



## 4 Key Takeaways from BlackBerry Ltd's Second-Quarter Report

### Description

**BlackBerry Ltd** ([TSX: BB](#))(Nasdaq: BBRY), a global leader in mobile communications, is rallying following the release of its second-quarter earnings, and shares have now risen nearly 40% year-to-date. Let's take a look at the four most important takeaways from the report and decide if a sustained rally higher could take place.

#### 1. The results were mixed compared to expectations

Here's a chart of what BlackBerry accomplished in the second-quarter of fiscal 2015 versus what analysts had anticipated and what it reported in the year-ago period.

Metric	Reported	Expected	Year Ago
Earnings Per Share	(\$0.02)	(\$0.16)	(\$0.47)
Revenue	\$916.0 million	\$942.9 million	\$1,573 million

Source: *Benzinga*

#### 2. The number of active BBM users rose significantly

BlackBerry reported 91 million active BlackBerry Messenger (BBM) users, up from 85 million at the conclusion of the first quarter. This is a significant increase from just three months ago and the company noted that it expects to have 100 million active BBM users by the end of the calendar year.

BlackBerry said it is targeting enterprise in developed markets and consumers in developing markets to reach this goal and it expects the number of users to continue growing in fiscal 2016, leading to over \$100 million in revenue in the BBM segment.

#### 3. Positive free cash flow was achieved

In the second-quarter report, BlackBerry reported \$115 million in net cash provided by operations and \$22 million in capital expenditures, resulting in a very healthy \$93 million of free cash flow. The

company has now generated \$369 million of free cash in fiscal 2015 and this number will likely continue to rise in the second-half of the fiscal year.

#### **4. There is a hoard of cash on the balance sheet**

At the conclusion of the second quarter, BlackBerry reported \$1.5 billion in cash and cash equivalents, \$1.2 billion in short-term investments, \$329 million in long-term investments, and \$68 million in restricted cash. This \$3.1 billion cash and investments balance is up 14.8% from the \$2.7 billion reported at the end of fiscal 2014 and is up 19.2% from the \$2.6 billion reported at the end of the second quarter in fiscal 2014. BlackBerry has not announced any plans as to how it will utilize this cash to grow its business, but it is safe to assume the management team has something in the works.

#### **Could this be the start of a sustained rally?**

BlackBerry's mixed second-quarter results sent its shares more than 5% higher on the day of the release and I think there is plenty of room left to the upside given the fact that shares still sit more than 35% below their two-year high of \$17.80 reached back in January 2013.

Foolish investors should keep a close eye on the price action of the shares in the days ahead and consider initiating long-term positions on any weakness provided by the market.

#### **CATEGORY**

1. Investing
2. Tech Stocks

#### **TICKERS GLOBAL**

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

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