



## Why Did BlackBerry Ltd (TSX:BB) Stock Jump 47%?

### Description

**BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) stock has been ripping higher this year.

While the TSX index is up 14% year to date, BlackBerry shares have risen by an impressive 47%. Last week, shares popped by 15% in a single trading session.

Why are investors suddenly piling into shares?

### Finally, we've arrived

In 2016, I [wrote](#) that “BlackBerry is finally giving up.” I had been waiting to publish that headline for years, especially after BlackBerry’s CEO revealed he didn’t believe devices would be the future of any company.

If BlackBerry was giving up on devices, what was the future of this once-renowned tech company?

When fellow tech company **Apple** began prioritizing services growth over devices, the market cheered. These revenue streams are incredibly profitable and sticky. Services often come with subscriptions, meaning consumers pay for them month after month, year after year. Devices, for comparison, are one-time purchases, typically every other year.

While BlackBerry’s transition has taken years, there are plenty of signs that the future has arrived. Take a look at some recent headlines and you’ll quickly realize this isn’t the BlackBerry of yesterday.

For example, in November, BlackBerry partnered to develop new approaches for high-net-worth digital security. A few days later, BlackBerry announced that it had become a HIMSS Certified Consultant, meaning it can now integrate its service offerings into major healthcare initiatives around the world.

Most importantly, BlackBerry acquired artificial intelligence and cybersecurity company Cylance for \$1.4 billion in cash. Management noted that they will immediately integrate the Cylance team into its segment that makes software for next-generation autonomous cars.

As you'll see, these moves have helped build a reliable source of revenues for BlackBerry while positioning the company well to tap some of the largest growth opportunities of the 21st century.

## The new BlackBerry

A few quarters ago, BlackBerry reported software and services revenue of \$200 million. Roughly 80% of those revenues were considered "recurring," meaning they'll repeat themselves nearly every quarter.

At the time, I'd [commended](#) BlackBerry's management team for their ability to "execute an impressive turnaround." That turnaround, it seems, is still continuing.

Last quarter, software and services revenue hit nearly \$250 million for the first time, helping generate EPS of \$0.08 versus a \$0.06 loss the year before.

Today, BlackBerry is a brand-new company, with higher levels of profitability, attractive revenue streams, and ample growth opportunities. As future quarters roll in verifying the company's transition, don't be surprised to see the market continue to re-rate the stock higher.

## This story is still new

BlackBerry stock has popped higher this year, but don't think that the upside is now fully priced in.

BlackBerry shares now trade at roughly five times its software and services sales. That's below the level of many other tech companies focused on high-growth areas like cybersecurity, healthcare, and self-driving vehicles. Many of those competitors aren't profitable like BlackBerry either.

It seems odd to trust a legacy company like BlackBerry, but its new management team has transformed the company exactly how it intended to. If they can continue to execute, the market should continue to reward shareholders.

### CATEGORY

1. Investing
2. Tech Stocks

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