



4 Reasons TD Securities Inc. Sees 30% Upside in BlackBerry Ltd.

Description

According to a new report from Daniel Chan at TD Securities Inc., **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY) has nearly 30% upside. Here are the main reasons why he is so optimistic.

1. Upside in the software business

As BlackBerry's hardware portfolio continues to shrink, the company has shifted its focus to software. And now it looks like this approach is paying off. In the last quarter BlackBerry's software sales came in at US\$183 million, an increase of more than 100% over the previous quarter.

Of course, the main cause of this increase was the US\$425 million acquisition of Good Technology. But most importantly, BlackBerry may now be at the point where software growth can offset declines in service-activation fees.

2. The hardware business

You won't hear many positive comments about BlackBerry's hardware business these days, but the company has made some meaningful improvements in this area. Most notable has been the outsourcing of production to Foxconn, which reduces costs and eliminates inventory risk. BlackBerry's shift to Android also helps to reduce costs.

At this point, BlackBerry can go in a couple of different directions. Either the company can continue making Android phones, which it will do if the Priv is a success. Or if the Priv fails to catch on BlackBerry will likely exit the handset business altogether, a move that probably will be applauded by investors. Either way, shareholders shouldn't have to suffer from steep handset losses for long.

3. The patent portfolio

While speaking at BlackBerry's annual general meeting, CEO John Chen described BlackBerry's patent portfolio as "an important aspect of our turnaround." And Mr. Chen has certainly been following through on these remarks.

The most notable example occurred during the first quarter, when BlackBerry signed a big licensing deal with **Cisco**, but there have been other deals too and all without extensive litigation. Just last quarter the company signed multiple deals worth a combined US\$53 million. And you should expect more deals in the years ahead.

4. The cash pile

Unlike other companies in turnaround mode, BlackBerry has a remarkably strong balance sheet with approximately US\$1.2 billion in cash and another US\$1.3 billion in “short-term investments.”

This money could be used in a number of ways. For instance, BlackBerry could make some more big acquisitions to boost its software business. Or perhaps the company could repurchase a large swathe of shares. Either way, Mr. Chen has all the time he needs to shape the turnaround. And TD Securities likes his chances.

CATEGORY

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2. Tech Stocks

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1. Editor's Choice

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