



Tech Stock Alert: Can BlackBerry (TSX:BB) Get Back to \$10?

Description

If you want to make big money, buy misunderstood stocks. These companies trade at deep discounts to their true value due to misconceptions about how they make money or where they're headed. All you need is a simple catalyst to send the stock price soaring.

When it comes to misunderstood stocks, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) takes the cake. What do you think BlackBerry does? If you think it makes smartphones, you're wrong. You *used* to be right, of course, but a few years ago, the company exited the smartphone industry entirely. Today, it's focused on completely new lines of business.

Last month, BlackBerry stock hit a 15-year low, despite encouraging fundamentals. This could be the biggest mispricing on the TSX today. If you want to take advantage, you'll have to understand what's *really* going on.

Making the pivot

Over the past few years, BlackBerry CEO John Chen has pulled off the impossible. After achieving a 20% global market share for smartphones in 2009, BlackBerry's share fell to just 1% in 2015. By 2016, most observers anticipated the company to fold completely. John Chen saw another path.

The first step was to completely ditch smartphone manufacturing. The next was to leverage BlackBerry's greatest strength: security. In the coming decade, we're going to see an unprecedented proliferation of [connected devices](#). From smartphones and laptops to doorbells and cars, everything is getting connected. That should provide humanity with newfound capabilities, but it's not without risk. Everything that runs on software can be hacked. If everything is connected, everything is vulnerable.

John Chen saw this phenomenon early and opted to invest billions to position BlackBerry as a security software provider for these emerging technologies. Over the last few years, the market has focused on the complete deterioration of the company's legacy businesses, but if you paid attention, you'd see green shoots of success starting to occur.

In the second quarter of 2019, BlackBerry generated \$214 million in sales, one of its weakest quarters in company history. There's a catch, however: 92% of those revenues came from the software and services segment, which is *growing*. Shrinking hardware sales have put a dent in top-line numbers for years, but finally, the story is shifting to the most promising revenue streams.

Things are heating up

What is counted in the software and services segment? That would be high-margin revenue sources with high levels of customer retention. BlackBerry's QNX system is the best example. The QNX platform includes a broad range of safety and security software products primarily targeting the automobile industry. Autonomous vehicles have huge vulnerabilities, and the cost of failure can be catastrophic. The QNX system is already the leading security operating system for next-gen vehicles. It's used by more than 45 manufacturers, including Hyundai and **Ford**.

"We've got about 120 million users of our car software, and a big part of future business relies on the safety and security of cars, especially when cars drive themselves. They need to achieve a certain standard," highlights Chen.

Autonomous vehicles are a huge opportunity, but BlackBerry is making end-to-end security products that can safeguard any connected device. BlackBerry has early adoption and validation from reputable customers, and with software and services revenue finally driving the investment thesis, real growth can finally occur.

"The company has turned," Chen stressed on the latest quarterly conference call. "We are doing well." In 2020, expect the market to finally agree.

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