



BlackBerry (TSX:BB) Takes Lead in Electric Vehicle Software: Could This Save the Stock?

Description

Over the past decade, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) has transformed more than almost any other company on the **TSX**.

Going from a market-leading smartphone maker, to a hardware company in decline, to a leading software developer, its transformation has been nothing short of extraordinary.

Under the leadership of [CEO John Chen](#) and major investor Prem Watsa, BlackBerry has become a market leader in highly secure enterprise software.

While the company is still losing money as of its most recent quarter, its free cash flow is positive and its revenue is growing rapidly. It's rapidly carving out a dominant niche in one of the world's fastest-growing industries.

As you're about to see, BlackBerry software is rapidly becoming the choice for upstart companies in an industry that some hope will be the next big thing after smartphones.

That industry, of course, is electric vehicles.

Over 150 million vehicles are now running BlackBerry software

BlackBerry's QNX Automotive Software is a collection of applications for "mission critical infrastructure." There are a variety of QNX products for different use cases. The QNX Digital Cockpit is a digital cockpit solution that provides infotainment, digital instrument clusters and heads-up displays for drivers. The software runs on the QNX OS, which is renowned for its safety and security.

So far, BlackBerry's QNS software is running on 150 million vehicles worldwide, which in itself is a success worth mentioning. However, the *types* of vehicles that the software is running on is arguably even more relevant.

Many of the vehicle manufacturers BlackBerry is partnering with are electric car makers, such as Britain's Arrival and China's VM Motors. According to McKinsey, electric vehicle sales grew 63% year over year in 2018.

That's a huge jump and represents far faster growth than the overall auto industry is seeing. If BlackBerry can position itself as the cockpit software provider of choice in electric vehicles, then it may stand to see significant growth.

90% of BlackBerry's revenue now comes from software

Whether or not BlackBerry will become the world's leader in electric car software, one thing is certain:

The company's transition to software is bearing fruit.

Over 90% of BlackBerry's revenue now comes from software, and that revenue grew at 23% year over year in the most recent quarter. The company is scoring huge contracts with major buyers, which is helping to drive that growth.

In addition to the aforementioned deals with Arrival and VM Motors, the company also recently inked an agreement to [provide asset monitoring software](#) to **Canadian Pacific Railway**.

These are promising developments, and if they play out as expected, they may eventually bring BlackBerry's stock back to life.

Is the stock a buy?

It's one thing to say that BlackBerry's software enterprises are taking off; it's quite another to say that the stock is a buy.

Although BlackBerry is generating solid free cash flow, it ran a net loss in its most recent quarter, as well as its most recent nine month period.

Additionally, while revenue growth rate of 23% year over year is strong, it's not amazing for a tech stock trading at around four times sales. This stock's future is likely to be better than its recent past, but I don't see it taking off in a huge way as some are hoping.

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