



BlackBerry (TSX:BB) Stock Could Realistically Double in 2020

Description

BlackBerry Ltd. (TSX:BB)(NYSE:BB) stock isn't what it used to be. From 2002 to 2007, shares rose *30 times* in value. Since that peak, however, shares have given up *all* of the gains. It's one of the greatest round-trips in investing history.

Today, shares trade at \$7, the same price as that of 2002. Once one of the largest smartphone manufacturers in the world, with a 20% global market share, BlackBerry is now valued at just \$4 billion.

Most investors have given up on the stock. Analysts remain cautious. Yet there's cause for hope. In fact, BlackBerry stock could realistically double in 2020.

Look past the surface

On the surface, BlackBerry is in terrible shape. In 2015, sales were US\$3.3 billion. They've declined each year since, bottoming at US\$904 million in 2019.

Notice my use of the word *bottoming*. Over the last 12 months, sales have actually totalled a tad more than US\$1 billion.

Casual observers may decide that this is simply a small blip on an otherwise inexorable downtrend, but that would be a lazy take. If you dig beneath the surface, BlackBerry has pulled off an incredible turnaround that should endure for years.

The future is here

In 2016, BlackBerry CEO made a bold claim: "I personally do not believe devices are going to be the future of any company," he said. At one time, its smartphone business had been selling millions of devices a year. If BlackBerry wasn't a decade company, then what was it?

Years after everyday consumers ditched BlackBerry phones, they were still preferred by high-profile

celebrities, politicians, and government employees. Why? One word: security.

Despite a clunky user interface, BlackBerries led the industry in protecting private data. It's this reputation that the company has used to stage its turnaround.

Over the coming decade, cybersecurity will be more important than ever. The internet-of-things promises to bring *billions* of devices online. Already, we're seeing smart cameras and home devices experiencing hacks.

These vulnerabilities will grow exponentially over time. Other connected technologies like autonomous vehicles will also place the upmost value on security.

It's important to note that most of these opportunities are still early stage. That hasn't stopped BlackBerry from investing billions of dollars to prepare. Last year, for example, it paid \$1.4 billion to acquire Cylance, which uses artificial intelligence to stop attacks before they even occur.

It's important to note that BlackBerry's new security products aren't *hardware*, but *software*. This is a huge distinction. Hardware businesses have high costs and must continually sell new devices to stay afloat. Software businesses, meanwhile, enjoy near-zero costs for deploying their products, creating high margins.

Additionally, security software is usually a critical feature for any customer, so retention rates are much higher than hardware.

The jury is still out on whether BlackBerry can actually scale alongside its end market, but this week, a promising data point emerged. On January 6, it teamed up with the Web Services division at **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) to create a connected vehicle platform that combines their strengths.

According to a press release, the platform will allow automakers to "securely access data from vehicle sensors as well as build software applications for connected, electric and autonomous vehicles. That includes cockpit personalization, acoustic conditioning, health monitoring and advanced driver assistance applications."

The market has yet to realize that BlackBerry should be priced as a next-gen security software company. Reasonable competitors often trade at triple or even quadruple the valuation multiple. As the story gains traction in 2020, expect that discount to narrow quickly.

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Author

rvanzo

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