



## Should You Buy BlackBerry (TSX:BB) After its Correction?

### Description

**BlackBerry (TSX:BB)(NYSE:BB)** [reported its fourth-quarter earnings](#) of fiscal 2021 after the market closed on Tuesday. The company's adjusted revenue came in at US\$215 million, missing analysts' expectation of US\$245.1 million. The company's management has blamed the ongoing negotiations over its patents' monetization for lower-than-expected revenue. Meanwhile, its adjusted EPS of US\$0.03 was in line with estimates.

Amid weak fourth-quarter sales, BlackBerry corrected 10.5% yesterday. The company is now trading over 70% lower from its January highs. So, should you buy the stock at these levels? First, let's first look at its fourth-quarter performance and growth prospects in detail.

### BlackBerry's lacklustre fourth-quarter performance

For the fourth quarter, BlackBerry's GAAP revenue came in at US\$210 million, representing a 25.5% fall from its previous year's quarter. Its revenue from software and services stood at \$165 million, with software product sales forming 80-85% of it while the remaining was generated from professional services. Its dollar-based net retention rate improved from 90% in the previous quarter to 91%, while the churn rate remained around 1%. However, its average recurring revenue (ARR) declined slightly from the last quarter to US\$458 million.

The company's net losses increased from US\$130 million to US\$315 million. However, removing special or one-time items, its adjusted EPS came in at US\$0.03 per share, which represents a fall of 66.7% from \$0.09 in the fourth quarter of fiscal 2020. Further, the company generated net cash of US\$51 million from its operating activities. Its cash and cash equivalents stood at US\$804 million at the close of the quarter.

### BlackBerry's growth prospects

Although BlackBerry's fourth-quarter performance was weak, its outlook looks healthy. With more companies allowing their employees to work remotely, the demand for [endpoint security services is rising](#)

, greatly benefiting BlackBerry. Its recent launches Spark suites and Cyber Suite, along with a robust pipeline of new products, will help the company expand its market share in the cybersecurity segment. These products have also helped the company acquire many blue-chip clients, including several government offices.

Moving onto the BTS (BlackBerry Technology Solutions) vertical, its QNX platform continued to show improvement, despite the global chips shortage and its impact on the auto supply chain. Meanwhile, industry experts project the number of embedded systems in cars could rise in the coming years, given the increased demand for advanced driver-assistance systems and data gateways. So, the sector could witness substantial growth in the coming years.

Further, BlackBerry has 23 design wins of the world's top 25 EV (electric vehicle) OEMs, representing 68% of the global EV production. These victories include Toyota and Honda. Meanwhile, Deloitte had estimated that EV sales could grow at a CAGR of over 29% over the next 10 years, which could significantly boost its financials.

Apart from these factors, the company's recent partnerships with **Amazon** Web Services and **Baidu** could be vital, given the rising demand for autonomous, connected electric vehicles. Meanwhile, BlackBerry's management expects both its Cybersecurity and BTS verticals to deliver double-digit growth in fiscal 2022. Further, its licensing revenue could come around US\$100 million.

## Bottom line

With BlackBerry still in negotiation over its patents' monetization, its licensing revenue could be lower in the first two quarters of this fiscal year. Despite the near-term weakness, the company's long-term growth prospects look robust. So, investors with three years of investment horizon should utilize this selloff to accumulate the stock to earn superior returns.

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