



## 3 Powerfully Simple Reasons to Buy BlackBerry Ltd (TSX:BB) Today

### Description

**BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) has long been one of Canada's most fascinating companies. Its journey from a Waterloo start-up to smartphone giant to its recent reincarnation as a software company has been remarkable to watch. It isn't very often we can watch a company transform before our very eyes.

CEO John Chen and his team deserve all the credit in the world. BlackBerry went from a bankruptcy risk to a stable software operator. Is this the start of a glorious new beginning for the company? Or will it muddle along for years, not really doing much at all?

While I'm not sure BlackBerry will ever reach its former glory, there's certainly potential for the company — and its shares — to end up much higher over the next few years. Here are three reasons why.

### Security will be big

BlackBerry has shed most of its mobile phone assets. Sure, BlackBerry-branded mobile phones are still on the market, but those are made by third-party manufacturers. BlackBerry just helps with the marketing and takes a royalty fee off every phone. This is much smarter than trying to make phones on its own.

There's still one part of mobiles where BlackBerry is still king, though, and that's security. The company continues to work with tech giants to make their phones and software more secure. It also is expanding into the Internet of Things (IoT) market, where it will help make the latest generation of web-connected devices safe from hackers.

Gartner, which is a giant in the world of technology research and advisory services, [recently gave BlackBerry's security features top marks](#).

### Valuation

Investors are excited about tech stocks, and rightfully so. Just one breakthrough can send shares

soaring. Many investors are particularly excited about software companies, citing reasons like dependable revenue and high switching costs for customers.

Despite BlackBerry transforming its business into one focused on software, the stock still trades at a low valuation. In its most recent fiscal year — which ended in February — BlackBerry reported it generated US\$659 million in free cash flow. That puts shares at less than 10 times that metric today. Investors should note analysts think free cash flow won't be as high this year.

It also generated [US\\$43 million worth of profit in its most recent quarter](#), which is more than double the US\$19 million it earned in the same period last year.

BlackBerry's balance sheet is also in great shape. It's sitting on more than US\$2.1 billion worth of cash and a very manageable amount of long-term debt. It has the ability to make a big acquisition, which could send shares much higher.

### **The free option**

In 2017, BlackBerry's self-driving car finally started tests on Canadian roads. A few months later, the company signed a deal with Chinese search engine **Baidu**, which would see the two companies cooperate in the space.

BlackBerry shares originally popped some 13% on news of the Baidu deal. Those gains were short-lived, though, with shares down approximately 25% since.

It's obvious BlackBerry or any of its technology peers aren't going to fix the self-driving car problem anytime soon. It will take years for the software needed to power these projects to be ready for mass adoption. Thus, investors focused on the short term are valuing this potential at zero.

I argue it should be worth something. If BlackBerry can figure this out, it will easily be worth billions.

### **The bottom line**

BlackBerry has done a nice job transforming itself from a phone maker to a software company. It's time for the company to take the next step and start growing again. It has positioned itself for this to happen. Now it's time to execute. If management can pull this off, patient investors who got in at today's low price should be quite happy.

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