



Will BlackBerry Stock Hit \$35 Again After its Q1 Earnings?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock is yet again making rounds on social media. The cybersecurity company reported its fiscal 2022 first-quarter earnings on June 24.

While it managed to narrow losses during the quarter, its earnings at large do not have much to cheer about. However, the stock may soar higher due to the ongoing meme stock frenzy and its lower-than-expected loss.

BlackBerry fiscal 2022 Q1 earnings

BlackBerry reported total revenues of US\$174 million during the quarter — a 16% drop from the same quarter last year. Its gross margin notably fell to 66% in Q1 of fiscal 2022 against its long-term average of 73%.

The chip shortage that has been weighing on global automobile space this year dented BlackBerry's QNX operating system to some extent. It is a software platform for cars that provides driver assistance, infotainment systems, and connectivity modules.

BlackBerry [lost](#) US\$0.11 per share for the quarter that ended on May 31, 2021, in comparison to a loss of US\$1.14 per share in the year-ago period.

BlackBerry's long-term growth prospects

While BlackBerry operates in budding areas like the Internet of Things and cybersecurity, its revenues have been dropping precipitously. In 2016, the company posted US\$2.1 billion in revenues while they were US\$893 million in fiscal 2021.

The long term of BlackBerry could be better, but it is still too soon to tell. It expects the total size of the IoT and cybersecurity market to reach US\$89 billion by 2025, which represents a handsome 19% CAGR. BlackBerry has cutting-edge technology; however, it has lagged to translate that into financial

growth for years.

BlackBerry undoubtedly has a strong presence in its core competencies. Eighteen of the G20 countries work with BlackBerry for their endpoint security management. BB's QNX operating system is installed in more than 195 million cars worldwide.

The upcoming electric vehicle revolution offers a rosy outlook for BlackBerry and its investors. It is already working with leading EV makers, which form 67% of the total EV production globally.

In addition, the large addressable market and higher spending on cybersecurity could drive growth for BlackBerry in the long term. QNX offers a solid growth platform for BlackBerry, as cars become more software-defined, and as autonomous vehicles and inter-connectivity come to centre stage.

So, should you buy BB stock now?

BB stock: Valuation

Though it seems to offer solid growth prospects in the long term, the stock is [extremely overvalued](#) at these levels. BB stock is currently trading at \$15.6 and is up almost 135% since last year. The stock zoomed to \$36 levels in the previous version of the meme stock rally early this year. It subsequently fell 70% in February after its popularity waned on social media.

It is currently trading at a price-to-sales valuation multiple of 10 — way higher than its historical average. Also, Redditors' push has doubled the stock in the last few weeks, and the rally lacks any fundamental backing. So, it might be prudent to stay away from the volatility and wait for a potential correction.

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