



3 Takeaways From BlackBerry Ltd's (TSX:BB) Impressive Q3 Results

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) reported its third-quarter results on Thursday, which showed the company coming in above analyst expectations. Both revenues and profits were higher than anticipated, despite sales being flat from last year. Overall, there were three things that stood out to me from BlackBerry's earnings.

Strong sales growth in key segments shows the company is making good progress

While sales look to have shown no growth, what's important is the sales mix, as a year ago the company would have still been benefiting from legacy-related revenues. In this most recent quarter, handheld devices contributed nothing in sales compared to a year ago when they totaled US\$9 million. The company's technology solutions showed year-over-year sales growth of 23%, while licensing, IP, and other revenues rose by 36%. Software and services were slightly down from last year but still looked to be stable, nonetheless.

It was actually a very strong quarter in terms of sales growth for the company, and it's a big improvement from [Q2](#).

Noticeable change in sales by region

A year ago, BlackBerry had a very good mix of sales with North America making up less than 60% of its top line, but this past quarter we've seen a big shift:

Region	November 30, 2018	November 30, 2017
North America	66.8%	58.8%
Europe, Middle East and Africa	24.8%	30.5%
Other regions	8.4%	10.7%

Over the past few quarters, we've been starting to see sales move more towards North America, and given the change in business, it shouldn't be a big surprise. However, the downside is that there is a little less diversification and more dependence on the domestic markets than there was in the past.

Improved financials with tighter cost control

As important as it is to grow sales, costs cannot be ignored either. And here, BlackBerry has also done a very good job of strengthening its financial position as operating expenses of US\$112 million were down significantly from a year ago when it incurred US\$426 million in costs, although [those results](#) were weighed down by arbitration charges.

Sales, marketing, and administration costs were down over 22% this past quarter, and amortization expenses also came down by more than 10%. BlackBerry has also been able to spend less on research and development, with expenses there also being down by 8% from last year.

Overall, the company was able to post a profit thanks to the stronger cost structure, and it was the second consecutive quarter it was able to stay in the black, averaging a very impressive 23% profit margin over the past two periods.

Should you buy BlackBerry on these results?

BlackBerry is a good long-term buy, as it has quietly been doing a very good job of changing and improving its business model to be more sustainable. It may not be as exciting or popular as it was a decade ago, but in exchange it now has a stronger footing in the industry. The stock has a lot of potential and could be due for a rally, especially on these strong results.

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