



## Is BlackBerry Ltd. Stock a Buy After its 4th-Quarter Earnings?

### Description

It seems it will take more than a better earnings report and winning new contracts for [BlackBerry Ltd. \(TSX:BB\)\(NYSE:BB\)](#) to impress investors.

Its stock is down more than 7% since the Waterloo, Ontario-based company said it beat analysts' profit estimates for its fourth quarter and predicted a strong billing cycle at its high-margin software and services business for the full year.

Excluding one-time items, BlackBerry earned US\$0.05 a share. Analysts on average had expected the company to break even, according to **Thomson Reuters**. Net loss narrowed to US\$10 million, or US\$0.06 per share, in the fourth quarter ended February 28 from US\$47 million, or US\$0.10 per share, a year earlier.

Revenues for the quarter, however, fell 18% from last year to US\$233 million, and that's something that made investors nervous; they are still not sure how long it will take for [CEO John Chen](#) to bring about a meaningful turnaround in the company's fortunes after it exited the smartphone business in 2016 and reinvented itself as a software security provider

The stock came under pressure after analysts, including Todd Coupland of CIBC World Markets, cut their price targets and warned that the short-term momentum in BlackBerry shares is not sustainable, unless the company shows a drastic surge in its flagship products, such as QNX.

The QNX operating system is the one of the main growth drivers for the company. The system empowers leading car makers to build secure software solutions that enables the future of connected and autonomous cars.

"BlackBerry's market opportunities in unified endpoint management and embedded software are significant and synergistic, and our innovation and execution give us confidence to be a leader in the Enterprise of Things," Chen said in the earnings statement.

In the last quarter of 2017, BlackBerry won 10 automotive supplier contracts, including the one from Chinese internet search firm **Baidu Inc.**, which plans to work with BlackBerry to develop self-driving vehicle technology.

Last month, the company said it will partner with **Microsoft** to provide a secure environment for Microsoft Office apps like Excel, PowerPoint, or Word. The product will help business users access the apps on Apple and Android devices.

### **The bottom line on BB stock**

I think the jury is still out on BlackBerry's future, despite some very encouraging signs on its new direction. In the latest guidance for the fiscal 2019, the company expects double-digit growth in its total software and services billings and a positive non-GAAP EPS.

Trading at \$14.35, shares are still up 36% during the past 12 months, but they have lost some momentum in 2018 and remain highly volatile. One thing that keeps me hopeful about BlackBerry's growth story is that software security is attracting a lot of investments from global corporate giants in an era of networks breaches and data sensitivities. BlackBerry is well positioned to take advantage of this opportunity after cutting costs and re-branding. Investors with a long horizon are likely to benefit if they are willing to wait.

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2. Tech Stocks

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