



Is BlackBerry (TSX:BB) Resuming Device Production?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) was the one-time king of the smartphone market. BlackBerry's small-screened devices with physical keyboards ushered in a new era of always being connected email and the web. That supremacy was short-lived. Both the iOS and Android platforms offered more features across many more devices. Ultimately, BlackBerry ceased device production and exited the hardware market.

Or so that would seem. BlackBerry recently announced a deal to resume device production and bring a new generation of BlackBerry devices to market over the next year.

Yes, BlackBerry has new devices coming

BlackBerry announced earlier this month that a new generation of 5G devices would be coming to market in the first half of 2021. BlackBerry shuttered its hardware business several years ago, opting to rely on third parties to develop and bring devices to market. Those agreements ended earlier this year, and it was assumed by many that this was the final curtain call for BlackBerry-branded devices.

This new agreement, signed with OnwardMobility will result in a series of new 5G BlackBerry devices coming to market next year. The new device is said to be a physical keyboard device, which remains a hallmark of BlackBerry's brand. The last physical keyboard device released with BlackBerry's name was the Key2 back in 2018.

Physical keyboard devices were once in high demand, and BlackBerry's keyboard design made it easy for power users to bang out long emails in no time. Since then, onscreen keyboards have improved dramatically, and the benefit of extra screen space far outweighs any advantage for what is now a tiny niche market.

In other words, as interesting as BlackBerry resuming device production through a partner is, it's unlikely to drive significant growth.

Resuming device production: Too little, too late?

A new physical keyboard device coming to the market in 2021 will cater to only a sliver of BlackBerry's former clientele. Fortunately, BlackBerry has moved on from the hardware business and now derives most of its revenue from the software and services segment.

By way of example, in the most recent quarter, BlackBerry reported non-GAAP revenue of US\$214 million. 90% of BlackBerry's software and services revenue stems from recurring revenue streams.

In other words, if you were to consider BlackBerry as an investment (more on this in a moment), that decision shouldn't be made because the company is resuming device production.

Where there is opportunity

One area where BlackBerry continues to show long-term promise is in regards to its QNX platform. QNX is BlackBerry's scalable and secure operating system that powers everything from small medical devices to nuclear power plants. More importantly, QNX powers the infotainment systems found in over 175 million vehicles across the world.

As interesting as that sounds, there are two key takeaways from that fact. First, BlackBerry's market share represents about 20-25% of all cars on the road today. This is a figure that is going to grow over the next few years, as older non-connected cars are replaced with connected vehicles.

The second point refers to the future of automobile connectivity. Specifically, I'm referring to autonomous driving. BlackBerry is already a major player in that market. Specifically, QNX has already shown it can excel at becoming a central, secure "brain" for a connected car.

In short, BlackBerry resuming device production shouldn't impact the company's plans.

Final thoughts

Should you buy BlackBerry? BlackBerry is a solid long-term growth opportunity, and the company is trading at a discount year to date. That discount is a whopping 18% so far in 2020. That discount should not be the sole reason to buy the stock. BlackBerry is still an investment that carries a significant amount of risk, irrespective of its plans to resume device production.

In other words, if you have a long-term portfolio and can tolerate the risk, BlackBerry might be a [good buy](#). Investors with a shorter timeline and tolerance for risk would be better [investing elsewhere](#).

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Date

2025/07/23

Date Created

2020/08/26

Author

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