from a physical keyboard and clunky BB systems.

John Travolta's movie career found a new lease of life because he moved beyond disco. BlackBerry is trying to get disco back. My bet is that it won't succeed.

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