



## Why I'm STILL Not Buying BlackBerry (TSX:BB) Stock!

### Description

**BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) may be one of the most underrated companies in the world. Still thought of as a failed smartphone company, it is actually now a software company — and it has seen considerable success in its new niche. BlackBerry's QNX software runs on over 175 million cars, and the company has locked down big juicy enterprise contracts for various offerings.

For this reason, many “in the know” investors are bullish on BlackBerry. The company's CEO John Chen has a reputation as a turnaround artist, and it's looking like he is indeed turning this ship around.

However, I remain skeptical. While I'm aware that BlackBerry is doing much better in software than it did in hardware, I think the company has yet to prove itself. Specifically, I'm not convinced that it will ever turn consistent profits on its (admittedly growing) software revenue. This isn't to say that the stock isn't good. However, I personally won't be buying it for the reasons outlined below.

### Product success isn't the same as financial success

The bullish case for BlackBerry rests on the fact that the company's software is indeed successful. Its QNX software powers 175 million cars, and its Cyclance software is [continually signing on major enterprise clients](#). These are both indications that BlackBerry's products are catching on.

However, that doesn't mean that the company is going to deliver enormous value to shareholders. In its most recent quarter, BlackBerry ran a staggering \$636 million net loss. That was largely due to a \$550 million impairment charge, but the company's cash from operating activities was negative too. So, while BlackBerry is increasing its revenue, it's having to incur large costs in order to do so. This, in turn, is making it hard for the company to turn profits.

### End markets being disrupted

One big short-term concern for BlackBerry is that a lot of its [end markets are being disrupted by COVID-19](#). The pandemic was devastating for the auto industry, and that puts a dent in the growth of

BlackBerry's QNX software. While the company's sales were still growing as of its most recent quarterly report, it could face big problems with landing new deals if the auto industry continues to suffer. That in turn could hurt the company's bottom line.

## Foolish takeaway

As a company, BlackBerry has staged an impressive recovery in recent years. However, its stock largely hasn't followed suit. It's not hard to see why. Although BlackBerry's software products are taking off, the company still isn't profitable. Further, it's not clear that it ever will be. Many of the company's clients have been set back by COVID-19, and that could hurt BlackBerry's own business eventually. Maybe someday BlackBerry will be consistently profitable as a software maker. I'm personally not betting on it.

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