



Is BlackBerry (TSX:BB) Stock Now Oversold?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) went on a wild ride in early 2021, soaring as high as \$36 per share. The stock price has since plunged and investors wonder if BlackBerry is now [undervalued](#) by the market.

BlackBerry Earnings

A pullback in the share price picked up steam after the latest [earnings results](#). BlackBerry reported revenue of \$893 million for fiscal year 2021 that ended February 28. That's down from \$1.04 billion in the previous year. BlackBerry lost \$1.97 per share on a diluted basis, compared to a loss of \$0.32 per share in fiscal 2020.

The weak results likely sparked the extended sell-off of the stock. BlackBerry fell from \$11.78 per share before the earnings release to \$10.54.

Opportunities

In the press release BlackBerry said it was in negotiations to potentially sell part of its patent portfolio relating to mobile devices, messaging and wireless networking. If a deal emerges and the value of the patents turns out to be higher than the market expects, the stock could get a nice boost.

BlackBerry said it believes its licensing revenue in the latest quarter would have been higher had it not been in negotiations to sell the patent portfolio.

BlackBerry continues to focus on security products for enterprises and governments around the world. The company is a leader in the Internet of Things (IoT) sector. As [5G networks](#) expand in the next few years, BlackBerry's products and services should benefit.

Its automotive products secure more than 175 million vehicles. In December BlackBerry announced a partnership with Amazon Web Services (AWS) to develop and market BlackBerry's Intelligent Vehicle

Data Platform (IVY). The scalable cloud-connected software platform will “allow automakers to provide a consistent and secure way to read vehicle sensor data, normalize it, and create actionable insights from that data both locally in the vehicle and in the cloud.”

The revenue potential from this initiative could be significant and might be a game-changer for BlackBerry in the coming years.

Partnering with AWS for the program makes sense. AWS has extensive capabilities for IoT and machine learning.

The benefit for automakers would be a single collection point of all the data generated by the vehicle. Car companies could use the information to identify safety issues or determine new revenue opportunities. BlackBerry says electric vehicle owners could choose to share the car's battery data with a charging network to automatically book a charging location when travelling.

Risks

A global chip shortage is hitting automakers who are now starting to temporarily suspend production of some vehicles. This might have an impact on BlackBerry's revenue in the near-term.

A return to offices by millions of remote workers could also slow down demand for the company's products and services that help home-based employees connect securely to their company's systems.

Should you buy BlackBerry stock now?

The stock trades near \$11 per share at the time of writing. That's still way up from the \$6 it fetched in early November. The latest results show that BlackBerry still faces some challenges, so I wouldn't back up the truck today.

However, patient investors who are of the opinion that BlackBerry will eventually reap the rewards of its turnaround efforts over the past decade might want to start nibbling on additional weakness.

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Date

2025/07/27

Date Created

2021/04/02

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