



Can BlackBerry (TSX:BB) Ride the Automotive Wave?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock has declined 35% since March, worrying many investors who have their funds parked in this software firm. The decline has nothing to do with BlackBerry, but rather the bearish sentiment around tech stocks. I will attribute this bearishness to the rise of Dogecoin and Bitcoin as it was largely the tech bulls who moved to crypto. But if you are in a long-term growth stock like BlackBerry, you have to have a broader perspective and look at its future growth potential. In the last earnings call, CEO John Chen stated that the company's growth potential is in automotive, which is riding the electric vehicle (EVs) wave.

Strategy Analytics expects a significant expansion in vehicles with embedded systems by 2027. Chen is optimistic that BlackBerry's QNX and IVY platforms are well placed to tap the growth in autonomous vehicles, EVs, and embedded systems in cars.

But the company has to climb mountains to make sure QNX and IVY become the industry standard in the coming years. Only then will these products drive the company's revenue growth. Now the question is, can BlackBerry ride this automotive wave?

Is BlackBerry ready to ride the automotive wave?

Just like **Google's** Android or **Apple's** iOS, BlackBerry's QNX is an operating system. QNX can be used in medical, automation, automotive, and other fields. In a connected car, the QNX platform supports infotainment, cabin acoustics, advanced driver assistance systems (ADAS), safety-critical systems and cybersecurity. Its cloud platform IVY shares vehicle data insights to help developers build new applications and improve passenger and driver experience. The IVY will share necessary vehicle data with insurance companies, electric charging stations, car maintenance and other related parties, making car maintenance and insurance easy.

This is just the scenario for a single car. Imagine the efficiency and cost savings IVY can bring to a fleet. It will remove the hassle of owning and maintaining a fleet. **Amazon** Web Services (AWS) will host BlackBerry's IVY platform to make it scalable. This crucial vehicle data could transform transportation as a whole.

As automobiles become more sophisticated with new connected technology and software, the threat of cyber-attack will increase. A connected car is at a higher risk of malware, making the cybersecurity component crucial. This is where BlackBerry's strength lies.

According to a report by Frost and Sullivan, BlackBerry's security solutions cover 96% of all cyber threats. Many security-sensitive industries like government, healthcare, and defence use BlackBerry's endpoints security solutions. Its high-end secure solutions give it an edge over competitors, putting it in a level playing field to gain market share. Verified Market Research [expects](#) the automotive embedded market to surge at a compound annual growth rate (CAGR) of 7.43% by 2026.

Will the automotive potential materialize into actual growth for BlackBerry?

The next [few years](#) are crucial for BlackBerry as it can gain market share during the growth phase. For the company to gain market share, QNX and IVY have to become the industry standard. Sadly, none of its products became an industry standard after the company transitioned to software.

In 2007, new entrants such as Apple iPhone and Android phones kicked BlackBerry out from the smartphone market, where it was a leader. This risk exists even today. New entrants could dislodge BlackBerry even if QNX and IVY manage to become industry standards. Apart from competitors, BB also faces competition from automakers, which are making embedded systems in-house.

Foolish takeaway

BlackBerry is still transitioning from hardware to a software-as-a-service (SaaS) company. Over the coming years, it will compete in one of the fastest-growing markets and face intense competition. Things can go both ways for the stock. If it succeeds in tapping the automotive market, it will reward investors which show patience with multi-fold growth. But if things don't pan out in BlackBerry's favour, the stock could continue to give double-digit growth.

Instead of parking a significant portion of your portfolio in BlackBerry, invest less than 10%. The growth will take another three to five years to materialize. Have patience and hold onto the stock.

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