



Is BlackBerry Ltd (NYSE:BB) Finally a Bargain Stock Again?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) got caught up in the Reddit-driven short squeeze a few months ago. By late January, BlackBerry stock was trading at \$25. That was a nine-year high. Since then, it has declined by more than 62%. Retail traders and Redditors seem to have abandoned it.

This could be good news for bargain hunters. Here's a closer look at whether BlackBerry is an undervalued tech stock again.

BlackBerry's current market position

BlackBerry has transformed itself in recent years. Instead of reviving the dying smartphone business, the company has become a market leader for cybersecurity solutions. It is now well positioned to bounce back and drive shareholder value creation further.

BlackBerry's reputation as an enterprise service provider remains intact. The company's big bet on security solutions is already paying off, pushing it back to profitability in 2020.

The company's annual recurring revenue is now up to \$475 million. That's backed by a net retention rate of roughly 90%. Revenues could keep climbing as BlackBerry strikes more corporate partnerships and acquires more companies to drive expansion.

BlackBerry's prospects

The company has recently collaborated with **Amazon** to develop BlackBerry IVY, an intelligence data platform targeting the auto industry. It has also teamed up with Chinese automotive contractor Desay SV to enhance safe driving on the roads. Meanwhile, the team has made technological advancements to its AtHoc software to affirm its revenue base from Federal agencies.

Of course, Reddit's short squeeze of the stock wasn't driven by fundamentals. Now that the stock price has dipped again, savvy investors can make estimates about fair value more clearly.

BlackBerry stock valuation

The company is currently worth \$6.6 billion. That's roughly seven times sales and 3.9 times book value. It's not a deep-value bargain on paper. But the valuation changes when you consider two future catalysts.

One is BlackBerry's patent portfolio. The team is about to monetize this portfolio by selling it to a tech giant in 2021. According to experts, this could unlock \$570 million in cash. That's on top of the \$674 million BlackBerry already has in its war chest. Combine that with cheap debt, and BlackBerry could snap a major acquisition to change the game in 2021.

Another positive catalyst is the company's position in the self-driving and electric car market. The QNX business is looking so promising that fellow Fool contributor Joey Frenette says the company could be [better positioned than Elon Musk's EV giant](#). Winning a contract to license this technology could be another windfall for shareholders.

Bottom line

BlackBerry's business has more than stabilized and is well positioned for tremendous growth amid growing demand for cybersecurity solutions and other applications. Monetizing the patent portfolio and bagging a deal for QNX in the coming months could unlock much more value. Meanwhile, the stock has declined from unreasonable levels.

BlackBerry may not be a bargain, but it's certainly worth a spot on your watch list.

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