



BlackBerry (TSX:BB) Stock Doubling: What Are the Odds?

Description

BlackBerry ([TSX:BB](#))(NASDAQ:BB) stock has tripled in January to its 10-year high of over \$23. This rally was much awaited by company insiders as they immediately sold a significant portion of their shares when the stock crossed the \$17 mark. This contrasting difference between investor buying and insider selling raises a question. What are the odds that BlackBerry stock will further double in 2021?

The black past

For a decade, BlackBerry's past has been haunting the stock as investors don't easily trust a turn-around stock. BlackBerry became the victim of technology disruption back in August 2007 when **Apple's** iPhone disrupted BlackBerry handset. At that time, BlackBerry lost 67% of its value and has never recovered since then. The disruption was so intense that it never made a comeback in the mobile market.

Instead, it converted its popular BlackBerry messenger technology into licensing and patent business. It sold 90 smartphone technology patents to China's Huawei. It also sued **Facebook** and **Twitter** for using its intellectual property without the proper remuneration.

BlackBerry is looking to leave its smartphone hardware past behind and focus on its software strength. The company now earns 74% of its revenue from endpoints security software and services. Today, the company's solutions secure 500 million endpoints, including 175 million cars and other internet-of-thing (IoT) devices.

The bull case

After taking the helm in 2013, CEO John Chen proceeded to transform the \$6 billion declining revenue (-38%) in fiscal 2014 to \$1 billion growing revenue (+20%) in fiscal 2020. During this period, BlackBerry stock fell 25%.

It was only in fiscal 2020 that the company saw double-digit growth after several years of decline. But

the pandemic broke, sending its revenue down double-digit once again in fiscal 2021. The lockdown reduced car production and, therefore, demand for its automotive software solution QNX.

This year will see a revival of automotive demand, electric vehicles (EVs) in particular. IHS Markit [forecasts](#) global EV sales to rise by about 70% in 2021 and increase at a compound annual growth rate (CAGR) of 52% by 2025. And BlackBerry is prepared to tap this market with its Intelligent Vehicle Data Platform (IVY). It has partnered with **Amazon** Web Services (AWS) to give its IVY solutions cloud-connectivity, scalability, and a global reach.

BlackBerry has several hopes tied to its IVY platform. The platform will enhance data collection from vehicle sensors like a seat belt, acceleration, and battery and use it for applications like insurance monitoring and customized charging. The IVY platform can address the needs of automakers, EV charging providers, insurance companies, vehicle maintenance providers, and much more.

U.S. President Joe Biden has promised to install more than 500,000 EV charging stations and give subsidies for EV adoption. Moreover, this year will see an active rollout of the 5G technology, paving the way for the IoT revolution.

BlackBerry is in the right business as the number and type of endpoint devices will surge by leaps and bounds in the 2030 decade.

The bear case

While the bull is raging for BlackBerry, it is not yet reflecting in the earnings. There is no quantification of the potential growth, and neither does BlackBerry have secured any major contracts yet. Amazon partnership can equip BlackBerry to scale if there is a sudden boost in demand.

BlackBerry's history of negative declines and losing to disruptive smartphone technology keeps investors cautious. I won't blame them. **Advanced Micro Devices** also had a similar fate. It emerged from near bankruptcy in 2015 to overtaking its arch-rival **Intel** in the technology game. But it took AMD several successful product launches and contract wins to win back investors' confidence.

Does BlackBerry stock have the potential to double in 2021?

At present, BlackBerry stock is trading over 12 times its sales per share. This is a high price until the company shows steady double-digit revenue growth. The EV sales are expected to surge 70%. If BlackBerry can tap even a fraction of the EV wave, the stock could double to over \$40 in 2021.

BlackBerry has long-term growth potential, which is why it is the [second-largest holding](#) of Prem Watsa's **Fairfax Financial Holdings**.

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