



BlackBerry Stock in 10% Plunge: Buy the Dip?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock price traded 9.7% lower on Wednesday morning as investors reacted to the software and services firm's latest earnings release provided after-hours on Tuesday.

Wide earnings miss sinking Blackberry stock

The company missed both analyst revenue and earnings estimates in the latest fourth-quarter 2022 earnings results. Revenue at US\$210 million during the past quarter was much lower than market expectations, Non-GAAP revenue at US\$215 million missed investor expectations by a staggering 13%. Analysts expected Blackberry to report 15% more revenue than it did during the quarter.

Although non-GAAP net earnings were in line at US\$0.03 per share, the company still generated a deep US\$0.56 loss per share if we fully apply the required accounting standards.

For the full year, BlackBerry generated US\$893 million in revenue and reported a US\$1.1 billion net loss for its shareholders. A **GameStop** linked rally increased the fair value of the company's debenture liabilities. BB's debenture-linked charges combined with goodwill writedowns earlier in the past year for an ugly bottom-line loss.

What went wrong at BB?

We know of a COVID-19 shock to revenue generation as customers delayed purchases and auto manufacturers suspended production during the pandemic.

New information that came out in the latest earnings release points to some on-going exclusive patent portfolio negotiations which hampered licensing efforts.

“During the quarter BlackBerry entered into an exclusive negotiation with a North American entity for the potential sale of part of the patent portfolio relating primarily to mobile devices, messaging and wireless networking,” reads an explanatory line.

The company claims its licensing revenue line could have been much higher. Licensing and other revenue for the quarter came in at US\$50 million. “If the company had not been in negotiations during the quarter, we believe that licensing revenue would have been higher,” Management said.

Media reports claimed back in January that BlackBerry had sold a treasure trove of 90 patents to China’s Huawei. There was disclosure of such a patent sale in the latest earnings. Perhaps the unnamed buyer of patents identified above could be a Huawei subsidiary.

A better outlook for this year?

It’s understandable that BlackBerry couldn’t provide any guidance “right now” on its Licensing revenue for this year as patent sale negotiations are still underway. However, management anticipates a double-digit billings growth for both cybersecurity and software services revenue in the range of 9-15% this year.

BlackBerry is a strong contender in the growing internet of things (IoT) security market as 5G rollouts bring new connected devices online. Moreover, the company’s cash cow, QNX, is on course to return to normal revenue generation midway this fiscal year. QNX has made inroads into the emerging electric vehicle (EV) market with new customer wins. The software is now in use at 23 out of the top 25 EV manufacturers globally. These top customers enjoy a 68% market share in the growing EV space.

Analysts expect BB’s annual revenue to grow by 15.3% to US\$1.03 billion for fiscal 2022 which ends on February 28 next year. This could be an impressive recovery, but growth is expected to slow down to just 2.3% next year.

Foolish bottom line

The outlook for BlackBerry’s business isn’t too bad. However, growth is too slow to come by since the turnaround from mobile devices manufacturing to a pure software business was completed in 2018. I [recommended taking profits](#) in January but that window is over now. Bullish investors on BB’s EV and 5G linked future may want to buy back into the reformed software firm as its stock trades back in the cheap \$10 range.

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

2025/09/10

Date Created

2021/03/31

Author

brianparadza

default watermark

default watermark