



BlackBerry (TSX:BB) Could Face a Massive Correction to the Upside

Description

It's been a forgettable past year for **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)), with shares [plunging](#) over 30% from March highs, surrendering all the gains posted in the first quarter of the year. With the stock now sitting at \$9 and change, we're now slightly below the low reached during the Christmas crash of 2018.

Everybody is fearful right now, and that's precisely why I think it's time to get greedy with the name. The stock is dirt cheap, and the long-term fundamentals still appear to be intact.

BlackBerry reported some underwhelming first-quarter fiscal 2020 results, and although the market reacted negatively, I think there were encouraging positives for long-term thinkers.

The Enterprise Software and Services (ESS) segment was virtually flat on a year-over-year basis, disappointing many investors who expected more from BlackBerry's IoT business. It is worth noting that Spark, BlackBerry's new secure Enterprise-of-Things platform for IoT devices was recently revealed and could be a source of meaningful growth moving forward.

Could Spark spark a rally for BlackBerry stock?

As 5G infrastructure continues to be rolled out across the globe, IoT is poised for take-off, and given BlackBerry's reputation as a security kingpin with such ultra-secure products like its QNX operating system, I'd say BlackBerry Spark is likely going to be a natural first choice for many IoT product makers that understand the repercussions of skimping out on cybersecurity measures.

Spark won't send shares of BlackBerry soaring anytime soon, but for investors willing to hold the stock for at least five years, I think now is as good a time as any to get in the name while the valuation remains depressed. The company is expected to invest further in Spark, and although it won't spark a near-term rally, I am a massive fan of the platform's future potential.

Major progress on Cylance

Management noted that it's running ahead of schedule with the integration of [Cylance](#) and that it's gone "very well," especially with UEM. The commentary is nothing short of encouraging, but investors didn't seem to care all that much, as the first-quarter results themselves were difficult to look past.

Moving into the new year, I expect Cylance to be a meaningful driver of sales, and given integrations are going smoothly, I see significant upside for BlackBerry shares over the coming months, as investors begin to better appreciate the new addition to the company's already robust portfolio of offerings.

Foolish takeaway

I just don't get it. The quarterly numbers themselves weren't stellar, but progress with Cylance and the recent reveal of Spark ought to have investors licking their chops. I understand the businesses may be difficult to understand and future sales hard to predict given the highly competitive nature of the industry, but at today's valuations, it's tough not to want to back up the truck.

The stock trades at 1.4 times book and 3.9 times sales. A low price to pay for a quality tech stock that could evolve to become an ESS king.

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