



## What to Expect From BlackBerry Ltd.'s Earnings Report

### Description

It's earnings time once again for **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY).

The embattled manufacturer of device hardware and software-services provider reports earnings this week, and analysts and investors are starting to fathom what type of story will unfold. Here's a rundown of what many are calling for and what this means for the company and investors.

#### The numbers game continues for the hardware unit

CEO John Chen has been quoted multiple times as saying that if the company could not come up with a compelling device (or devices) that sell in the area of three million units, he would shutter the hardware division once and for all, making the company solely a software and services provider.

Looking back over the past few quarters, there are several factors that suggest this time may soon be upon us.

First, new device releases have come almost to a halt. Over the past two years there have been a total of two device releases: the overpriced Priv flagship, and the oddly shaped Passport device before it. Neither device sold very well as they appealed to a very narrow audience and were initially priced well outside the range of what a typical user would want.

Second, sales of those devices are drying up. As previous devices become more outdated and get dropped by carriers, consumers looking for a BlackBerry device are forced to grab a higher-priced device, which provides a small bump for the company.

The company has noted that there are two more devices slated for this year—a keyboard-based device that is code-named the Vienna, and a touchscreen device known as the Hamburg. Both devices are rumoured to be released before the end of the year and are targeted as mid-ranged, mid-priced devices.

Investors shouldn't expect any bumps in hardware figures for the quarter; if anything, the figures will likely drop south of the 800,000 that analysts were targeting last quarter.

### **Software and services gains are likely to continue**

Unlike the hardware department, the software and services units of the company are breathing new life and revenue into BlackBerry. The company has long been seen as the *de facto* source for secure communications, and BlackBerry is marketing both software and services products to further expand this niche.

Over the past few quarters the company has steadily increased services revenue and, more impressively, the company gradually increased the portion of service revenue that is recurring to north of 70%.

The company's new cybersecurity consulting service also seems like a source of additional revenue for the company in the coming quarters; it will likely recommend additional BlackBerry service offerings as means of enhanced security.

### **Investors: if you forget hardware, BlackBerry isn't all that bad!**

BlackBerry has been identified for so long as a hardware manufacturer that the impressive gains in the past year in the software and services arm have flown largely under the radar.

Consider this: in the most recent annual report, software and services posted a non-GAAP revenue of \$153 million, a 106% increase over the prior year. While this is just over 30% of all revenue, it is a segment that is growing organically.

If the hardware division was shuttered and the resources from that area pooled into either cost savings or into additional software and services, the company would arguably be a very strong buy at current levels.

In my opinion, BlackBerry remains a risky investment. The company can—at best—hope to break even until the hardware unit is either shuttered or releases a device that is priced competitively and/or has mass appeal to consumers. As neither of these seem likely, there are much better investments to be had on the market.

### **CATEGORY**

1. Investing
2. Tech Stocks

### **TICKERS GLOBAL**

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Date

2025/07/31

Date Created

2016/06/20

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