



## Could BlackBerry (TSX:BB) Be a Millionaire-Maker Stock?

### Description

**BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) has been an underrated corporate turnaround story. After failing as a smartphone maker, the company pivoted to enterprise software, seeing major success in that industry. As of July 2020, the company's QNX software was running on more than 150 million cars, and its enterprise software has locked down major government and corporate contracts.

These developments have understandably gotten many investors curious. Thanks to BlackBerry's crash and burn in the smartphone industry, its stock has been beaten down in the markets. However, the company's software revenue has been increasing, thanks to the popularity of its new offerings. If BlackBerry's software business growth continues, then the company could complete its turnaround and become a worthy stock. But will it?

### A successful turnaround

Viewed purely as products, BlackBerry's software offerings [are already successful](#). As previously mentioned, the company's QNX software runs on over 150 million smart cars. Various BlackBerry offerings have locked down major enterprise clients, including **CP Railway** and several Canadian police departments. Software revenue has been steadily rising year after year.

So, BB's software is already successful in itself. The question is whether that will translate into business success. While BlackBerry's software revenue is growing, overall revenue has been kind of flat over the past three years. Net income was negative in fiscal 2020 but positive a year before. BB's cash flow from operations is usually positive but has declined in magnitude since 2018.

The [most recent quarter](#) saw a loss by U.S. GAAP standards but a profit in adjusted terms. Overall, this is a mixed earnings picture that's not as rosy as the company's product successes would indicate.

### Future prospects

So far, we've seen that BlackBerry has had massive product success... and that it hasn't turned into

major financial success. The question is whether the success will eventually materialize.

There are some reasons for optimism on that front. First, being an enterprise software maker, BlackBerry makes most of its money off corporate and government contracts. These tend to be far more reliable than sales in the highly competitive smartphone industry. This suggests that BlackBerry may have a more financially stable future in software compared to its past in smartphones.

BlackBerry counts among its clients some of Canada's largest companies and several government agencies. These should all provide steady revenue for years to come.

Second, BlackBerry is a forward-looking company. It's investing heavily in autonomous cars and enterprise security — both high-growth industries. If BB captures a large market share in either industry, it could have a rosy future.

BlackBerry has plenty of risk factors investors need to be aware of. It finances its growth largely through acquisitions, which come at a heavy price. Sometimes its assets take impairment charges, which is why Q1 GAAP earnings were negative. Additionally, the company has some bias against it left over from its smartphone days, which may result in a depressed stock price in the short term.

Overall, BlackBerry is an interesting but risky investment.

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