Why BlackBerry (TSX:BB) Stock Fell 23% in September

Description

I have been high on **BlackBerry** (TSX:BB)(NYSE:BB) stock over the course of John Chen's reign as CEO. Chen look over as BlackBerry CEO back in November 2013. At the time, the company was reeling from the sharp decline of its hardware business. BlackBerry was a top smartphone option in the late 2000s, but the arrival of the **Apple** iPhone and the advancements made by its Android competitors buried the once-dominant hardware business.

BlackBerry still offers hardware, but it has been severely diminished. Chen led a push into software, where the company has become a leader in cybersecurity and has entered the promising automated vehicle sector with its QNX division. Still, BlackBerry is a fraction of its original size, and there are lingering questions over its growth as we move into the next decade.

Shares of BlackBerry dropped 23% in the month of September. The stock had declined 30% in 2019 as of close on October 2. When we kicked off September, I'd explained why I was still bullish on BlackBerry. Suffice it to say, it is time for me to eat some crow. Let's explore some of the reasons for this sharp reversal.

Disappointing earnings

The company released its second-quarter fiscal 2020 results on September 24. Non-GAAP revenue rose 21% year over year to $261 million, but this fell short of consensus estimates. BlackBerry stock enjoyed a big run up after releasing its Q4 and full-year results for fiscal 2019 in late March. The company projected revenue growth between 23% and 27%.

This forecast was revised downward after its second quarter-earnings release. BlackBerry is now projecting revenue growth between 23% and 25% for the full year. The only business that retreated in the quarter was enterprise software and services, which Chen blamed on a "retooling" of its sales staff. This revamp is expected to stretch over the next two quarters.

BlackBerry's second-quarter setback follows up a less-than-impressive first quarter. Excitement over revenue growth catapulted the stock close to 52-week highs in the early spring, but this disappointment has plunged shares to a four-year low.

Rising competition

Results in the first quarter did not impress analysts, but it was still a solid Q1 for BlackBerry. However, the stock failed to generate momentum in the face of anxiety over a rising rival. That rival came in the form of cybersecurity firm **CrowdStrike Holdings**. In the earnings call, Chen went on to predict that its hot stock run would inevitably cool down. Indeed, Crowdstrike has encountered significant turbulence since the end of August.

Unfortunately, BlackBerry has other strong competitors to worry about. **Microsoft** was named as a danger by Chen in the Q2 earnings call. He cited its aggressiveness in competing for new deals. Microsoft has emerged as a worrying rival for another top Canadian tech stock — **Shopify**.

The way forward

Investors should not write off BlackBerry stock just yet. It is still on track for solid revenue growth in fiscal year 2020. The stock now boasts an RSI of 20, putting it well into technically oversold territory. For those on the hunt for buy-the-dip opportunities in October, BlackBerry should be on your list.

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Date
2025/08/17
Date Created
2019/10/06
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