



BlackBerry Ltd.'s Earnings Top Q4 Estimates: Is the Stock a Buy?

Description

BlackBerry Ltd. ([TSX:BB](#))([NYSE:BB](#)) released its fourth-quarter results on Wednesday, and while the company still finished in the red, it did beat expectations. BlackBerry's adjusted earnings came in \$0.05 per share, finishing well above break even, which is what analysts were projecting for the company.

However, despite the positive results, the stock finished down a little more than 1% in trading by the day's end. Let's take a closer look at the company's results to see if the stock is a good buy today.

Sales down, but profits up

Revenues for the quarter were down more than 18% from last year, but BlackBerry did see an improvement in its bottom line, which experienced just one-fifth of the loss than it did one year ago.

BlackBerry's loss was smaller this quarter thanks in large part to a stronger gross margin, which came in at 76% compared to just 60% in the prior year. For the full year, the company's margins were 72% compared to just 47% a year ago as BlackBerry continues to transition to a more service-based business and away from the handhelds that once dominated its top line.

BlackBerry was also able to trim some of its operating expenses, as the company saw costs drop by 15% with fair value adjustments playing a big part, along with selling, marketing, and administration expenses, which were down by more than 9%.

Product mix continues to evolve

With BlackBerry increasingly moving toward services and away from cell phones, it's no surprise that it has been able to achieve higher margins in the process. A year ago, handheld devices made up nearly one-fifth of sales, while the segment contributed just US\$2 million in revenue this past quarter. While BlackBerry's system access fees made up 8% of its top line in Q4, the rest of the company's sales came from software and service-related revenues.

Although sales are down year-over-year, the company has been able to see strong growth in its service sales, and BlackBerry is also able to count a significant portion of those customers as

recurring, which will give the company a lot more stability in its top line.

Plenty of growth still ahead

While investors may be concerned that BlackBerry is moving away from the lucrative handheld market, the company's long-term future still holds plenty of great growth opportunities. BlackBerry has shifted its focus to [self-driving technologies](#) and on developing an operating system for autonomous vehicles. It's a long-term play that could lead to big-time results.

Recent [data scandals](#) and breaches have also turned investors' attention to safety and security. Indeed, BlackBerry has made a name for itself in cyber security as well, securing a deal with the U.S. government in 2017 to supply it with encrypted tools.

Is BlackBerry a buy?

While BlackBerry may not have the hype behind it that it did in its glory days, that doesn't mean it's not a good investment. In the past year, the share price has climbed nearly 70%, and it still trades at modest multiples of book value and earnings.

BlackBerry has a lot of potential, and as the company continues to string together strong results, investors will start to come back as well.

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