



BlackBerry (TSX:BB) Stock Is a Clear Buy in 2020

Description

BlackBerry Ltd. ([TSX:BB](#))([NYSE:BB](#)) is a bizarre stock. After reaching dizzying heights in 2008, the company has experienced a rapid fall from grace. Today, it's valued at just a small fraction of its former self.

But here's the thing: everything could change in 2020. You see, nearly every investor is still valuing BlackBerry stock based on what it was, not what it is *today*.

Much has changed already. The company most known for its smartphones no longer even manufactures smartphones. Instead, management has positioned BlackBerry to take advantage of some of the largest growth opportunities this century.

The market hasn't figured out the new BlackBerry yet, leading to massive discount for shares. By getting ahead of the curve, you could make [sizable gains](#) in 2020.

This time is different

BlackBerry once held a 20% global market share for smartphones, but that reign is completely over. If you think of the company as a phone manufacturer, you'll be missing the magic underneath.

Over the last five years, CEO John Chen has sold off its manufacturing businesses to go all-in on security software. This isn't as big of a pivot as you may think, however.

For years after consumers ditched BlackBerry phones, they were still preferred by politicians and business leaders for their industry-leading security. BlackBerry is simply leveraging that reputation in other ways.

Today, more than 90% of revenues come from security software. These sales are high margin and recurring, meaning that the company is building an enviable cash flow machine.

Additionally, its software targets gigantic growth markets like autonomous vehicles and the internet-of-

things. As the world becomes more connected, the need for better security will be greater than ever.

Would you ever step into a self-driving car that you knew was vulnerable to attackers? Car manufacturers understand this fear well, which is why most of the major global vehicle brands are already customers of BlackBerry.

BlackBerry is positioned to accrue sizable market share as these emerging markets pick up steam. Its products are already well regarded, and the early mover advantage can't be overstated.

The gains could be huge

BlackBerry is now valued at \$4.6 billion despite many of its end markets being worth more than \$100 billion. Let's break down the valuation disconnect more specifically.

Today, BlackBerry stock trades at 44 times forward earnings and 3 times forward sales. That's a respectable valuation, but compared to its peers, it's a downright bargain.

CrowdStrike Holdings Inc trades at 15 times forward sales and is expected to generate a net loss. **Okta Inc** sells at 19 times forward sales and is also expecting to turn a loss next year. **Zscaler Inc** trades at 11 times forward sales and 163 times forward earnings.

To be fair, the above companies are growing their top lines much quicker than BlackBerry, but that's exactly why gains on this stock could be truly massive. Buying BlackBerry stock *today* is getting in on the ground level, before revenue growth starts to accelerate.

If the market narrative shifts in 2020 and software revenue starts to pick up, this stock could easily double in less than 12 months. Long term, the gains could be even bigger.

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