



BlackBerry (TSX:BB) Stock: 2021 Could Be Much Better

Description

Last year belonged to the technology sector. The pandemic-infused lockdown had hastened the digitization process, thus driving the demand for products and services provided by the tech companies. However, the performance of **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) was subdued compared to its peers, as the weakness in the automotive sector weighed on its financials and stock price. It returned only 1% last year, while some of the tech companies doubled their stock prices.

BlackBerry's recent performance and its growth prospects

In its third quarter, which ended on November 30, BlackBerry reported an adjusted EPS of \$0.02 per share, outperforming analysts' expectation of a loss of \$0.01 per share. However, its revenue of US\$218 million fell short of analysts' expectations of \$219.7 million. The weak performance from its QNX segment, which offers a portfolio of automotive software solutions, negatively impacted its top line.

However, the company's management is hopeful of the segment returning to its pre-pandemic levels by early next fiscal year, given the reopening of the economy. Also, BlackBerry has secured design wins with 19 of the top 25 electric vehicle OEMs (original equipment manufacturers), which together had a market share of 61% in the first half of 2020. Meanwhile, the company's management has stated that it was working on acquiring the remaining six OEMs.

Last month, BlackBerry [announced](#) to have joined hands with **Amazon** Web Services to develop an IVY cloud-connected software platform, which would gather data from the vehicles and securely transport it to the automakers. Modern vehicles have various proprietary hardware and software components produced by different suppliers, which would generate unique and specialized data that can create challenges for developers to bring innovative solutions quickly to the market.

Meanwhile, BlackBerry hopes to solve these issues through its IVY platform, which applies machine learning on data points to produce predictive insights and inferences that would accelerate the development of new products and improve vehicle performance while cutting down on maintenance and repair expenses. The company is planning to introduce the platform in 2023 auto models.

Other growth drivers

BlackBerry is focusing on strengthening its position in cybersecurity and endpoint management solutions. In May 2020, it had launched the Spark Suite platform, which has been in great demand. The platform, which combines the company's Unified Endpoint Management (UEM) and Unified Endpoint Security (UES), has helped the company acquire many blue-chip companies across various sectors, such as financial services, healthcare, and manufacturing.

Its recent launch, "Cyber Suite," which utilizes artificial intelligence, has strengthened its continuous authentication and mobile threat defense capabilities. Given the strong early interest in the platform, the company has planned to increase its spending on sales and marketing initiatives.

Further, its Secure Communications products — AtHoc and SecuSmart — delivered a strong performance in the third quarter, as more people worked from their home due to the pandemic. Meanwhile, the demand for the segment's services could sustain, as many organizations have offered their employees work-from-home options permanently.

The company had cash and cash equivalents of \$757 million as of November 30. So, it is well capitalized to fund its growth initiatives.

Bottom line

BlackBerry's valuation looks attractive compared to its peers. Its forward enterprise value-to-sales multiple currently stands at 3.8, while its price-to-book multiple is at 2.1. So, given its high growth prospects and attractive valuation, [I believe BlackBerry could deliver superior returns this year.](#)

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Date

2025/08/26

Date Created

2021/01/06

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