



BlackBerry (TSX:BB) Stock Gains 19% After Announcing Partnership With Amazon Web Services

Description

Shares of **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) rose close to 19% on December 1 after it announced a partnership with e-commerce giant **Amazon** ([NASDAQ:AMZN](#)).

BlackBerry collaborates with Amazon Web Services

BlackBerry announced a multi-year partnership with Amazon Web Services to develop and market the former's intelligent vehicle data platform, also known as IVY. The Canada-based tech company claimed IVY is a scalable, cloud-connected software platform that allows automobile manufacturers to provide a secure way to read vehicle sensor data and create actionable insights.

This information can be leveraged by automakers to create responsive in-vehicle services that enhance driver experiences. BlackBerry stock in fact soared 65% in intra-day trading, on the back of this announcement, before giving up gains to close at \$9.08 a share.

According to BlackBerry, modern cars and trucks are built with several parts from different suppliers. Each vehicle model has a unique set of hardware and software components that produce data in specialized formats. The IVY helps to access this data, which will allow manufacturers to innovate and bring new solutions to the market.

The company said, "BlackBerry IVY will support multiple vehicle operating systems and multi-cloud deployments in order to ensure compatibility across vehicle models and brands." It added, "It will build upon BlackBerry QNX's capabilities for surfacing and normalizing data from automobiles and AWS's broad portfolio of services, including capabilities for IoT and machine learning."

BlackBerry will be using AWS' IoT (Internet of Things) and machine learning systems [for some of IVY's capabilities](#). For example, IVY might recognize dangerous driving conditions, such as icy roads, and recommend the driver to enable relevant safety features.

What's next for investors

Despite BlackBerry's stellar performance yesterday, the stock has underperformed the broader market in 2020. Shares of BlackBerry are up 7.5% year to date but have lost around 50% in market value since the start of January 2018.

The tech company has been trying to gain traction among automakers for quite some time. Its BlackBerry Technology Solutions business includes revenue from QNX that supplies commercial operating systems and development tools for automobiles.

In the last quarter, BlackBerry's adjusted revenue was up 2% at US\$266 million, beating consensus estimates by US\$26 million. Its adjusted earnings in the fiscal second quarter of 2021 were US\$0.11 compared to estimates of US\$0.02.

Over the last few years, BlackBerry has looked to increase its software and services revenue by launching new products as well as by acquisitions. However, its software sales fell 15% year over year in Q2 and accounted for 59% of total sales.

BlackBerry has been impacted by the COVID-19 pandemic, which resulted in [sluggish auto sales](#) in the last two quarters. It is also facing difficulties in scaling up its Cylance division that was acquired for US\$1.4 billion last February. While most endpoint security companies are growing revenue at a robust pace, Cylance sales were flat in the last quarter.

The Foolish takeaway

BlackBerry's recent rally might not be sustainable, as it still needs to ensure steady revenue growth and generate consistent profits. While BlackBerry stock is reasonably valued, it will struggle to outperform tech peers over the long term.

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