



Should You Buy BlackBerry (TSX:BB) Stock After Its Q2 Earnings?

Description

It's the same old story all over again. **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) has failed to impress the street with its quarterly performance this time as well. The mobile handset maker-turned cybersecurity company posted widened loss and a remarkable drop in revenues during the second quarter of fiscal 2022. If you were hoping for a BB stock rallying on the quarterly numbers, you might have to wait a bit longer.

What's next for BlackBerry stock?

BlackBerry stock has fallen almost 35% since January this year. However, it is sitting on massive gains of 85% for the last 12 months, thanks to the meme stock rally. Perhaps its recent quarterly numbers might create a fresh downward pressure on the stock, at least in the short to medium term.

BlackBerry posted total revenues of US\$175 million for the quarter that ended on August 31, 2021. This was a drop of more than 32% compared to the same period last year. The declining revenue growth should concern BB investors. BB's revenues have fallen by 23% year over year in the last 12 months. To stress the point further, its total revenues in 2016 were US\$2.16 billion, while the number squeezed to a mere US\$777 million in the last 12 months, a decrease of 18%.

On the bottom line front, BB [reported](#) US\$144 million in net losses, against a net loss of US\$23 million in the same period last year. BlackBerry's bottom line has been in the red for the last several years. Since 2012, it has reported a net profit on just two occasions.

Growth potential for the long term

BlackBerry has seen several efforts of a business overhaul in the last decade. However, declining revenues and rising losses only indicate that the turnaround is not as fruitful.

BlackBerry is a \$7 billion tech company that operates in the cybersecurity and Internet of Things (IoT) domain. The cybersecurity segment contributes around two-third of the consolidated revenues, while

IoT accounts for 23%. Licensing segment contributes the rest.

Among these three, IoT certainly looks like a bright spot. The segment obtains higher profit margins and also offers attractive growth prospects. IoT is a network of smart devices that collect, store, and use data, which increases productivity and customer experience.

BlackBerry operates in [high-growth](#) areas but could not convert that into financial growth for the last several years. Its QNX operating system for cars has been a game-changer and is already embedded in 200 million cars globally. BlackBerry IVY is another flagship cloud-based platform that will allow automakers to improve the performances of connected vehicles.

According to a BlackBerry presentation, its total addressable market will be close to US\$89 billion by 2025. That represents an attractive growth rate of 19% compound annual growth rate (CAGR). However, how BlackBerry expands its market share and converts that into financial growth remains to be seen.

Bottom line

Despite the recent fall, BB stock does not look attractive from a [valuation](#) standpoint. It is trading 10 times its sales and is expensive. Keeping aside the valuation, BlackBerry's fast-depleting top-line and overall financials are concerning.

Even if it operates in high-growth areas that will design our tomorrow, I don't think BB stock is a buy today.

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