



BlackBerry Stock: Execution Risk a Key Risk to Consider Today

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) has been in the [headlines](#) this year. And for good reason.

The Canadian software company has found the limelight with the meme stock rush in late January. It's also been busy selling off its patent portfolio, developing key partnerships, and continuing its transition toward becoming a pure play on the software space.

Indeed, this stock has fallen sharply from its attempted short squeeze earlier this year. Now, investors may be considering whether this stock is worth a buy at these levels. BlackBerry stock is approaching the level it started the year at.

Accordingly, let's take a look at some of the things investors should take note of right now.

Earnings disappoint

One of the reasons BlackBerry stock has fallen from favour of late is relatively dismal earnings.

Indeed, the company's recent earnings call was disappointing on a few levels. The company didn't meet analyst expectations, and investors walked away wondering about the speed of BlackBerry's turnaround.

Last year's Q4 report saw the company report a loss of \$315 million. Its net loss grew from \$0.07 per share to \$0.56 per share on a year-over-year basis.

That's not the kind of growth investors expected.

While the company did note that other factors, such as lower licensing revenues due to pending patent sales led to the decline, execution risk has come into focus once again for investors. BlackBerry is a company that's been around for a while. Investors looking at picking up shares in this stock want to see quarterly improvements toward the company's turnaround goal. Right now, the company appears to be taking a step back.

Execution risk is a huge concern

Accordingly, BlackBerry is a "wait-and-see" stock for many investors right now. Until the company shows the kind of growth it's promising, I think many investors will stay on the sidelines.

Turnaround plays are inherently risky in the sense that investors are buying into a story. They're betting on a particular management team to fix what's broken. That's a much more difficult investment thesis for many investors who have the option of choosing companies with a proven growth trajectory.

Accordingly, until BlackBerry produces meaningful improvements, I think this is a stock that will continue to be under pressure.

Indeed, BlackBerry is a long-term turnaround play. While I think the company has some key partnerships and growth catalysts in place, I also understand the hesitation with jumping into BB stock right now. The proof is in the pudding, and right now, it appears investors don't like what they see.

Accordingly, this is a higher-risk, higher-reward growth play today.

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