



## BlackBerry Stock Falls 62%: Buy the Dip?

### Description

**BlackBerry's** ([TSX:BB](#))([NYSE:BB](#)) stock price hit a new multi-year high of \$36 a share in January when Reddit bulls bid the refocused software stock *to the moon*, alongside **GameStop**. However, [as feared earlier](#), shares in BlackBerry continued to fall in February and trade 61.9% lower than their recent high valuation. The stock price is flirting uncomfortably near single-digit levels, again. Could this be the time to buy the dip on “beaten-down” BB stock?

Adrenaline levels have come down inside the charged retail trader bulls' minds. However, trading volumes remain elevated on BlackBerry stock, perhaps institutions have taken charge. Over 7.1 million shares changed hands on the **TSX** and 23.7 million shares were traded on the New York Stock Exchange on Friday alone. Historically, trading volumes were as low as 1.6 million and 6.1 million shares on the TSX and the NYSE, respectively — before the WallStreetBets craze.

It's looking possible that BB's stock price could consolidate above the \$10 a share level in the near term.

## Should you buy the dip on BlackBerry stock right now?

I recommended [taking some profits](#) on the company's shares on January 29 this year, and shares closed 36% below January 29 closing price last week. The fear of missing out on a profit-taking opportunity paid off, as shares were extremely overvalued back then.

Things have changed now. BlackBerry's stock price has come down to earth now. And the valuation is looking attractive once again. At a forward enterprise value-to-sales (EV/sales) multiple of 5.26 times, the \$6.8 billion software and services firm look cheap compared to industry peers right now.

It's now just the valuation, though. Long-term growth is loading on this refocused tech giant.

## More reasons to buy BB stock today

News screens were recently filled with reports of massive cyber-attacks in America. Governments globally are increasingly concerned about cybersecurity threats on private corporations. The global security software industry could grow more exponentially during this decade than previously estimated.

BlackBerry is a tried, tested, and proven capable security software provider, even since the days of its Messenger platform. The company sells a smorgasbord of security offerings today, and added artificial intelligence (AI) capabilities with its Cylance acquisition.

I expect double-digit growth rates in enterprise systems security and Internet of Things (IoT) services, as demand for cybersecurity services and associated spending budgets increase going forward. This emerging trend should benefit a well-placed BlackBerry — more so as global 5G network rollouts bring new connection endpoints, including cars, that need to be tightly secured.

Moreover, the company's legacy QNX platform has become a significant revenue growth driver lately. Customers are deploying QNX software in connected cars, self-driving cars, and hospital systems with more revenue-generating points than before. Advanced Driver Assistance Systems (ADAS) and driver convenience functions built on top of the QNX Hypervisor means more revenue per car per single installation in a fast-evolving automobiles market.

A recent partnership with **Amazon's** Amazon Web Services (AWS), a deal with China's **Baidu**, among other recent QNX wins, could mean a new long-term growth story for the company's QNX division.

That said, there are still a few problems with the investment.

## **Beware of these short-term issues!**

The company's portfolio of over 38,000 patents by February 29, 2020, is shrinking. Management sold some 90 key electronic communication patents to China's Huawei around December of last year. The company could be struggling to license its patent portfolio, hence the recent outright sale.

Further, the automotive industry, a strong recurring revenue generator and growth driver for the tech firm, could be slow to recover from a COVID-19 hit. Analysts expect the company to report a mere 9.5% recovery in sales this year, with revenue remaining below pre-pandemic levels for the fiscal year 2022, which ends in February 2022.

Slow revenue growth during this calendar year could dampen investor enthusiasm.

## **Foolish bottom line**

I'm a Fool, and I normally think as a long-term focused investor. However, BlackBerry stock's insane moves in January required special treatment. Giving in to the "fear of missing out" on a *profit-taking* opportunity has paid off handsomely. However, I think it's time to reconsider getting back onto the refocused security services and software giant now. Even after considering the near-term risk of further weakness due to slow sales recovery in 2021.

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