



Is it Time to Take Profits in BlackBerry Ltd. (TSX:BB) After its Latest Earnings Report?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock fell 5.35% to open April. Shares have still climbed 7.7% over the past week. The stock surged after the release of its fourth-quarter and full-year results for fiscal 2019 on March 29. Early last week, I'd recommended that shareholders [hold on tight](#) ahead of the earnings release.

BlackBerry stock has now shot up over 30% in 2019 so far. Early this year, I'd explained why I thought BlackBerry [was a steal](#) priced under the \$10 mark. Now the stock is hovering at the middle of its 52-week range. Its earnings report inspired confidence in investors, even as profit and revenue fell year over year. CEO John Chen announced a forecast of revenue growth between 23% and 27% in fiscal 2020.

Is this reason enough to hold onto BlackBerry, or should investors take profits in April? The post-earnings bump put BlackBerry briefly into overbought territory. Now the stock sits at an RSI of 59, which puts it closer to neutral territory. As far as its technical are concerned, BlackBerry is not dangerously overvalued. In fact, it has merely recouped its losses dating back to late 2018.

In the article linked above, I said that BlackBerry has been a frustrating technology stock to own. CEO John Chen has captained an impressive comeback for the former hardware giant, but shares have continued to battle volatility. There have been more explosive options in the tech sector for investors chasing growth, but BlackBerry's potential is still worth getting excited about. To add to that, BlackBerry stock has still outperformed the broader Toronto market benchmark since the arrival of John Chen.

Its strong revenue growth projections suggest that BlackBerry has firmly established itself as a top enterprise software company. BlackBerry still offers its hardware, but the shift to software has been the key strategic push during Chen's tenure. The company has improved its cash position since his 2013 arrival. It sits at a cool \$1 billion, even after the \$1.4 billion acquisition of Cylance. BlackBerry aims to integrate Cylance into its QNX offering, which is primarily focused on the automotive industry.

The automated vehicle sector is still at a very early stage, which is why BlackBerry is focused on

achieving what calls “design wins” in the near term. This will give it a steady flow of licensing revenue, which was a high performer in the fourth quarter of fiscal 2019. John Chen said that the company projects IP and licensing revenue to hit \$270 million in fiscal 2020.

BlackBerry continues to be a leader in the fast-growing cybersecurity sector. Its footprint will be bolstered by the acquisition of Cylance. BlackBerry will set up a U.S.-based subsidiary in Washington to work more closely with its U.S. government customers going forward.

Should you look to sell BlackBerry today?

BlackBerry stock is due for a breather after such a hot start to 2019, but this stock has room to run in the long term. Its transition to software has allowed it to establish a strong footprint in industries that are set to post big growth in the coming decades. This is still a stock to hold into the next decade.

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aocallaghan

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