



## BlackBerry (TSX:BB) Stock: Show Me the Money!

### Description

**BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) has in many ways been a fantastic turnaround story. After its failure in the smartphone wars, it re-invented itself as a software company and saw rapid adoption of its products. BlackBerry's QNX software is already running on 175 million cars, and the company recently reached a deal with **Amazon** to work on driverless vehicle software.

It's exciting stuff. But some analysts remain unconvinced. Citing the company's long-term revenue decline and lack of profits, they believe the company needs to "show investors the money" before it's worth a bullish opinion. In this article, I'll explore the comments of one analyst who believes BB is currently just a "sector perform" stock with not enough meat to justify a stronger rating.

### Analyst questions BlackBerry

Recently, **RBC** analyst Paul Treiber rated BB a "sector perform" (hold) and gave it a US\$7.5 price target. That implies a CA\$9.5 target for the TSX-listed version at today's exchange rates. According to Treiber, BB needs stronger growth or better opportunities to be worth more than it is now. Specifically, he said:

"The investor debate on BlackBerry stems from the company's future opportunity compared to its current momentum... ending stronger growth or better visibility to BlackBerry's emerging opportunities, we see the valuation re-rating in BlackBerry's shares sustained at current levels."

In other words, BlackBerry's fundamentals justify about the price it was at when Treiber wrote the report. At the time, that implied 8% upside, but today, the price is a little above Treiber's target.

### Financials still not great

One problem for BlackBerry is that its financials still aren't that good. The company's bright spot used

to be growing software and services revenue, but that actually declined year over year in the third quarter:

- **Third-quarter fiscal 2020 software and services revenue:** \$185 million
- **Third-quarter fiscal 2021 software and services revenue:** \$168 million

That's a 9.1% decline. In past years, BlackBerry would report the year-over-year percentage gain in revenue and earnings to show that it was growing. In 2020 (or fiscal 2021), that stopped. It seems pretty obvious why that is. The company's growth in the period was negative, and it doesn't want to draw attention to that fact.

Some other miscellaneous highlights from Q3 include

- A \$127 million GAAP operating loss;
- A \$0.23 GAAP net loss per share; and
- \$29 million in [free cash flow](#).

Only the last of these metrics could be seen as a positive. However, a year before, the comparable metric was \$37 million, so we're still seeing a year-over-year decline.

## Foolish takeaway

As we've seen, BlackBerry's financials for fiscal 2021 don't quite jive with its reputation as a turnaround success. Yes, it *has* been a product success. The [QNX user numbers](#) alone confirm that. But the revenue and earnings figures haven't followed the product adoption figures. So, it's no surprise that Peter Treiber called BlackBerry a "show me" story. It's a stock that really needs to show investors the money.

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