



Get Your Share of The Future With BlackBerry Ltd. (TSX:BB)

Description

[Cybersecurity](#), or the protection of internet-connected systems, will explode in the next few years as more and more machines are connected and the Internet of Things industry hits its growth projections of more than doubling by 2021 (relative to 2017 levels).

BlackBerry Limited ([TSX:BB](#))([NYSE:BB](#)) is on top of this trend.

Last week, the company announced its \$1.4 billion acquisition of Cylance, a next-generation cybersecurity provider.

In a deal that is attractive both financially and strategically, BlackBerry has officially elevated its game with this transformational acquisition.

Here are the reasons that long-term investors may want to consider piling into the stock.

Attractive deal metrics

Although the price paid for Cylance equates to 10 times current sales, the company is growing at high double-digit rates (i.e., 90% revenue growth in fiscal 2018), translating to a multiple of seven times forward sales.

One might argue that this is on the high side, but if the long-term growth rates of cybersecurity hits its potential, as I believe it will, this could prove to be a very successful transaction.

Also, the deal is expected to be accretive to adjusted EPS within one year, effectively making use of BlackBerry's ample cash flow without leaving it dry.

As of last quarter, the company had more than \$2 billion in cash, so BlackBerry is moving forward after this sizeable acquisition with this financial strength still in hand.

Strong secular growth businesses

BlackBerry has increased its presence in the cybersecurity industry, which is seeing strong [secular growth s](#)

ince new CEO John Chen took over; this latest acquisition solidifies this move away from the handset and phone businesses.

This, along with Blackberry's increasing presence in the automotive, connected car business, makes BlackBerry stock a good long-term buy, and as its industries of focus come to realize their growth potential, BlackBerry will be taken for the ride assuming it continues to execute well.

Recurring revenue

The company's recurring revenue is increasing as a percent of total revenue, and now accounts for 81% of revenue with management expecting this number to increase to over 90% within a year.

This effectively reduces the risk inherent in BlackBerry stock, and will drive increasingly stable revenue and earnings growth.

BlackBerry stock at lows

BlackBerry's stock price has rallied a bit off of 52-week lows, but has fallen almost 30% year-to-date.

But the stock is showing renewed strength off of this deal, and although the strength is not dramatic, it is a positive sign in a market that has been increasingly nervous in general.

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Date

2025/07/25

Date Created

2018/11/27

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