



Can BlackBerry (TSX:BB) Hack it as a Software Company?

Description

Editor's Note: The original version of this article stated that the company says its QNX software is now running on 120 million cars. This has been updated to say "150 million cars."

Over the past few years, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) has been working on turning its business around.

After losing out in the smartphone wars, the company pivoted to software, an industry where it's starting to see more encouraging results than it did in hardware.

Over the long term, BlackBerry's sales are still in decline. However, with some recent good news from the company's software business, it's possible that we could see this former Canadian icon return to its past glory. The company has [major support from Prem Watsa](#), often described as Canada's Warren Buffett, which could indicate that better things lie ahead for the firm.

With that in mind, let's take a look at the #1 reason to be optimistic about BB.

Software revenue increasing

Although BlackBerry's full-year revenue has declined for the past three consecutive years, there is one positive thing to note about the company:

Its *software* revenue is actually increasing.

Making up 92% of total sales, the segment is now by far the biggest contributor to BlackBerry's top line.

BlackBerry's software lineup consists mostly of enterprise software whose distinguishing feature is being exceptionally secure. This is a standout feature in a tech environment marked by privacy scandals, and could help BB drive more growth in its software business.

Earnings declining

Despite the increase in BlackBerry's software sales, the company's earnings trend is still negative.

In the company's most recent quarter, we saw \$244 million in sales, up from \$210 million a year ago. That may look like encouraging growth, the problem is that on the \$244 million in revenue the company posted a \$44 million loss, whereas it turned a profit on the \$210 million it had brought in prior to that.

There's a lot of optimism surrounding BlackBerry's software business in some quarters. Supporting that sentiment is the fact that the company is steadily growing its software sales, but on the other hand, the company's losses are also widening.

Because of this mixed picture, I wouldn't be placing a bet on BB right now, long or short. However, it is worth mentioning two undeniably positive developments for the company.

A major new contract

One major piece of good news from BlackBerry recently was [its software supply contract](#) with **Canadian Pacific Railway**. The contract will install BlackBerry radar on 2,000 CP intermodal vehicles. This is a pretty major development as it indicates that BlackBerry is moving forward with large enterprise contracts of the type that can generate massive recurring revenue for software companies.

A related piece of good news is the widespread adoption of BlackBerry's QNX software, which the company says is now running on 150 million cars. Major luxury car brands are using BlackBerry's digital cockpit solution, which provides maps, infotainment, and other nice add-ons for high-end vehicles. The sheer number of cars running this software is very impressive, but again, it remains to be seen whether it will drive profit.

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andrewbutton

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