



BlackBerry (TSX:BB): Finally Ripe for Picking?

Description

The recent [September sell-off](#) has been vicious for investors who overweighted their portfolios in high-momentum tech stocks with little regard for valuation. **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) is one of the tech darlings that not only didn't participate in the broader tech-driven relief rally, but it also gave up significant ground, as it felt the force of the coronavirus disease 2019 (COVID-19) impact.



The sluggish auto sector weighed heavily on BlackBerry's QNX business, which saw royalty revenues pullback significantly, dragging down BlackBerry's software and services segment, which needs to get sustainably in the green if BB stock is going to get out of its funk.

Although there's plenty of baggage to be had with BlackBerry stock at this juncture, the ridiculously complicated transformation story is worth buying into at these depressed valuations if you're a believer in turnaround artist John Chen.

If you're going to go against the grain with the name, though, you'd better make sure that you're an extremely [patient investor](#) who's willing to hang in there and run the risk of looking wrong for months, if not years, at a time.

A transformative story that's not yet finished

BlackBerry has yet to prove itself as a top contender in the enterprise software arena. There's plenty of up-and-coming competitors that could weigh on the BlackBerry's software and services segment and stop it from really taking off. If BlackBerry can pull it off and get its software services businesses all moving in the right direction, a slew of analyst upgrades could cause BlackBerry to pop in a brief time frame.

In the meantime, many have opted to take a wait-and-see approach with the perplexing name that has stumbled on its fair share of hurdles, the latest being the COVID-19 crisis.

While BlackBerry may not be ripe for the picking today, as the company continues to recover from a brutal pandemic-plagued first half of the year, the patience of investors with the conviction and discipline to ignore medium-term stock price moves could stand to be profoundly rewarded at some point over the next three to five years.

BlackBerry stock demands investor patience.

BlackBerry is a firm that begs for investor patience. As I've explained in the past, there are many moving parts in the complicated, difficult-to-value company that's been further complicated by a slew of acquisitions. With a management team that's reluctant to give guidance amid this crisis, it's clear that the name is not only investor-unfriendly, but it's also a perplexing stock for sell-side analysts to evaluate.

BlackBerry has a front-row seat to some of the most lucrative software sub-industries out there (cybersecurity, the Internet-of-Things (IoT), automotive infotainment). But having struggled to fire on all cylinders under the leadership of CEO John Chen, the stock now finds itself moving on short-term-focused events, with little consideration for the longer-term fundamentals.

As the economy rises from this pandemic, BlackBerry's QNX business is likely to bounce back in a K-shape, and its end-to-end Spark suite could begin to do more of the heavy lifting, both of which bode well for BB stock over the medium term. Execution remains the biggest question mark for now, but if you're a believer in management, I find few reasons not to pass up the stock now that it trades at 1.3 times book value.

Foolish takeaway

BlackBerry is a deep value stock that could enjoy a considerable amount of multiple expansion if it can

prove it can sustainably get things in the green. For now, shares look untimely and are likely to hover around in limbo. If you're like legendary investor Prem Watsa and are willing to look wrong for an extended duration, only then do you have my blessing to buy ice-cold shares of BlackBerry.

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