



BlackBerry (TSX:BB): Huge Risks Remain

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock has come back down to earth after reaching dizzying heights. During the peak of the “meme stock” frenzy, BlackBerry reached a high of \$31.49. Few professionals thought that the stock was worth it at that time, but a dedicated group of buyers bid it up anyway.

Today, BB stock is much closer to what professionals consider its fair value. A while ago, analyst Paul Treiber gave BB stock a US\$7.5 price target — about CA\$9.5. As of this writing, the stock cost \$12.34, which isn't too far from that target. Today, the stock is looking like more of a buy than it did a month ago. Nevertheless, serious risks remain.

The most recent quarter ... “sort of” profitable

One major risk factor facing BlackBerry right now is uncertainty about its financial performance. The company's recent quarterly report showed widely diverging GAAP and adjusted metrics. With adjustments, the company was profitable and grew its revenue year over year. In GAAP terms, it was unprofitable and saw its revenue decline. On the company's third-quarter financial statements, it said revenue declined from \$267 million to \$208 million. EPS was down to -\$0.23 from -\$0.06. That looks like pretty poor performance. But the company put out a press release emphasizing adjusted figures that showed profitability and growth. It definitely looks like BlackBerry is trying to put a positive spin on negative earnings. On top of that, there is a new development that could put some of the company's crowning achievements in jeopardy.

BB loses a major contract

Until recently, one of the biggest arguments for investing in BlackBerry was all the good news the company was putting out. In the span of just a few months, it revealed that it had

- [Signed a major deal](#) to collaborate with **Amazon**;
- Settled a lawsuit with **Facebook**; and
- Got its QNX software installed on 175 million cars.

It was an impressive string of achievements. But recently, the company hit its [first major bump in the road](#) since its smartphone days. Last month, **Ford** announced that it would be dropping BlackBerry's infotainment software. Opting to go instead with **Alphabet's** offering, it was the first high-profile loss of a contract for BlackBerry since it pivoted to software. Thanks to this development, BlackBerry's QNX install numbers are likely to be lower the next time they're reported. That takes away from the company a valuable "vanity metric" that it had been trying to draw attention to in place of less-than-inspiring financials.

Foolish takeaway

There's no doubt that BlackBerry has come a long way since it ditched the smartphone industry for a new thing. Boasting deals with some of the world's biggest companies and over 100 million software installs, it has had a certain kind of operational success. But financial success hasn't really followed. Now, with Ford out of the picture, things aren't looking great. So, BB stock remains a risky play — even at today's relatively cheap price.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/08/19

Date Created

2021/03/14

Author
andrewbutton

default watermark

default watermark