



BlackBerry (TSX:BB): Is the Stock a Buy in 2020?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock has been getting renewed interest in recent years. After crashing and burning as smartphone maker, it pivoted to software and saw some success in that industry.

In fiscal 2020, BB brought in \$1.04 billion in revenue compared to \$904 million in 2019. Also in 2020, the company increased its gross margin to \$763 million from \$698 million. Note that “fiscal 2020” here basically means 2019: the company’s full-year reporting period ends in February.

BlackBerry’s growth in recent years has been driven by strong enterprise software offerings. Considered purely as products, these have been undeniable successes: the company’s car software runs on 150 million vehicles, and its software revenue has increased reliably since 2018. However, the company still lost money in its most recent quarter and fiscal year. So, the earnings picture remains mixed.

Depending on how things play out, BB could become the stock market turnaround story of the decade. But will it?

A successful pivot to software

A lot of people are optimistic about BlackBerry, because its software offerings have undeniably been successful. As previously mentioned, the company’s QNX software runs on 150 million cars, and its overall software revenue has increased for several years in a row.

Additionally, BB has locked down several high-profile customers for its enterprise software, including **CP Railway**, the American Red Cross, and several Canadian police departments. The latter is especially encouraging, because [government contracts](#) tend to be stable and backed by tax revenue and generous budgets.

Earnings results

Despite BlackBerry's product success, its earnings picture has been mixed. While the company's revenue is on the rise, it isn't consistently profitable. In its most recent fiscal year, BB lost \$150 million on \$1.04 billion in sales. The loss was largely due to amortization of intangibles: without that and goodwill impairment, the company was profitable. It reported \$74 million in *adjusted* earnings for the year. It also reported \$14 million in free cash flow.

The first quarter of fiscal 2021 was similar. The company lost money in GAAP terms but reported positive adjusted earnings. The GAAP loss was primarily due to a massive impairment charge. The company did report a net cash outflow from operating activities. Overall, Q1 was not as good as the full year 2020. Still [Cannacord Genuity called the results "solid."](#)

Foolish takeaway

BlackBerry is one of Canada's most misunderstood tech companies. Many people still see it as a failed smartphone maker. In fact, the company is no longer even in the smartphone business. Instead, it has pivoted to software and is seeing success in that industry.

For the past several years, BlackBerry's software business has been growing at a steady pace. The challenge now is to turn that growth into profits. So far, the company has not been able to do that consistently in GAAP terms, but its cash flow and adjusted earnings are encouraging. Overall, it's a stock that's worth looking into.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/08/29

Date Created

2020/07/05

Author

andrewbutton

default watermark

default watermark