



## Can BlackBerry Ltd. Keep Growing From Here?

### Description

Looking at the one-year chart for **BlackBerry Ltd.** ([TSX:BB](#))([NYSE:BB](#)) makes me feel like I'm on a roller coaster. But throughout the roller-coaster ride, the stock has appreciated by 75% in one year, with 16% coming in January alone. If you had bought when [I'd recommended](#) at the end of July, you'd be up 33%.

Looking forward, I believe there remains considerable room for growth, presenting current and potential investors an opportunity to load up on even more shares of this stock. And, just as importantly, there's only so much downside for BlackBerry. As of November 30, 2017, the company's net cash balance was US\$1.9 billion (\$2.34 billion). The market cap of the company is less than \$9 billion, so about a quarter of its value is just cash.

So, with limited downside, we can focus on how well the company is doing — it's doing very well.

What would surprise people that haven't paid attention to BlackBerry over the past year is that the bulk of this growth isn't coming from handsets. Instead, it's focused on licensing its software and brand to third-party manufacturers. BlackBerry doesn't carry the risk and costs associated with launching a new device and gets to focus on creating secure software.

The numbers show that a focus on software is good. BlackBerry released its Q3 2018 results in December; it recorded \$190 million in software and service revenue with a gross margin of 74%. What is particularly exciting about the software and services revenue is that 75% is recurring. Predictable revenue is key to a company's success, and BlackBerry is doing fine on that avenue.

Looking forward, there are three things worth paying attention to.

The first is its QNX operating system, which is already in 50 million vehicles. But looking forward, autonomous driving is going to be a far bigger business. With QNX being trusted by the top three automotive tier one companies, there's little doubt in my mind that QNX will be leveraged for self-driving cars.

The second is its investment in BlackBerry Radar, which is a supply chain product. This allows trucking

companies to track where the trailers are, how full or empty they are, and reallocate resources as needed. Early customers have seen a 17% drop in the need for trailers, which boosts revenue for BlackBerry customers.

[According to one analyst](#), the QNX and Radar products could push BlackBerry to US\$45 per share over the next two to three years. And since they are both service revenues, they'll be recurring, which is what we want for BlackBerry.

The final avenue is BlackBerry's cybersecurity business. It purchased Encription Ltd. two years ago and has been scaling its consulting business. As more governments and businesses realize the need to be secure from cyberthreats, I fully expect BlackBerry to benefit from this increase in investment.

Ultimately, my thesis for BlackBerry is simple: there might be some ebbs and flows, but looking forward, BlackBerry has a great line of products and services that will help it scale. Therefore, I would recommend investors pick up shares.

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1. Investing
2. Tech Stocks

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