



BlackBerry (TSX:BB): Buy the Dip?

Description

Former smartphone giant **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) is now moving in an entirely new direction. The tech company's core operations revolve around cybersecurity services, a promising and lucrative industry. However, BlackBerry recently released its second-quarter earnings report, and despite strong revenue growth, there are reasons to be wary of the company's future.

Decelerating growth

To be clear, there are several facts and figures in BlackBerry's financial results that seemed encouraging. The firm's top line grew 22% year over year, and its software and services revenues — which is now BlackBerry's largest segment — saw its revenues grow by 30% year over year. Further, more than 90% of the company's revenues now come from recurring software services. When put in perspective, though, these results aren't particularly impressive.

First, the tech firm's software and services revenues actually declined sequentially. Although this was not a significant decline (about 2.5%), it is nevertheless noteworthy. Second, the year-over-year revenue increase of 22% was slightly below its 23% increase recorded in the first quarter. Again, that's not a huge difference, but for a company that is supposed to be on an upward trajectory, it matters quite a bit.

Perhaps most importantly, BlackBerry's organic revenues actually declined slightly year over year. The company was able to record an apparently strong growth thanks to its Cylance acquisition. On that subject, it is also worth noting that Cylance's revenue growth of 24% during this quarter was well below what the company had anticipated. In other words, things aren't going the way BlackBerry expected them to. The firm's guidance for the full year now predicts revenue growth in the 23-25% range compared to its previous expectations of 23-27% growth year over year. No wonder investors were unimpressed with BlackBerry's results. [The firm's shares dropped by as much as 22%](#) on the day its results were announced.

Should you buy?

On the one hand, there is still hope that BlackBerry's new venture will prove to be fruitful in the future. After all, it is still very early in the company's attempted turnaround. It wasn't that long ago that BlackBerry was still known as a smartphone company, so investors should exercise patience. That being said, however, BlackBerry's financial results have become less and less impressive.

Despite the firm making several major acquisitions, its core cybersecurity business as well as its Internet of Things segment seem to be struggling to take full flight. All of this spells trouble for the company. Sure, the fact that most of BlackBerry's revenues come from recurring contracts is a strength, and the company will likely make more moves in the future to further improve its prospects. But all things considered, BlackBerry doesn't seem particularly attractive at the moment.

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Date

2025/08/18

Date Created

2019/09/30

Author

pbakiny

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