



Is BlackBerry Ltd. (TSX:BB) Stock's Momentum Sustainable?

Description

By looking at its stock chart, it seems **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) stock has found new momentum. Its shares are up more than 30% this year, massively beating other benchmark indexes.

But the key question for this company, which failed miserably in its bid to become a leading player in the smartphone business, is this: are these gains sustainable? Trading at \$12.81, [BlackBerry stock](#) is still well below the level it was trading a year ago.

Investors lost their shirts investing in BB in 2008 when its stock was trading around \$150 a share and then took a sudden plunge and never recovered. Since then, BlackBerry is trying to find its place in a market that has changed drastically.

Under CEO John Chen, BlackBerry exited its phone-making business and transformed the company into a software service provider, focusing on internet security and new markets, such as driverless cars.

It began offering a range of different product lines, such as systems to manage an entire company's stable of mobile phones, for the finance and automobile sectors and various government agencies.

New growth areas for BlackBerry stock

The company's latest quarterly earnings report suggests that BlackBerry is finding some success in its new direction. Revenue from the company's software and services division, a key growth metric, hit a record US\$248 million on an adjusted basis in the company's fiscal 2019 fourth quarter, up 14% from a year earlier. Its licensing sales surged 71% to \$99 million.

"We delivered on all of our fiscal 2019 financial commitments and created a solid foundation for continued profitable revenue growth in fiscal 2020," said Chen in an earnings statement last week.

Last year, the company won many big deals that showed the strength of its software solution business, including winning licence deals for its QNX software and Certicom security technology to big names, such as Jaguar Land Rover, and a deal to provide security capabilities to mobile products produced by **Microsoft**, its once-bitter rival in the smartphone business.

This year, BlackBerry made the US\$1.4 billion acquisition of Cylance, a California-based artificial intelligence and cybersecurity firm.

The deal, the biggest under Chen's leadership, is a strategic addition to BlackBerry's end-to-end secure communications portfolio. Its AI technology is likely to accelerate the development of BlackBerry Spark, the secure communications platform for the Internet of Things.

Bottom line

Though [BlackBerry](#) remains a turnaround company that yet has to show sustainable profitability, its shares could prove a good contrarian bet in 2019. The company's promising outlook for its fiscal 2020 and its acquisition of Cylance indicate that the company is on a solid path to recovery and its stock might sustain its current momentum.

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Date

2025/07/01

Date Created

2019/04/03

Author

hanwar

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