



BlackBerry Ltd. Posts Quarterly Results: Are They Really That Bad?

Description

BlackBerry Ltd. ([TSX:BB](#))(NASDAQ:BBRY) really needs to stop making hardware.

There. I said it.

The company has been struggling to make a device that draws mass appeal for over five years, and, despite a renewed focus on software and services by CEO John Chen, the infatuation with devices continues to this day. Here's a look at how the company performed in the most recent quarter and why the company really needs to ditch hardware.

Quarterly results ... promising?

BlackBerry posted Non-GAAP total revenue of US\$424 million for the quarter, down from the \$487 million posted in the previous quarter. Non-GAAP software and services revenue of US\$166 million was realized for the quarter, which is up US\$13 million from the previous quarter. In terms of EBITDA, BlackBerry managed to post the 10th consecutive quarter of positive adjusted EBITDA. The balance for cash and investments at the end of quarter stood at US\$2.5 billion.

As colourful as those results may seem, BlackBerry posted an overall loss of US\$670 million for the quarter; the vast majority—US\$501 million—was attributed to asset write-downs.

In terms of hardware, the company realized sales of approximately 500,000 units with an average selling price of US\$290. This represents a drop from the 630,000 units with an average selling price of US\$315 posted in the prior quarter.

What does this mean moving forward?

During the meeting, Chen noted that the hardware unit needed to become profitable during the current year. Hardware sales have been on a decline for years, and whether or not the company can still bring a relevant device to market that will garner mass appeal remains to be seen.

BlackBerry does have two new devices planned to be released this year, both rumoured to be mid-tier

in terms of pricing and components. One of the devices is set to be a fully touchscreen and the other a physical-keyboard device. By many accounts, these devices represent the last attempts for the company to keep the hardware business.

Hardware aside, the company is starting to show real improvement. BlackBerry has posted increases in revenue of the services and software segment for multiple quarters now, which is both impressive, but it's been largely ignored because of the historical and emotional connection investors have with devices sporting BlackBerry's name. If there were no hardware business, the quarterly announcement this week would have been much more positive than it was.

Chen alluded to this, noting, "I personally do not believe devices are going to be the future of any company." This is especially true given the latest results.

In the coming quarters, the company will continue to grow in the software and services segment, while revenues from service-access fees and the handset business will continue to drop. The service-access fee drops are expected as legacy users transition to different platforms. As long as the hardware segment remains unprofitable, investors really should look for another company to invest in that offers some growth prospects.

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1. Editor's Choice

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