



Is BlackBerry Stock a Buy After Recent Quarterly Earnings?

Description

Investors flocked into **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) stock on Thursday after the Canada-based software and services firm reported better-than-expected earnings results. BlackBerry's stock price surged as much as 10% in the morning, as the market celebrated BB's good quarter.

A great quarter for BB?

Total revenue of US\$259 million was 6.1% higher than last year's and 26% better sequentially. The quarterly gross margin expanded to 77%, as the company reported its lowest quarterly cost of sales in 18 months. Analysts expected a margin reading of not more than 73%. The latest margin expansion should bring the company closer to its long-term target of 80-85% gross margin.

However, GAAP operating earnings were a loss of US\$22 million due to a long-lived asset impairment charge and debenture fair-value adjustments. A GAAP loss per share of US\$0.04 was far better than a US\$0.10 loss reported last year and a US\$1.14 net loss per share during a previous quarter, where goodwill impairments ravaged the income statement.

The company surprisingly grew its revenue, lowered its operating costs, and generated lower-than-expected losses.

What drove BlackBerry's revenue growth last quarter?

Software and Services revenue, the core business, saw a slight 2% sequential recovery from a COVID-19-stricken quarter to US\$151 million. However, this was still a 10% drop year over year. The company should see further improvements, as car manufacturers boost production after plant shutdowns during the height of a pandemic earlier this year.

Amazingly though, Licensing and Other revenue surged 86% sequentially and 42% year over year to US\$108 million. BlackBerry did well to unlock value by monetizing its intellectual property portfolio and licensing its software patents to second and third parties.

I'm not so sure if investors should rely on this volatile revenue line for the long term, as patents have finite lives. However, I would still argue that this revenue line should still be regarded as a core business — more so considering that the company identifies itself as a pure software technology play now.

Business wins during the quarter included the deal with StradVision to use the company's trusted QNX technology in autonomous driving systems for South Korean automakers. New customers included the U.S. Airforce, the U.K. Ministry of Defence, the Royal Canadian Mint, Rolls Royce, and international banking group **Lloyds Bank**.

BlackBerry SecuSUITE for governments is now deployed in 17 national governments across the world. The company's blue-chip customer base, which includes 18 of the G20 governments, nine of the 10 largest automakers, and nine out of 10 largest banks in the world, is growing to support BlackBerry's targeted 90% recurring revenue profile.

Time to buy?

BlackBerry is one [promising tech stock to buy](#) that remains heavily subdued in the stock market. Its share price rises here and there in response to good news but finds its way back to value territory once the hype subsides. It's a challenge to tell when the capital markets will finally appreciate the solid value in BB offerings and rewards the company's efforts.

The company has earned trust in governments, defence, and high-security establishments. These are some of the hardest market verticals to penetrate for competitors. Its Internet of Things segment is attacking an organically growing US\$38 billion total addressable market. Cybersecurity is a better sell now, as the world works from home.

Further, the revival of auto manufacturing plants across the world will aid revenue recovery in the short term.

BlackBerry gets better revenue per every single vehicle software install now. Updating and upgrading its QNX offerings to include more features on top of traditional infotainment, acoustics, instrument clusters, and telematics increased revenue points. Actually, QNX installs have up to 11 total functions now, including control systems, digital cockpits, AI-based security, and automatic driving active safety.

Investors may expect sustained growth in BB's business going forward. However, there's a stigma to the name after a failed mobile devices business that may require re-branding to remove biases in the market's eyes.

Patience may be required.

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

2025/08/27

Date Created

2020/09/24

Author

brianparadza

default watermark

default watermark