

## This Growth Stock Could Be a Great Turnaround Story for 2018

### Description

This is the time of the year when many investors make their annual contributions to their retirement plans. If you manage your own RRSP, then I have a suggestion of a company that is in a turnaround situation.

Investing in turnaround stocks is a high-risk but a high-reward strategy. If you do your homework well, you might make returns in the triple digits. Turnarounds can be described as the ultimate contrarian play, since you're betting on a company other investors don't believe in.

In most cases, turnaround situations may involve bankrupt companies that need to sell their profit-making divisions, or companies that need to spin off unprofitable divisions. Here is my favourite turnaround pick for 2018.

### BlackBerry

Many investors have long given up on **BlackBerry Ltd.** ([TSX:BB](#))([NYSE:BB](#)) after its smartphone business collapsed and its share price tanked.

Those who lost their shirts in this trade probably won't even consider it, but for purely contrarian investors, the timing might be just right to get bullish on this beaten-up stock.

In 2017, BlackBerry's stock soared 47%, as investors started to look favourably to its [turnaround plan](#), which revolves around making the company's software and services business the key driver of its long-term growth.

The QNX operating system, which powers automobiles' infotainment systems, is forecast to be the second-largest component of the firm's software sales after its enterprise mobility management business.

One of the most important factors you should consider when picking a turnaround play is that you don't want to be in a dying industry. With the cyber security going to be the key theme in 2018 after numerous high-profile breaches, BlackBerry has positioned itself to be key player in this area.

The security of the operating systems of self-driving cars is a great selling point for auto manufacturers in this space, and that's where [BlackBerry](#) can squeeze a lot of premium.

The company's most recent earnings show that it's making headway in this direction and bringing the profitability back.

In the most recent quarter, BlackBerry's revenue from this division hit a record, helping the Ontario-based company to post US\$19 million in net income for the second quarter — a swing to profit from the loss it reported during the same period a year ago.

Its key software and services revenue rose \$185 million, making up three-quarters of the total sales for the period.

### **The bottom line**

Trading at the price-to-earnings multiple of 14, the company's valuation suggests there is a more room for capital appreciation if the company remains on the course to sustainability and growth in its earnings, and secures more long-term deals for its flagship software products. For contrarian investors, BlackBerry stock might prove a great turnaround bet for the next year.

### **CATEGORY**

1. Investing
2. Tech Stocks

### **TICKERS GLOBAL**

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

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