



My Problem With BlackBerry (TSX:BB)

Description

There are few investments on the market today that resonate with investors as much as **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)). The one-time (and founding) king of the smartphone era ceded its crown to others over a decade ago. Since then, the company has stepped away from hardware, reinvented itself, and attempted to return itself to profitability. In short, my problem with BlackBerry is whether the company can return to and maintain profitability.

My problem with BlackBerry

BlackBerry's stock is currently on fire. The stock is up near 100% in the past month alone. Much of that growth has occurred in the past two weeks, where BlackBerry announced the end of the long-standing patent dispute. That dispute was with social-media heavyweight **Facebook**.

The stock also rode a nice wave upwards following an agreement with **Amazon**. That agreement will see BlackBerry develop software used to enhance data collected from vehicle sensors. Over the long term, this could lead to BlackBerry becoming an integral part of the autonomous vehicle market. The key point here is that this agreement is to develop a *platform*. There's no revenue stream tied to it yet, and any potential revenues stemming from it are years out.

I don't doubt that BlackBerry has significant long-term potential. I've always seen QNX, BlackBerry's secure and scalable OS already used in over 130 million vehicle infotainment systems, as pure gold. The same could be said of BlackBerry's expansion in recent years into cybersecurity and the Cylance acquisition. To a lesser extent, BlackBerry licensing out its name to partners that would develop and sell device hardware to its niche market was also seen as a revenue driver.

By way of example, in the most recent quarter, BlackBerry announced a GAAP loss of US\$127 million, or US\$0.23 per share. In the same period in 2019, BlackBerry fared better, with a net loss of US\$32 million, or US\$0.06 per share.

Do you see my problem with BlackBerry?

All of those initiatives have so far failed to adequately impact BlackBerry's bottom line and help the company turn a profit. Are these two recent announcements any different, and do they justify the stock price doubling? To put it another way, BlackBerry is full of great ideas and full of potential, but unfortunately it falls short on execution.

What should you do?

I don't doubt BlackBerry holds long-term potential. The company is well positioned in emerging areas such as the autonomous vehicle market and cybersecurity. Both of these areas are going to take off in the coming years. The only question is when and if BlackBerry can turn a profit from those areas. That's my problem with BlackBerry.

In my opinion, there are [far better investments](#) on the market at the moment that have proven their capacity to generate profits and, in many cases, also provide an [income stream](#). That being said, if you have a very long-term timeline and have a *very high* tolerance for risk, BlackBerry could be for you.

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