



Is BlackBerry Stock (TSX:BB) a Buy After a 9% Plunge?

Description

Despite all the positive news that [BlackBerry Ltd. \(TSX:BB\)\(NYSE:BB\)](#) Chief Executive Officer John Chen has been delivering this year, investors are not willing to budge. This was evident from the negative reaction its stock got last week when the company announced a better-than-expected earnings report for the quarter ended on May 31.

The share price of Waterloo, Ontario-based BlackBerry plunged about 10% on June 22 when the company beat analysts' estimates and reported a solid start to its 2019 financial year.

BlackBerry reported adjusted earnings of US\$0.03 per share, beating analysts' expectations of neutral earnings, while revenue was US\$213 million, thereby surpassing expectations of US\$208.02 million for the quarter.

The company is in the middle of a major turnaround after its smartphone business collapsed following stiff competition from the makers of iPhone and Android handsets. The company is trying to transform itself into a security software and services provider, focusing on the autonomous cars and internet security.

The latest earnings report showed that BlackBerry is having some success in attracting new customers and making inroads in this highly competitive segment. Its revenue from software and services rose 18% to \$189 million.

Uneven growth

The growth, however, was not reflected in all the segments of the business, making investors nervous. BlackBerry's enterprise software and services business had \$79 million of revenue, down 14% from last year, while revenue from licensing intellectual property was up 96% to \$63 million. BlackBerry Technology Solutions, which primarily consists of the QNX business, was up 31% at \$47 million.

"I am pleased that BlackBerry QNX software is now embedded in over 120 million automobiles worldwide, doubling the install base in the last three years," CEO Chen said in a statement.

But he also tried to manage expectations in a call with analysts when he cautioned that BlackBerry growth would be gradual, not sudden.

“Honestly speaking, that number was a little higher than I expected,” Chen said after his quarterly call with analysts.

The company’s net loss was \$60 million, or \$0.11 per share, for the first quarter, compared with a profit of \$671 million, or \$1.23 per share, a year earlier.

The bottom line on BlackBerry stock

As I have written in my [earlier articles](#), BlackBerry is a good pick for investors who have the patience to hold on to this stock for the next five years. The company is pursuing a growth strategy with a focus on all the right areas. Its software solutions to secure networks from hackers and other data breaches and its products for autonomous car makers have a huge growth potential.

Trading at \$14.16 at the time of writing, BlackBerry shares again are offering an attractive entry point to investors who are not in a rush. I believe it’ll be a good long-term bet.

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