



Should You Buy BlackBerry (TSX:BB) at These Levels?

Description

Yesterday, [reports emerged](#) that Pomerantz LLP would investigate whether **BlackBerry's (TSX:BB)(NYSE:BB)** officers and directors were involved in any securities fraud or other unlawful business practices on behalf of the company's shareholders. The announcement and the weakness in the broader equity markets led the company's stock price to fall 4.6%. After yesterday's fall, the company is trading over 70% lower than its January highs. So, is BlackBerry looking attractive at these levels?

BlackBerry's near-term weakness

Last month, BlackBerry had reported its fourth-quarter performance, which fell short of analysts' expectations. The company's management had blamed the ongoing patent licensing negotiations for lower-than-expected revenue. Further, the company's net losses increased from US\$130 million to US\$315 million. Meanwhile, removing special items, the company's adjusted EPS came in at \$0.03 — a fall of 66.7% from \$0.09 in the corresponding quarter of the previous year.

The weak fourth-quarter performance also weighed heavily on the company's stock price. The steep fall in BlackBerry's stock price has dragged its valuation to cheaper levels compared to its peers. Its price-to-book and forward price-to-sales multiples currently stand at 3.1 and 5.8, respectively. Despite the near-term weakness, the company's long-term growth prospects look healthy. At the close of the February-ending quarter, the company's cash and cash equivalents stood at US\$804 million. So, the company is well positioned to fund its growth initiatives.

Long-term growth prospects

With increased remote working and learning, the demand for endpoint security and management is rising, which could benefit BlackBerry. With its innovative product offerings, BlackBerry is well positioned to capitalize on the expanding addressable market. It has already acquired many blue-chip clients, including governmental organizations. Further, BlackBerry has recently partnered with **IBM** to expand the reach of its Spark platform to organizations across Canada.

BlackBerry also has a significant presence in the automotive industry, with its software running in approximately 175 million cars. With the rising demand for advanced driver-assistance systems and data gateways, industry experts expect the number of embedded systems in cars to grow in the coming years, driving the market for the company's products and services.

Amid the improving awareness over rising pollution levels, people are shifting to electric vehicles (EV). Deloitte projects the EV market to grow at a CAGR of above 29% over the next 10 years. Meanwhile, the company has strengthened its position in the EV markets through 23 design wins of the world's top 25 EV OEMs, covering 68% of the global EV production.

Further, its recent partnership with **Amazon** Web Services and **Baidu** could be vital. Meanwhile, BlackBerry's management has set an optimistic fiscal 2022 outlook, with its Cybersecurity and BTS verticals projected to deliver double-digit growth. With the company's management still negotiating over its patent licensing, its licensing revenue could be on the lower side for the first two quarters of fiscal 2022. However, for fiscal 2022, the company expects to post a licensing revenue of approximately US\$100 million.

Analysts' recommendations and bottom line

Analysts look less bullish on BlackBerry. Of the nine analysts, four have given a "hold" rating, while the remaining five have issued a "sell" rating. The consensus price target stands at \$7.42, representing a potential fall of 28.2%. However, given its multiple growth drivers and attractive valuation, I believe [BlackBerry would deliver superior returns over the next two years.](#)

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

2025/08/18

Date Created

2021/04/21

Author

rnanjapla

default watermark

default watermark