



BlackBerry (TSX:BB) Stock Hits 4-Year Low: Is it Worth Buying?

Description

BlackBerry ([TSX:BB](#)) has fallen again into the abyss after rising to \$13.47 at the end of the first quarter. The shares of the former smartphone manufacturer and now software provider slid 22.6% following disappointing second-quarter earnings results.

The company fell short of consensus estimates on the revenue side with a corresponding huge net loss. There were questions regarding the use of non-standard numbers, which did not conform to Generally Accepted Accounting Principles (GAAP). With the stock down to a multi-year low, is it time to buy?

Weak demand and increasing competition

The revenue of BlackBerry for Q2 2019 rose by 1.2% from \$210 million to \$244 million from a year ago but below the consensus estimate of \$268 million. The company registered a net loss of \$44 million after posting a \$43 million profit for the same period last year.

On an adjusted per-share basis, BlackBerry recorded breakeven earnings. According to management, the performance of the company was affected by the investments connected with Cylance. BlackBerry bought the cybersecurity company last February and is in the process of being integrated into its business.

The Waterloo, Ontario-based company is struggling because of weak demand for its products and increasing competition. The sales from BlackBerry's Internet of Things business, which covers the enterprise software and technology solutions units, fell by 5% to \$134 million versus a year ago.

Cylance contributed \$51 million in sales, while revenue from the licensing division increased from \$56 million to \$71 million. The other segment posted \$5 million in sales. BlackBerry's executive chairman and CEO John Chen said the positive reception on BlackBerry Intelligent Security is encouraging.

BlackBerry will be launching several exciting new products in the next six months. The company is integrating its endpoint management and AI technologies and capabilities on one platform to address

the high-growth endpoint security market.

Biggest loser

Fairfax Financial Holdings, the company of Prem Watsa, who is known as [Canada's Warren Buffett](#), lost more than \$160 million in his top five listed Canadian investments. The main contributor to Fairfax's losses was BlackBerry.

Paul Rivett, Fairfax's president said, "Since we started in 1985, we always take a long-term view and we believe these recent price moves are short-term fluctuations on only a few of our stock holdings." He added, "It is also worth mentioning that half of our BlackBerry position is in a convertible debenture."

Growth drivers needed

At the beginning of the year, BlackBerry was showing signs of a major comeback. The stock was able to gain momentum, as investors were expecting the broader endpoint security market to pick up steam.

BlackBerry's acquisition of Cylance is part of its strategic mission to gain a significant market in the endpoint security market that is estimated to be worth \$11 billion.

The collective market share for all the next-generation endpoint security players, including Cylance is less than 10%. With continued innovation, there is room to grow.

Despite the terrible quarterly earnings, analysts see no downsides but plenty of growth drivers for BlackBerry in 2020. You can [buy on the dip](#) and heed Prem Watsa's advice. Have a long-term view on BlackBerry and don't look at short-term fluctuations.

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