



BlackBerry Ltd (TSX:BB) Posts a Strong Q4: Has the Company Turned Things Around?

Description

BlackBerry Ltd ([TSX:BB](#))([NYSE:BB](#)) got a big boost on Friday as its share price was up over 13% after the company released its quarterly results. BlackBerry finished the year strong as sales climbed to US\$255 million, for an increase of 9% year over year. Although it was a modest improvement from a year ago, it came in above the US\$241.3 million expected by analysts.

What's more important, however, is the breakdown of where sales have been coming from. Its licensing and IP segment saw sales hit just under US\$100 million, which was a more than 70% improvement from the prior year. Technology solutions also saw a solid growth rate of 20%. These are good signs for BlackBerry as the company's strategy to grow these segments has clearly been paying off.

One of the benefits of repositioning its business is that as BlackBerry moves more toward services, its gross margin benefits. In Q4, the company's gross margin was a remarkable 81%, a noticeable improvement from the 76% it achieved last year. For the fiscal year ending February 28, 2018, gross margin was only 72%, back when the company would still have had a lot of legacy sales included and less service-based revenue.

The improved gross margin has helped BlackBerry generate a much stronger bottom line. Despite the strong growth, BlackBerry saw its operating expenses decline from a year ago, even though it did benefit from an increase in fair value adjustments. Most notably, selling, marketing and administrative costs were down by more than \$20 million for a year-over-year improvement of 17%.

Overall, BlackBerry's net income of \$51 million came in well above the \$10 million loss it incurred last year.

Company looks to build on strong results

BlackBerry had a good quarter, and it still expects to continue that growth into 2020, as it still has many

opportunities to grow its brand. The more that we see cybersecurity and [privacy issues](#) take center stage, the more demand we'll see for BlackBerry's products and services. It also helps that last year BlackBerry [acquired](#) AI company Cylance, which will help add to even more potential growth for the company.

Has BlackBerry turned things around?

BlackBerry has been in a transition for a long time now. And while it is showing some positive growth, it's nowhere near the company it was a decade ago. However, the reality is that it might never generate the types of revenues it did back in its heyday, which doesn't mean that it's a bad investment.

The company is instead building a more stable, profitable brand that can grow and create value for shareholders. While BlackBerry did generate nearly US\$7 billion back in 2014, it also incurred losses of almost US\$6 billion. The company has definitely turned around its business into a profitable one, which is very important to investors. While it may never reach the same level of sales or popularity that it did before, the company has become a much more stable, safer investment today.

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Date

2025/07/03

Date Created

2019/04/01

Author

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