



It's Time to Bet Big on BlackBerry (TSX:BB) Stock

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) is a forgotten stock. Most investors ignore it. Why would anyone want to invest in a struggling smartphone manufacturer? Didn't this business go bankrupt a long time ago?

In a way, these investors are right. There is no future for BlackBerry that includes smartphone hardware. But if you pay closer attention, you'll realize this stock has completed an incredible turnaround, one that can deliver immense profits for patient shareholders.

This stock is ready to explode

Forget everything you know about BlackBerry. Come to this stock with fresh eyes. That's the only way to understand what's about to happen.

Company CEO John Chen knew that hardware was a dying business many years ago. "I personally do not believe devices are going to be the future of any company," he remarked in 2016.

Since then, BlackBerry has completely wound down its smartphone business, pivoting instead to cybersecurity software. This sounds like a stretch until you remember why people bought BlackBerry products in the first place: security.

Long after everyday consumers ditched the phones, they were still favoured by executives, politicians, and celebrities. They valued the security. When President Obama opted for an iPhone over a BlackBerry, government experts were concerned about hacking vulnerabilities.

Hardware companies almost always have short lifespans. They need to constantly create to survive. Software, on the other hand, is a [shortcut](#) to success. The economics are vastly superior.

For example, the majority of BlackBerry's revenue today is considered *recurring*. That means sales are booked again and again. That's the beauty of software. You can sell it as a quarterly or annual license. With deployment costs close to zero, profit margins are immense.

The trick is to build up this recurring cash flow machine. It seems like a tipping point is right around the corner.

Other experts love BlackBerry

CEO John Chen believed that 2020 was the company's final year as a "turnaround" story. In 2021, it will be all about results.

"The company that once dominated corporate mobile communications with its ubiquitous palm-size communicators and tiny keyboards has completed a 180-degree pivot to security services and software," [reports CNBC](#).

Some notable investors are betting big that shares are about to skyrocket. Prem Watsa, known as the Canadian Warren Buffett, has made BlackBerry one of his largest positions. He now holds around 102 million shares, roughly 30% of his equity portfolio.

"We continue to support John Chen as he works diligently to make BlackBerry a growth company again," Watsa explained in a 2020 investor letter. "As I said last year, with the Cylance acquisition, John is working to become the most trusted AI-cybersecurity company."

Bottom line

BlackBerry stock has had a tough time since securing a 20% global market share for smartphones back in 2007. Since that year, shares have fallen an astounding 95%.

Almost everyone has given up on this stock. Most people write it off as a relic of an old time, not realizing that the company now owns some of the best cybersecurity software solutions on the planet.

Still trading at an 80% discount to its peer group, 2021 should be the year of BlackBerry.

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