



## BlackBerry Ltd.: Improved Results, New Opportunities, But Still Too Risky?

### Description

First **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY) shuttered the hardware division and offloaded the design and manufacturing to a branding partner, and now BlackBerry is putting a focus on self-driving cars.

#### QNX to power the vehicles of the future?

QNX is the software that is BlackBerry's proprietary BB10 operating system and the operating system used in a variety of applications from nuclear power stations and medical systems to its use in upwards of 60 million vehicles already on the road today.

While the use of QNX is limited to infotainment systems and diagnostics today, BlackBerry hopes that the stable and secure system could be used as the operating system of choice in self-driving vehicles of the future.

Earlier this month, BlackBerry CEO John Chen met with Prime Minister Justin Trudeau in Ottawa to announce the opening of a BlackBerry QNX Autonomous Vehicle Innovation Centre. BlackBerry intends to staff the innovation centre with local engineers.

The announcement is just the latest in a string of changes over the past year that continue to redefine the company, which was once considered predominately a hardware manufacturer.

#### Improvements are coming, just slower than most would like

If there were one phrase that personifies BlackBerry's long turnaround, it would be "good things come to those who wait."

BlackBerry reported results for the quarter ending November 30 recently. In that most recent quarter, BlackBerry posted \$301 million in non-GAAP revenue with approximately 55% of the revenue coming from the software and services segment. Services access fees (22%) and the Mobility Solutions segment (23%) rounded out the revenue breakdown.

Cash on hand at the end of the quarter was down to \$1.6 billion from previous quarters, largely attributable to the costs required to transition the hardware business to more of a software licensing model.

Despite the view that the company is burning cash, the investments being made in the transition will yield revenue-producing opportunities in future quarters. BlackBerry CEO put this into perspective by noting on the result, "We remain on track to deliver 30% growth in company total software and services revenues for the full fiscal year. We are raising our outlook on profitability for FY17. We now expect to achieve non-GAAP EPS profitability for the full year, up from a prior range of breakeven to a five cent loss."

Considering that only a few quarters ago the company was burning through cash and making devices that nobody wanted, the change is nothing short of incredible.

### **Where does BlackBerry go from here?**

BlackBerry needs to continue down the path it has been trekking for the past few quarters. Margins are not only increasing, but they hit their highest level in company history during the last quarter. The company also has over 3,000 enterprise clients as of the last quarter; over 80% of all revenue from the software and services are now recurring.

Even BlackBerry's new hardware partner, **TCL Communications**, announced that new devices bearing BlackBerry's name will be shown at this year's CES event in Las Vegas. TCL's first two BlackBerry devices, the DTEK50 and DTEK60, have been met with largely positive reviews, but the company has yet to provide an update on how the devices have sold.

While BlackBerry is still considered a risky investment for most, the long-term potential of the company is starting to unfold. In my opinion, investors that are willing to take on more risk may want to consider a small position in the company.

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dafxentiou

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