



BlackBerry Ltd.: The Focus Is Now on Growth

Description

Long-time investors who remember the small-screened devices that **BlackBerry Ltd.** ([TSX:BB](#))([NYSE:BB](#)) manufactured can also likely recall the massive decline of the company, as both Android and iOS devices began to take over as the predominate mobile operating systems.

That collapse led to a period of turmoil for BlackBerry, as the company brought forth a potential third option to the mobile market with BB10. The proprietary OS was based off QNX — the modular, secure, and very stable platform used in critical systems across the world from medical equipment to nuclear power plants. Ultimately, BB10 came to market late, and that cost the company in terms of user and developer adoption.

The Chen era is the beginning of the new BlackBerry

When BlackBerry appointed John Chen as CEO, the company was circling the drain. There was a lack of direction, no focus, and the company was far too large for the scale of operations which represented the new reality. Even BlackBerry's secure Enterprise segment, a long-time source of recurring revenue, was lacking any sense of priority at the company.

Chen instilled a sense of focus into the company, like all great leaders do. He shuttered the hardware division — something his predecessors could not do — opting instead to focus on Enterprise, Software and Services, and new areas that would provide revenue for upwards of a decade, such as investments into IoT as well as further developing QNX for use in autonomous driving.

Those moves have proved successful, as BlackBerry has returned to profitability.

In the most recent quarter, BlackBerry beat estimates on revenue and earnings. The Software and Services segment that Chen placed emphasis on registered a record quarter with \$218 million in revenue, representing growth of 16% year over year. Incredibly, 70% of that was recurring revenue.

The company expects the Software and Services segment to continue experiencing double-digit growth for the remainder of fiscal 2019 and free cash flow to be positive for the remainder of the year.

Welcome to the new BlackBerry.

There's more growth to come

There are three areas that BlackBerry is focusing on that will continue to drive revenue growth for the foreseeable future.

The first is BlackBerry's Enterprise business. The encouraging signals from the most [recent quarterly results](#) are a sign of the new norm, as businesses continue to flock back to the company. Chen has noted in the past that ramping up the sales force to garner additional Enterprise customers is going to be a priority, and based on recent numbers, that initiative is starting to pay off. It is no coincidence that all the G7 and three-quarters of the G15 world governments use BlackBerry.

BlackBerry's emphasis on security continues to play an increasing role in the company. As recent concerns over privacy continue to flood the marketplace, BlackBerry has conveniently launched a Cybersecurity Consulting arm to assist companies with implementing and addressing security concerns. Expect that segment to continue growing in the years to come.

Finally, there's the QNX arm. While BB10 may be long gone, QNX is installed and used in over 50 million vehicles today, powering the infotainment modules in an increasing number of vehicles. The opportunity for BlackBerry here stems from the industry movement towards autonomous driving, leveraging the power and security that QNX offers to become a central part of the solution.

In my opinion, BlackBerry remains an intriguing investment option for investors looking for long-term growth, and it's one of several [great tech stocks](#) for 2018 that are worth a review.

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