



Why BlackBerry (TSX:BB) Fell As Much As 7% on Thursday

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) shareholders haven't had much to cheer about in recent years. Once Canada's tech darling, it is now lagging in an industry that has witnessed exponential growth.

Over the past few years, the company's stock price has halved. Is the company a buy today? Let's take a look at the first-quarter results and find out whether investors should add Blackberry's [stock to their portfolio](#).

The earnings report

After the bell on Wednesday, June 24, BlackBerry released mixed fiscal 2020 first-quarter results:

Metric	Reported	Expected
Earnings per share	\$0.02	-\$0.02
Revenue	\$214 million	\$215.58 million

As you can see, while BlackBerry beat on earnings, but revenue came in slightly lower than estimates. Notably, the first quarter is reflective of results ending May 31, 2020. This means that it includes two full months of COVID-19 impacts.

The company was not immune to the pandemic mitigation efforts and subsequent economic slowdown. In fact, the company pointed to “...*headwinds in the auto and other embedded sectors*” as reasons for decelerating revenue. Although these headwinds were partially offset by “...*security, business continuity, and productivity solutions in an increasingly remote working environment*,” revenue dropped by almost 20% from the first quarter of 2020.

Despite posting a surprise non-GAAP profit, non-GAAP gross margins of 71% came in 70 basis points shy of the consensus. Similarly, it represented a drop of four percentage points from the first quarter of 2020.

In terms of liquidity, BlackBerry appears well positioned with \$955 million available from cash, cash equivalents and investments. In the quarter, it posted 31 million in net used cash from operating

activities, a significant improvement over the net cash use of \$64 million last year.

Finally, the company spent just \$1 million in capital expenditures. While it is important to conserve cash in this environment, shareholders aren't likely to see meaningful growth if BlackBerry is not reinvesting in the business.

The year ahead

Like most companies, all eyes are on the year ahead. However, the company announced little in terms of future expectations. In fact, BlackBerry did not issue guidance "...given the uncertainty across the global economy due to the COVID-19 pandemic."

While this isn't surprising, it's disappointing nonetheless, as technology is one of the few industries performing quite well during this pandemic. The **S&P/TSX Capped Information Index** is up by approximately 34% in 2020. Unfortunately, BlackBerry shareholders aren't benefiting. The company's stock is down by approximately 20% this year.

Analysts seem a little bit more optimistic. Although they expect negative growth in fiscal 2021, expectations are for 18% revenue growth in 2022 and earnings per share of \$0.14. If it meets the EPS target, it would be the first time in years the company turned a profit.

Is BlackBerry a buy today?

In early trading, the markets don't like what they see. BlackBerry's stock is down by approximately 4% this morning, and the future looks uncertain.

BlackBerry is still in the midst of re-imagining itself. Recurring service revenue now accounts for 90% of revenue and in fiscal 2020 the company finally returned to top line growth. However, it looks like 2021 is another wash.

That said, fiscal 2022 is looking promising. Analysts agree and have a one-year price target of \$9.67 per share, which implies 43% upside from today's price. BlackBerry may be worth another look by [aggressive investors](#) willing to take on additional risk.

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