



## Is BlackBerry (TSX:BB) Stock a Buy?

### Description

**BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) was once a high-flying tech stock, as it led the mobile market. However, **Apple**, **Samsung**, and a slew of Chinese manufacturers soon transformed the smartphone industry, which meant BlackBerry had to exit the mobile manufacturing segment a few years back.

BlackBerry pivoted its business [and now provides](#) software and security to enterprises and governments. It aims to leverage artificial intelligence and machine learning technologies to deliver solutions in verticals, including cybersecurity, endpoint security management, encryption, and embedded systems.

While investors have patiently waiting for a turnaround in BlackBerry's business, the company has flattered to deceive.

### Recent quarterly results were unimpressive

Last month, BlackBerry [announced results for its fourth quarter](#) of fiscal 2021 and reported sales of US\$210 million, a decline of 25% year over year. This was also lower than Wall Street's revenue estimates of US\$245 million. BlackBerry's adjusted earnings of US\$0.03 were in line with estimates.

Its gross margin in Q4 stood at 73%, while BlackBerry reported an operating cash flow of US\$51 million and ended the quarter with US\$184 million in cash.

BlackBerry claimed that it was in negotiations to sell a few of its mobile devices, messaging, and wireless networking patents to a North American entity. These talks meant the company had to delay sales activities that would have helped BlackBerry earn higher licensing revenue in the quarter ended in February 2021.

BlackBerry also attributed its revenue decline to a worldwide shortage of semiconductor chips that have impacted automobile production and weighed on QNX sales for the company.

But, BlackBerry's CEO John Chen remains optimistic about the long-term prospects in the QNX

segment and said, "This has been an exceptional year to navigate, however we are pleased with QNX's continued recovery, despite new challenges from the global chip shortage. QNX now has design wins with 23 of the world's top 25 electric vehicle OEMs [original equipment manufacturers] and remains on course to return to a normal revenue run rate by mid-fiscal 2022."

The global shift towards electric vehicles will be a key driver of top-line growth for the QNX vertical given EV deliveries are forecast to rise at an annual rate of around 20% in the upcoming decade.

## What's next for BlackBerry investors?

BlackBerry sales were up 15% year over year in fiscal 2020. However, this top-line growth was primarily due to the company's acquisition of Cylance. In fiscal 2021, sales were down close to 15%, and analysts expect the top line to fall by another 10% in 2022. This drop in revenue will also hurt BlackBerry's bottom line. Wall Street forecasts the company to post a net loss of \$0.05 per share compared to a profit of \$0.18 per share in 2021.

For fiscal 2022, analysts expect sales to rise 15.4% to \$951 million and earnings per share to improve to \$0.06. However, it would still mean BlackBerry stock is trading at a forward price to fiscal 2023 earnings of 147, which is really steep for a company that is struggling to grow its top line or profit margins.

I think BlackBerry is a stock that might continue to underperform the broader markets in CY 2021 and beyond.

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