



BlackBerry (TSX:BB) Stock Is the Next Netflix

Description

BlackBerry Ltd ([TSX:BB](#))([NYSE:BB](#)) isn't the stock you think it is. While it may seem ridiculous, this stock is looking like the next **Netflix Inc** ([NASDAQ:NFLX](#)).

After reaching a 20% global market share for smartphones last decade, BlackBerry experienced a fall like no other. In 2007, the stock peaked at \$240 per share. Today, the stock price is under \$6.

But what about this story makes BlackBerry the next Netflix?

Netflix was once the next Netflix

In 2011, Netflix stock peaked at \$40 per share. That represented a 1,000% rise in just three years. The company was [on top of the world](#), just like BlackBerry.

But then its business model collapsed. For nearly a decade, Netflix was known as a DVD-by-mail company. The advent of internet streaming threatened the entire business model. In 2012, the company's stock fell below \$10 per share — a loss of nearly 80% in a single year.

Netflix could either die a slow death, or completely reinvent itself. The company opted for the latter, spending *billions* to build an internet streaming business from scratch. At the time, analysts were highly skeptical.

"Netflix's move to rebrand its DVD-by-mail service...underscores Netflix's longtime desire to go all-in on streaming," wrote a columnist for *CNN Money* in 2011. "But it's a high-risk strategy: Streaming video has become a very expensive game — and Netflix's rivals have much fatter wallets."

The future seemed grim. "Reed Hastings is revered in Silicon Valley for his ability to plan ahead for the kinds of business shocks most companies play ostrich about and deny until it's too late," the article continued. "This coming year, with its threat of a customer exodus and subsequent death spiral, will be the biggest test yet of his leadership."

Of course, we now know the future: Netflix's bet would turn it into one of the world's most valuable companies. But it can be hard to believe that the Netflix we know and love today didn't even exist at the start of last decade.

Now it's BlackBerry's turn

"John Chen may be the CEO of BlackBerry, but even he has to sometimes remind people the company is still in business," writes Ina Fried, a reporter for *Axios*. "BlackBerry no longer manufactures phones, but it makes more than \$1 billion in revenue per year selling things like security software."

BlackBerry is *exactly* where Netflix was in 2011. It's trying to convince investors that its future is bright, even if its legacy business experienced a rapid boom-and-bust cycle.

For years, BlackBerry has wound-down its hardware business to focus on next-gen opportunities that leverage its security roots. BlackBerry's platform that secures self-driving vehicles, for example, is one of the best-rated products in the industry.

Everyday consumers don't know about products like this, but the businesses that buy them certainly do. The company's QNX automotive software is already installed in more than 150 million vehicles worldwide.

It's not just self-driving cars. BlackBerry is selling its cybersecurity technology to the healthcare, government, and internet-of-things market. "We have the ability to combine multiple technologies for our customers with AI, security technology, and endpoint protection," notes CEO John Chen.

After years of consecutive declines, BlackBerry's sales base has finally stabilized. Last quarter, revenues increased by 16% year-over-year.

It's important to note that sales now have *zero* exposure to hardware. They're completely made up by software and licensing sales that target high-growth opportunities that could persist for another decade or more. "Customers are looking forward to our robust product cycle this year, with over 30 new secure communication products and services to be released," CEO John Chen highlights.

It seems that BlackBerry has finally turned a corner. It's pulled off a transformation as dramatic as Netflix's. But the market hasn't realized it yet. In fact, BlackBerry stock trades near all-time lows!

By all indications, BlackBerry looks like the next Netflix.

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