



Amazon (NASDAQ:AMZN) Just Decided That it Needs BlackBerry (TSX:BB)

Description

With a \$1 trillion valuation, **Amazon.com** ([NASDAQ:AMZN](#)) is one of the largest companies in history. Its founder, Jeff Bezos, is the richest person on the planet. Yet Amazon isn't capable of doing *everything*.

In recent weeks, the company teamed up with **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) to co-launch a technology suite for autonomous vehicles. According to a joint press release, the platform enables "automotive manufacturers to securely access data from vehicle sensors, and create software applications and machine-learning models for connected, electric, and autonomous vehicles."

This is going to be a *gigantic* market, and the Amazon-BlackBerry venture appears to have an early lead. But as a world leader in technology and artificial intelligence, why did Amazon need to partner with BlackBerry? The answer provides a clear [investment case](#) for one of the companies.

Forget everything you know

If you're not familiar with the spectacular turnaround at BlackBerry, get acquainted. A decade ago, the company was one of the largest smartphone manufacturers on the planet. Today, it doesn't make a *single* cellphone. Instead, it's turned its focus completely to next-gen software.

Most notably, BlackBerry creates software for emerging technologies like the Internet of Things, big data, and autonomous vehicles. That last opportunity is what caught the eye of Amazon.

More than 100 million vehicles are produced every year. It's one of the biggest markets on the plane, turning small upstarts like **Tesla** into \$150 billion behemoths. The biggest opportunity of all, however, may be the software *behind* the vehicles.

Gartner predicts that nearly one million self-driving vehicles will be added to the road each year starting in 2024. By the end of the decade, tens of millions of autonomous vehicles could be hitting the road annually.

All of these cars and trucks will need to run software in order to drive themselves. That's where Amazon comes in. There are, perhaps, no other competitors that can match its machine learning experience and capabilities. The computing intensity of self-driving vehicles will be increasingly complex, and Amazon is perfectly suited for the job.

But all of this software needs to be secure. Imagine the dangers of a compromised autonomous vehicle. If your computer fails, you may lose some valuable documents. But if your self-driving car fails? The risks can be catastrophic.

That's where BlackBerry comes in. Long after consumers ditched BlackBerry phones, they were still in use by CEOs, politicians, and celebrities. That's because, above all, BlackBerry was known for its security. The company has leveraged that reputation to make the industry's leading security product.

With BlackBerry by its side, Amazon's products instantly gain security credibility. They also benefit from existing relationships considering BlackBerry's software is already being sold to dozens of global vehicle manufacturers.

This really is the best of both worlds: the capabilities of Amazon with the proven security of BlackBerry.

The time is now

BlackBerry is currently valued at \$4.3 billion. Amazon's market cap exceeds \$1 *trillion*. While BlackBerry is no Amazon, there's clearly a valuation disconnect happening.

Compared to other software companies that are targeting next-gen opportunities, BlackBerry trades at a 50-75% discount. That discount likely stems from two factors: investors haven't realized that BlackBerry has executed an incredible turnaround, and its products haven't begun scaling considering the end-markets are still in early stages.

With the Amazon deal, those concerns should be resolved. With its capital and influence, Amazon may have been able to replicate BlackBerry's capabilities. It clearly decided that partnering with the company was a better option. That means Amazon chose to trust BlackBerry's brand name, or realized that BlackBerry has an insurmountable lead in product development.

Either way, having one of the most powerful companies on the planet vouch for your reputation and capabilities is a strong vote of confidence. Amazon decided it *needs* BlackBerry. As autonomous vehicles take off, don't be surprised if Amazon acquires the company outright.

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