



## Should You Buy BlackBerry's (TSX:BB) Stock After Earnings?

### Description

**BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) continues its transformation from a smartphone giant to a company that provides cybersecurity services. The Ontario-based tech firm recently [released](#) its Q1 2020 financial results. These were important because they were the first since the company officially closed its acquisition of Cylance, a California-based cybersecurity company. How did BlackBerry perform during the quarter?

### Revenues and earnings

For the past few quarters, BlackBerry has been reporting revenues that exceed consensus Wall Street estimates. The tech firm delivered again, at least as far as its top line was concerned. The company's non-GAAP \$267 million revenues was a 23% increase year over year, and about \$2 million above the consensus estimates.

GAAP revenues were \$247 million, and were also an improvement compared to the corresponding period of the previous fiscal year. BlackBerry's non-GAAP earnings per share of \$0.01 decreased by 67% year over year, but was still above the \$0.00 estimates.

### Cylance acquisition

BlackBerry made a lot of noise with the Cylance acquisition late last year. The acquisition was officially completed in February of this year, however. The \$1.4 billion deal — the largest such deal in BlackBerry's history — was meant to bolster the firm's Cybersecurity business, among other things. Unfortunately, investors were not at all impressed by Cylance's first contribution to the company's top line.

Revenue from Cylance was \$32 million, which was relatively disappointing. That may be the main reason why BlackBerry's stock stumbled by as much as 13%, the most it has fallen all year, after the tech firm's earnings were released.

## Should investors worry?

While BlackBerry's financial results may have fallen a bit flat of expectations, there were some encouraging signs. Note for instance that revenue for the software and services segment grew by 27% year over year, and Cylance's revenue growth was spurred by a 30% increase in the number of subscription customers year over year.

BlackBerry is not done integrating Cylance within its operations. According to BlackBerry's CEO John Chen, the firm is actually ahead of schedule as it pertains to integrating Cylance within its core business.

Further, these financial results were enough for the company to double down on its guidance. Thus, BlackBerry still expects full-year revenues to rise by about 23% to 27%. Cylance should play an important part in this growth, as its revenues are expected to grow by 25% to 30% for the year.

If everything goes according to plan, or at least roughly follows the path BlackBerry set for itself, the tech company's transformation should continue relatively smoothly.

## The bottom line

The hardware business now looks like ancient history for BlackBerry. Its new focus on Cybersecurity and the Internet of Things is slowly bearing fruit. Sure, the firm still has an extremely high future price to earnings ratio, which currently stands at 39.26.

Since BlackBerry has yet to prove it can consistently succeed in this new business, betting on the company may be a bit risky. But there is definitely potential upside to its new ventures. Perhaps BlackBerry could be a growth stock worth considering.

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