



Should Shareholders of BlackBerry (TSX:BB) Stock Be Panicking Right Now?

Description

The downfall of one of Canada's most beloved technology companies is well documented. This past week, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) investors feared it was déjà-vu all over again, as shares tanked on disappointing first-quarter results. On the day of earnings, shares fell by as much as 10% — the biggest single-day decline in over a year.

As of end of day Thursday, the stock is down 14% since releasing first-quarter results. The drop effectively wiped out [any yearly gains](#), as BlackBerry's stock is now in negative territory (-0.62%) year to date. Over the past year, it hasn't fared any better, losing 25% of its value.

Is it time for investors to press the panic button?

First-quarter results

Although positive earnings of \$0.01 was better than the breakeven quarter expected, revenue came up short of expectations. A big part of the revenue miss was the disappointing performance of newly acquired cyber-security firm Cylance.

In February, the company closed on the \$1.4 billion acquisition Cylance, and analysts were expecting stronger revenue contributions. Cylance didn't grow as much as expected, and there are new concerns as CrowdStrike Holdings, Cylance's main competitor, is growing at a higher rate. The acquisition was the largest made by the company in seven years and is expected to position the company as a leader in cybersecurity.

Likewise, although revenue grew 16% over the first quarter of 2019, sales from its software and services unit slowed. As BlackBerry continues to transition from its legacy business, the bulk of its revenue is generated from these units. Re-named under the Internet-of-Things banner, the segment posted revenue of \$136 million, down from \$147 million last quarter.

Of note, BlackBerry is also caught up in some turmoil. According to MarketWatch, BlackBerry's reporting of non-GAAP adjusted revenue metrics could put the company at risk with the SEC. Although

the company quickly denied allegations, it's worth monitoring, as other companies have been fined for similar practices.

Of note, the company's adjusted revenue number added another \$20 million to revenue, allowing it to "beat" analysts' expectations. On a GAAP basis, revenue missed by \$18 million.

Positive takeaways

It is not all bad news. Before first-quarter earnings, the company announced that its security and connectivity software (QNX) was installed in 150 million vehicles. This is a 25% jump over the previous year.

Despite lower-than-expected revenue, the company also reaffirmed [full-year 2020 targets](#). It expects adjusted revenue growth of 25% at the mid-range of guidance. Once again, however, it is worth pointing out that this is a non-GAAP number and is not reflective of GAAP revenue.

A show-me stock

If you are new to BlackBerry, then expect significant volatility. As a "show-me" stock, any blips in the radar can lead to significant stock pressure. What happened after first-quarter results is a perfect example of the downside of owning the stock. On the flip side, positive news can also lead to significant gains.

This is not a stock for the conservative investor. Given the company is operating in a highly competitive industry, I'd like to see more consistent revenue and earnings growth before buying the stock.

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