



BlackBerry (TSX:BB) Is Flying High: Should You Buy?

Description

After an underwhelming 2020, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) has made a bright start to 2021, with its stock rising around 48% so far. Last week, reports emerged that the company had sold 90 smartphone technology patents to **Huawei** in December, which were later confirmed by the company's CFO, Steve Rai, during the **JP Morgan** virtual investor conference on January 12. This initiative could be part of the company's strategy to move away from the mobile phone space.

On Friday, the company also stated that it had settled a dispute with **Facebook** related to patent royalties while not disclosing the settlement's terms. These developments had led the company's stock price to rise over 30% last week. Given the recent surge in the company's stock price, is BlackBerry still a buy at these levels? Let's first look at its recent performance and growth potential.

Disappointing third-quarter sales

Last month, BlackBerry [reported](#) a mixed third-quarter performance, which ended on November 30. It posted an adjusted EPS of US\$0.02 per share, beating analysts' expectations of a loss per share of US\$0.01. However, the company's revenue came in at US\$218 million, falling short of analysts' expectations of US\$219.7 million. Year over year, the company's top line declined by 15.8%.

The automotive sectors' weakness caused by the pandemic-infused shutdown lowered its QNX licensing fees, which weighed on its financials. Despite the weak performance, the company's growth prospects look promising.

Growth drivers

Last month, BlackBerry announced it collaborated with **Amazon** Web Services to develop and market its intelligent vehicle data platform, IVY. The platform will allow automakers to access the vehicle's sensor data securely to deliver responsive in-vehicle services, thus enhancing driver and passenger experiences. The platform will run inside the vehicle's embedded systems while configured and managed remotely through the cloud.

Using BlackBerry's IVY, automakers could develop new products and services that could work across various vehicles and models, thus cutting down on expenses. The company expects to implement the platform in the 2023 year's auto models. So, given its advantages, the platform could significantly contribute to its recurring revenue in a couple of years.

Meanwhile, BlackBerry is also strengthening its position in the cybersecurity and endpoint management solutions market through its Spark Suite and Cyber Suite platforms. Spark Suite, which combines BlackBerry's Unified Endpoint Management (UEM) and Unified Endpoint Security (UES), has been in demand since it was introduced in May and has also helped to acquire many blue-chip clients. Meanwhile, the early interest in Cyber Suite also looks healthy, as it brings the best of both BlackBerry and Cylance technology.

Valuation and analysts' recommendations

Despite its recent surge, BlackBerry's valuation still looks attractive. Currently, the company's forward price-to-sales and price-to-book multiples stand at 4.8 and 2.4, respectively.

Meanwhile, analysts look less bullish on the company. Of the nine analysts covering the BlackBerry, eight have given a "hold" rating, while one analyst has issued a "sell" rating. The consensus price target represents a fall of around 60% from its current stock price.

Bottom line

Despite letting down its shareholders by failing to deliver on its promise in the last few years, I believe BlackBerry's transformation from a leading smartphone manufacturer to a cybersecurity specialist could start yielding dividends from this year. The company also earns a significant part of its revenue from recurring sources, which is encouraging. Given its growth prospects and attractive valuation, [I believe the company could deliver superior returns this year.](#)

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