



Will BlackBerry (TSX:BB) Stock Pass \$10 This Year?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) was once a global juggernaut. In 2008, the company held a 20% global market share for smartphones. But here's the thing: last year, it didn't produce a *single* phone.

Most investors aren't aware of the company's dramatic shift in strategy. Executives have spent years winding down the old hardware business and are now focused on next-gen technologies like self-driving cars and the internet of things.

Despite targeting some of the biggest growth markets of the next decade, BlackBerry stock continues to trade at a discount to its peer group. It's actually a *big* discount. The only possible explanation is that traders are ignorant of the [potential](#), blinded by the company's former position as a smartphone manufacturer.

Today, BlackBerry stock [trades](#) at \$6.50. But if we look at the facts, the share price could exceed \$10 by the end of 2020.

An incredible pivot

BlackBerry isn't the company it used to be. For a decade, revenue marched lower year after year. But in 2019, the business produced *positive* sales growth. This decade, expect a return to the days of double-digit annual revenue growth. Instead of smartphones, the success will be based on software.

Last year, the company finalized its evolution with a \$1.4 billion acquisition of Cylance. This cybersecurity business uses artificial intelligence to detect threats *before* they occur. This is an incredible asset as BlackBerry scales its internet-of-things cybersecurity platform.

Just consider BlackBerry's QNX security product for autonomous vehicles. As our cars gain self-driving capabilities, they grow vulnerable to hacking. The risks could be catastrophic. Our vehicles will be more like computers than machines, except these computers can travel at 150 kilometres per hour and weigh a tonne.

Users of self-driving cars will demand the highest protections possible. That's what BlackBerry's QNX platform provides. It's already installed in more than 150 million vehicles worldwide. The company recently partnered with **Amazon** to augment its capabilities, and integrating Cylance's technology will only add to the company's lead.

The world is getting more connected. BlackBerry commands best-in-class software for keeping these endpoints secure. Over the next decade, the business could become another cybersecurity juggernaut, similar to **CrowdStrike**, which has a valuation *five times larger* than BlackBerry.

Buy BlackBerry stock?

BlackBerry has a bright long-term future. Compared to other cybersecurity peers, the stock trades at a 75% valuation discount.

Of course, this discount isn't that unreasonable. The company is at the start of its growth journey. It could take years to accelerate top-line growth into the double digits on an organic basis. Its peer group has largely reached that hyper-growth phase.

But this is what makes BlackBerry such an intriguing opportunity. Analysts at **Canaccord Genuity Group**, for example, are taking a "wait-and-see approach on execution with a new product roadmap." Most investors aren't willing to take the early-stage risk, but by doing so, you can quadruple your money simply through a normalization of the valuation multiple.

Will BlackBerry hit \$10 this year? If the stock market buys into the thesis, shares should rise much further than that. But the timing lacks visibility. If you're willing to buy and hold through the uncertainty, there's plenty of upside to be had.

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rvanzo

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