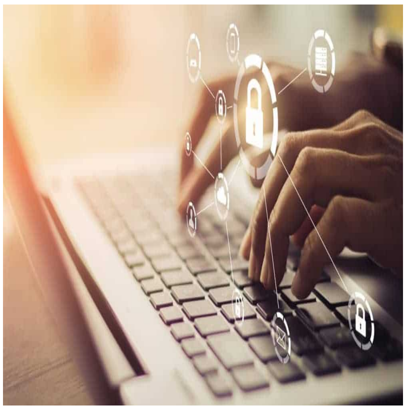

BlackBerry (TSX:BB) Stock Is Now a Strong Buy

Description

BlackBerry (TSX:BB)(NYSE:BB) has a long history full of ups and downs. From 2003 to 2008, the stock shot higher by 4,000%. Yet over the next decade, shares dropped by more than 90%. But this story isn't over. Given recent developments, there's reason to believe that there could be another huge run ahead.

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BlackBerry's last run was fueled by its rise to smartphone dominance. At its peak, around 20% of the world's smartphones were BlackBerries. Those days are far gone. By 2016, its market share shrank to less than 1%.

The resurgence of the company won't rely on smartphones, but rather next-gen technologies like autonomous vehicles, data security, the Internet of Things, and healthcare analytics. If this sounds like a stretch for a former smartphone company, it is. But over the last five years, BlackBerry CEO John Chen has gradually transitioned the company to take advantage of some *massive* opportunities.

The market hasn't respected the turnaround yet, but if BlackBerry can execute, there will surely be multi-bagger upside. For those who want to take advantage, there's never been a better time. In late September, shares sank to their lowest levels in *decades*. This really could be a once-in-a-lifetime opportunity to catch a high-growth stock *before* things really take off.

Long time coming

BlackBerry has been staging a turnaround for years. After years of losing market share, the company decided to ditch smartphones entirely in 2016.

"I personally do not believe devices are going to be the future of any company," commented CEO John Chen at the time. Years of shoring up the smartphone business finally came to an end, but it would take a long time for BlackBerry to wind down what used to be a $6 billion business.

Over the next three years, Chen led BlackBerry through a massive restructuring, eliminating the smartphone segment while investing in new areas where the company could better compete. Most importantly, Chen focused on ditching commoditized hardware businesses in favour of asset-light software verticals that are high margin and recurring.

“From a company that does US$6 billion in revenue but losing money and it’s burning cash, to a company that is over US$1 billion in software (revenue) making money and generating cash, I’d say those would be on my resume,” Chen told the *Financial Post*.

Upside is clear

While the market is ignoring the company, it seems as if BlackBerry has finally turned a corner. Organic growth is stuck in the single digits, but the company is, in fact, *growing*.

“When you deem a turnaround successful, that means the business has to be growing,” Chen notes. “Now, the growing business is usually not the same business that got the company into trouble in the first place,” he added.

Indeed, the current BlackBerry is nothing like its former self. Over the next 12 months, analysts expect sales to increase by around 7% as it fully integrates its Cylance acquisition and ramps its Spark Internet of Things platform.

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Over the coming decade, BlackBerry should be a major player in high-growth industries like autonomous vehicles and data security. These markets should post long-term growth rates that exceed 20% annually, yet BlackBerry stock trades at just 2.6 times forward sales.

Other cybersecurity companies trade at 10 times forward sales. BlackBerry hasn’t shown it can grow as fast as the competition, but its software offerings are clearly early stage. By betting early, you could earn 400% returns or more simply based on multiple expansion. If Chen hits his growth targets, this $4 billion company could be a rare multi-bagger opportunity.

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