



## Is BlackBerry (TSX:BB) Stock a Millionaire Maker?

### Description

Over the past seven years, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) has seen a fundamental transformation in its business. Going from a market-leading smartphone maker to a dying hardware company to an enterprise software developer, it has completed a successful turnaround—at least as far as its products are concerned.

With BlackBerry's [QNX software](#) running on more than 120 million cars and deals being inked with new manufacturers seemingly daily, there can be no doubt that the company's software is popular.

As for the company's financial results, that's a different matter. While BlackBerry's revenue is growing, its earnings and operating cash flow were negative in its most recent quarter, calling into question whether the company's product successes will translate into business success.

If things work out, BB could be a millionaire maker. However, it's quite possible that things *won't* work out. To assess what's likely to happen, we need to look at the company's push into software.

### A successful shift to software

After seeing its smartphone market share fall to 0%, BlackBerry pivoted to software and has seen [considerable product success in that area](#). As previously mentioned, its QNX software is running on more than 120 million cars. Additionally, the company is working on deals with WM Motors and Damon Motorcycles.

Further, the company's IOT software will be running on **Canadian Pacific Railway** cars, a major deal that should drive significant revenue. These signs all point to BlackBerry being a rising power in the automotive and transportation industries. But will it be enough to give the stock upside?

### Earnings still negative

One big problem BlackBerry is facing is that of persistent losses. While the company's shift to software

has driven significant revenue growth, the company had negative earnings in its most recent quarter.

In the nine months ended November 30, 2019, BlackBerry lost \$111 million (net income) with an \$8 million net cash outflow from operating activities. The company also lost \$32 million from investing activities.

While the company is growing, it's burning through cash at an even greater rate than it's growing revenue. This situation can't last forever, and if it doesn't change, the stock may not reach the heights that some are hoping it will.

## Reason for optimism

One reason for optimism toward BlackBerry is the nature of its business model. The company is a major enterprise software provider that can generate huge revenue increases with lucrative deals.

One single billion-dollar a year deal could turn the company around from its present cash flow negative position to one of consistent profits.

And indeed, the company does appear to be inking new deals left and right, so it's within the realm of possibility that BlackBerry could become profitable and see its share price soar. However, that remains to be seen. For now at least, it seems premature to call this stock a millionaire maker.

### CATEGORY

1. Investing
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