Is BlackBerry (TSX:BB) Stock Still a Buy?

Description

It's been a wild ride for investors with **BlackBerry Ltd.** (TSX:BB)(NYSE:BB).

The company has been on one of the worst roller coaster rides in the world, going up and down so often only to come crashing down again. It's enough to make anyone nauseous.

Yet there are still those who tout BlackBerry as a phoenix rising from the ashes, namely, that now is the time to buy ahead of an incredibly bright future. But others aren't so sure. Even if you're considering this stock as a buy-and-hold option rather than a get-rich-quick scheme, there are analysts who believe that this stock still has quite a few hurdles ahead of it.

So let's take a look at whether BlackBerry is still a buy.

The new BlackBerry

Forget mobile phones: BlackBerry has pretty much solidified itself as an enterprise software company, which starts with security. The firm already has a solid foundation with its mobile phones when it comes to cybersecurity, so expanding into this area was pretty much a no-brainer.

The stock received a bump after acquiring Cylance earlier this year, a leader in cybersecurity and artificial intelligence. But the beginning of June saw another bump after the stock started to droop due to achieving FedRAMP status for its cloud-based enterprise management suite. This gives BlackBerry some great exposure and will bring in government agencies from around the world.

New BlackBerry, new money

This can be viewed as both a good and bad thing. On the one hand, BlackBerry has had some strong quarters and will continue to see revenue growth, but royalty revenue from its mobility segment solutions and high-margin service fees have taken a nosedive, leaving analysts unsure about when the company will see true “success” as it did years ago.

Of course, acquisitions like the one with Cylance is a positive sign, but it also demonstrates how the company is unable to grow its top line organically. Until this happens, as service fees dwindle and costs from acquisitions rise, it’ll be hard for this company to come away with cash for shareholders.

Risky stock, with long-term rewards

For those willing to wait, I think this stock could possibly give investors some rewards down the road, but it will likely take some time. As I’ve mentioned, even with some strong earnings results, the stock just has too much riding on service fees. BlackBerry hemmed and hawed for too long when it came to dropping its mobile services, and it’s still suffering because of it.

Now that the company has washed its hands of this industry, its new areas of expertise will take some time to bring in the cash investors expect from this top stock. While it may never return to the $100 share range, it’s likely to increase far beyond the $11 per share it trades at as of writing. For those with patience, this stock could bring shareholders some serious cash. In the meantime, however, it remains a risky investment.

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Date
2025/09/28
Date Created
2019/06/25
Author

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