



Is BlackBerry Stock a Buy?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock has surged in recent days. Investors now want to know if Canada's leading Internet of things (IoT) security player is still cheap and will continue to soar through 2021.

BlackBerry stock volatility

BlackBerry started 2021 at \$8.44 per share but recently topped \$17, hitting a multi-year high. Barring another [market crash](#), some pundits say the share price could move even higher.

Why did BlackBerry's stock surge?

The rally came on the heels of a reported agreement between BlackBerry and **Facebook** to settle a patent dispute. Terms of the deal are not available, but the market seems to think that BlackBerry will get a royalties windfall. Investors might have to wait for quarterly results to come out through 2021 to see how big an impact the decision could be on cash flow.

This is the second major jump in the stock price in the past two months. In first week of December, BlackBerry stock soared 40% on reports of a partnership with **Amazon** on a global [automotive initiative](#). BlackBerry and Amazon Web Services will develop and market a cloud-connected software platform, named IVY, that will enable automakers to monitor vehicle sensor data in real time.

Challenges and opportunities

Years ago, BlackBerry shifted from handsets to a focus on IoT software and security. The transition makes sense based on BlackBerry's security expertise, but the road to recovery has been a bumpy one. For example, BlackBerry's US\$1.4 billion acquisition of AI cybersecurity firm Cylance in 2019 hasn't driven revenue growth as expected.

Security concerns remain a key obstacle for the evolution of IoT, so the deal likely makes sense. It's all

part of the strategy of being a trusted leader in the IoT space focused on enterprises. Companies need to know the data being sent to the cloud is secure. In the case of vehicles, where BlackBerry's QNX platform is already a leader, safety is also a concern.

The IoT boom hasn't materialize as anticipated. That might finally change with the arrival of 5G networks, widely accepted use of cloud-based-storage, and the increased desire for real-time data by companies and homeowners. Ubiquitous wireless connectivity brings added security challenges. This provides new opportunities for BlackBerry across its product lines.

The pandemic also opened new opportunities for BlackBerry on the security side of the business. Millions of people left the office and now work from home. Managing security becomes a real challenge in the new era and BlackBerry's solutions target the issue.

That said, the fiscal [Q3 earnings report](#) that came out in December reminded investors that the company still faces an uphill battle. Revenue for the three months ended November 30 came in at \$218 million compared to \$267 million in the same period last year.

BlackBerry's opportunities are definitely promising, but the company is very small compared to some of the tech giants that are also vying for dominance in the IoT space.

Should you buy BlackBerry stock now?

The share price dropped 20% in the two weeks following the Q3 earnings results, so investors have to be careful chasing the rallies. A quick look at the past eight years suggests a cautious approach. Each time exciting news of a partnership or acquisition spurs a pop in the stock price, the momentum tends to fade when the earnings results fail to meet heightened expectations.

This time might be different and new enthusiasm for BlackBerry stock could drive the share price much higher. However, I would wait for a near-term pullback before buying the stock.

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