



BlackBerry (TSX:BB) Stock Doesn't Get the Respect it Deserves!

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) is arguably one of the more misunderstood names on the **TSX Index**. The firm has endured a profound transformation over the years. With plenty of moving parts that have been further complicated by acquisitions, there's no question that the company is tough for the average investor to value. The tech stock continues to make all the right moves, but there have been several stumbles on the way. That's a huge reason why BlackBerry didn't participate in the broader tech-driven [relief rally](#) out of March's market lows.

BlackBerry's end markets felt the force of the COVID-19 impact. To BlackBerry, the pandemic created considerable headwinds, unlike many other software companies that viewed the pandemic as a tailwind. With the auto industry on the mend, however, BlackBerry stock may finally be [ripe for picking](#), as its QNX business looks to bounce back from a rocky first half of the year. Moreover, BlackBerry's much-anticipated Spark suite and other non-QNX offerings could help give a lift to BB stock, as the work-from-home (or work-from-anywhere) theme continues through (and likely after) this pandemic.

A pretty solid quarter amid COVID headwinds

Recently, BlackBerry delivered a solid beat in its second fiscal quarter (Q2/2021), clocking in EPS numbers of \$0.11, crushing the consensus estimate that called for \$0.02. Licensing was a bright spot (up 52% year over year), but the software business remained under pressure thanks to pandemic disruptions. Revenues were clocked in at \$259 million, up 6% on a year-over-year basis. The quarter was by no means perfect, as it failed to move the needle to the upside. But a beat is a beat.

With little in the way of forward-looking guidance, the bar appears to be set quite low for the firm, which could have a long way to go before it gets all its promising businesses moving in the right direction. While M&A activities have been encouraging, it seems as though many investors would rather wait for the firm to demonstrate that it can sustain meaningful organic growth. With headwinds weighing down BlackBerry shares, the stock seems untimely, especially to those who lack a full understanding of BlackBerry's business, which can seem like a black box at times.

BlackBerry made a very sharp pivot from hardware to software. And although it's been nearly six years since CEO John Chen, who has a reputation as a turnaround artist, took the helm, I think the firm requires even greater investor patience before the firm can finally yield meaningful fruit for investors.

Will the next five years be just as brutal for BlackBerry stock?

The past five years have been rough on BlackBerry shareholders. If you're willing to hold for another five, I think the risk/reward trade-off is pretty attractive at today's depressed valuations (BB stock trades at a mere 1.4 times book value).

I'm a believer in John Chen and think the firm needs another two years or so to prove that it's worthy of substantial multiple expansion. You'll want to be in the stock before it has the opportunity to do so, though, as BlackBerry shares could pop without a moment's notice, especially with the low bar that's set before it.

In the meantime, BlackBerry investors are going to need to exhibit patience, as the stock will likely remain very difficult to hold over the near to medium term. If you're willing to take the short-term pain, I believe your chances at a long-term gain with the name are high.

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