



Is it Time to Buy This Transforming Tech Stock?

Description

On the surface, it seems **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) is doing worse than it was several years ago, as its revenue has been declining for a number of years. However, investors have to understand that it has been going through a major transformation.

BlackBerry's transformation

BlackBerry used to generate a lot of revenue from handheld devices — specifically, US\$884 million in fiscal 2016. In fiscal 2018, it generated only US\$64 million from the segment. The weight on revenue now rests largely on its software and services segment, which was 80% of fiscal 2018 revenue, or US\$747 million.

The software and services segment consists of three units: enterprise software and services, BlackBerry technology solutions, and licensing, intellectual property and other.

BlackBerry's customers include large commercial banks, insurance, healthcare, and aerospace/defence companies, as well as all seven of the G7 governments and 60 million vehicles from leading auto manufacturers.



Cybersecurity

With no shortage of data breaches in this digital age, cybersecurity will become increasingly important, as more things are connected to the internet, because it would mean more points for attacks.

[Cybersecurity is one key area of focus](#) for BlackBerry. So, the company decided to acquire Cylance, which develops artificial intelligence to predict and prevent cyber threats.

BlackBerry is acquiring Cylance for US\$1.4 billion. Although it's a big question whether BlackBerry is overpaying for the company, Cylance will be [a strong growth area](#) for BlackBerry, as it already has clients around the world, including Fortune 100 organizations and governments. Cylance will continue to operate independently and be led by Stuart McClure, one of the founders of the company.

Is BlackBerry profitable?

Based on adjusted earnings, BlackBerry started turning a profit in fiscal 2017. It became even more profitable in fiscal 2018 — reporting net income of US\$405 million, or diluted earnings of US\$0.74 per share. It looks like its net income will decline in fiscal 2019, as in the first nine months of the year it reported net income of US\$42 million. So, it's likely that BlackBerry will be profitable. However, the earnings will be lumpy.

In fiscal 2018, BlackBerry generated US\$704 million of operating cash flow. After accounting for capital spending, its free cash flow generation was US\$689 million.

In the first nine months of fiscal 2019, BlackBerry generated US\$82 million of operating cash flow. After accounting for capital spending, its free cash flow generation was US\$68 million. Similar to its earnings, BlackBerry's cash flow will likely be lumpy.

Investor takeaway

In the last few years, BlackBerry has spent a substantial amount of revenue (more than 21%) in research and development. Hopefully, the investments will lead to innovation and help drive growth in

revenue and profit. The company continues to transform rapidly with the latest addition of Cylance, which is expected to join the company by the end of the month.



BB data by YCharts. BlackBerry's multi-year price action.

Now is a good time to pick up some BlackBerry stock, as it has corrected meaningfully and is trading near its multi-year low.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/09/30

Date Created

2019/02/06

Author

kayng

default watermark

default watermark