



Should You Buy BlackBerry (TSX:BB) Stock After the Latest Crash?

Description

The Internet of Things (IoT) is supposed to be the next trillion dollar industry as 5G networks enable the connection of nearly anything imaginable to the internet.

The pundits might be right, but so far the early buzz around IoT might have gotten a bit ahead of itself, and a number of the stocks that enjoyed nice rallies in recent years on hopes of massive new revenue streams from the segment have not yet delivered on the hype.

Let's take a look at **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) to see if it deserves to be on your [buy list](#) today.

Finding a new niche

The meltdown of BlackBerry's phone unit is a good example of how difficult it is for tech innovators to maintain a leadership position in a new market. At one point, the BlackBerry phone was the coolest gadget on the planet and an essential communications tool for companies worldwide.

Unfortunately, the competition did a better job of figuring out what consumers wanted out of their mobile phones, and BlackBerry's presence in the market went from number one to pretty much non-existent.

IoT

The company has worked hard to reinvent itself as a software firm, specializing in the IoT segment with a focus on its legacy strength, security.

The QNX software has had success in the automotive industry and is branching out into medical, robotics, and industrial automation.

Earlier this year, BlackBerry made a big cyber-security bet, spending \$1.4 billion to buy privately-held Cylance. The addition of the artificial intelligence and cyber security company was supposed to boost

BlackBerry in its efforts to become the planet's largest AI-cybersecurity firm.

The benefits have not yet materialized in the way the market hoped, and sustained profitability remains a challenge.

BlackBerry just reported quarterly results that missed analyst expectations, primarily due to weak numbers in the IOT division. Revenue in the enterprise software and technology solutions groups slipped 5% to US\$134 million. Analysts were expecting US\$150 million.

Heavy investments connected to the integration of Cylance resulted in a net loss for the quarter of US\$44 million, compared to a US\$43 million profit in the same quarter last year.

Investors hammered the stock, driving it down 30% in the following four sessions, from the September 23 close of \$9.93 to \$6.96 at the close last Friday.

Should you buy?

Demand for security is increasing around the globe, and Blackberry remains one of the most trusted names in the industry.

However, with a market capitalization of just \$3.8 billion and limited resources, it might be difficult for BlackBerry to raise and invest the funds needed to scale up to compete with the U.S. tech giants.

The stock could bounce in the near term on bargain hunting, and it wouldn't be a surprise to see BlackBerry get acquired after the latest rout. As such, a small [contrarian](#) position might be of interest on a takeover play, but I wouldn't back up the truck to make a long-term bet.

The potential for success is definitely there, but investors are losing patience, and the market might not give BlackBerry the time it needs.

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