



3 Ways BlackBerry (TSX:BB) Is Emerging as a Strong Buy

Description

Over the past few years, few, if any companies have garnered as much [controversy](#) or vastly differing opinion as **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)). On the surface, there's a good reason, or rather bias, for that logic, which, to be perfectly blunt, is that a lot of investors were burned by BlackBerry. The company made a very public and painful transition from being the original (and one-time largest) player on the smartphone market with a hardware-first to a software-first company that no longer directly makes those iconic devices that it was known for.

Here's a look at the ways BlackBerry has not only overcome that former stigma but is now a stronger, leaner company and a great long-term buy.

The hardware and licensing niche

Yes, BlackBerry no longer directly makes those iconic, small keyboard devices, having passed that torch onto several OEM partners around the globe that develop and bring to market new devices that bear BlackBerry's name. That hasn't stopped those devices from being extremely popular among the high-productivity crowd that say devices such as the Key2 are some of the best devices on the market.

To be clear, BlackBerry isn't going to have a hardware renaissance any time soon, but its hardware-oriented partners are catering to a selective niche that nobody else on the market can currently match.

Turning to the licensing side, few investors may realize that BlackBerry has an impressive patent portfolio, which the company is now not only actively enforcing violations of its IP but also licensing out those patents to other companies in a variety of different sectors. In the most recent quarter, that licensing and IP segment saw a near doubling of its revenue to US\$99 million.

Software and security

As BlackBerry transitioned more towards being a software-first shop, the company also turned the focus back towards its roots in advancing its software enterprise suite, where the bulk of revenue is

recurring and, unlike the niche market that applies to the former hardware emphasis, can be device agnostic.

That software and services segment realized impressive double-digit gains in fiscal 2019, with revenue growth hitting 13% year over year.

Security comes hand in hand with software, and despite the fact that BlackBerry has always been synonymous to many with security, the company only recently opened itself up to providing security and consulting services to a growing number of clients.

That opportunity is only going to grow in the next few years, and BlackBerry's US\$1.4 billion purchase of Cylance is core to that opportunity.

QNX and automotive market

One of the biggest technological milestones emerging on the market at the moment has to do with autonomous driving. To be clear, the sheer number of connections, systems, and sensors required to make a fully autonomous vehicle move safely around a populated area is mind-numbing, but BlackBerry has a noted advantage in this regard, which the company is actively working on and marking significant progress.

To illustrate the autonomous vehicle endgame, think of a list that comprises everything that a fully autonomous vehicle can (or should) do. Each of those can (or eventually will) be satisfied through some safety sensor or system in a vehicle, many of which are emerging already on the market today with catchy systems that can be paired to things that all drivers learn through experience — for example, adaptive cruise control and a blind-spot monitoring system.

So, where does BlackBerry fit into all of this? That would be QNX.

QNX is the name of BlackBerry's secure, modular, and scalable operating system that is already used in a variety of industries and, more importantly, powers the infotainment systems of over 120 million vehicles on the road today. QNX is positioned to be that central processing unit that can take the feedback from those independent systems and decide what needs to happen next.

With dozens of automotive manufacturers and OEMs already signed on and using QNX, this is one area where BlackBerry has [major long-term potential](#).

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