



Should You Buy BlackBerry (TSX:BB) Now?

Description

For every investor that is bullish on **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)), there are at least a few bears out there thrown in for good measure. Make no mistake; this Waterloo-based [tech stock](#) draws significant interest from both sides of the investment spectrum. But what should you, dear investor, do knowing that? Should you buy BlackBerry now?

Let's try to answer that question by looking at a few key points.

First, let's talk results

BlackBerry has come a long way from its roots, as the original king of the smartphone market. The company had made a very painful, long, and public transition over the past decade. In fact, some could argue that the transition continues to this day. Today, BlackBerry operates under three segments, broadly translating into software services (which includes cybersecurity), solutions (think IoT), and licensing (which includes QNX licensing as well as BlackBerry's lucrative patent portfolio).

Earlier this month, BlackBerry announced results for the second quarter. In that quarter, BlackBerry reported revenue of US\$175 million, reflecting a whopping US\$84 million drop over the same period last year. Breaking down BlackBerry's revenue by its three segments shows where all company growth is focused on. BlackBerry's cybersecurity group reported revenue of US\$120 million in the quarter. The licensing segment reported revenue of just US\$15 million. The company attributed that weakness to ongoing discussions around the sale of some of its patent portfolio.

Overall, in terms of earnings, BlackBerry reported a net loss of US\$144 million, or US\$.025 per diluted share. This again represented a drop over the prior reporting period. That hardly quantifies the case for investors to buy BlackBerry now.

Talk is cheap ... really

To be fair, I really like how BlackBerry continues to roll out its QNX platform to more automotive

partners. Having your software in 195 million vehicles is no small feat. But, just as was noted countless times before with other initiatives, where's the revenue to account for that commanding market share? How will this inroads into the evolution of the automobile make BlackBerry profitable?

By way of example, circle back to that US\$15 million in licensing revenue from the most recent quarter. In a similar vein, BlackBerry's much-hyped IoT portfolio brought in US\$40 million in revenue.

Don't get me wrong, the long-term potential *is* there. Cybersecurity is huge, and it's generating money for the company. IoT is also huge, and the potential for further growth is there. Autonomous vehicles are coming to market, and QNX could serve a central part in that role. Connecting that staggering potential to solid, quantifiable earnings has always been the Achilles heel for BlackBerry.

In other words, there are just too many unknowns at this juncture to be the farm on future growth potential.

Adding to that uncertainty is the ride that the stock has taken this year already. The stock is currently up over 50% year to date, but earlier this year, BlackBerry was up well over 200%. That ride was the side effect of BlackBerry being one of the selected stocks in the WallStreetBets subreddit.

The stock has come back down from its insane ride earlier this year but remains a tad on the expensive side at the moment. That's hardly an endorsement to buy BlackBerry now.

Final thoughts: Should you buy BlackBerry now?

I often try to remind investors that there is no such thing as stocks without risk. Every stock, despite how much of a "safe" investment it appears to be, carries risk. Now, when it comes to BlackBerry, there's plenty of risk. Some might say a little too much risk.

Yes, the stock may shoot into the stratosphere — eventually. And yes, the proliferation of QNX into even more vehicles is great news. But does any of that future potential justify the 50% gain we've seen year to date? How about further gains based on BlackBerry's QNX unit embedded in millions of vehicles that dovetails into autonomous vehicles? Again, what about the potential? It's huge. And the execution and path to a viable revenue stream are unknown and risky.

In my opinion, there are [far better](#) and far [less risky investments](#) on the market at the moment. Oh, and many of those other investments can provide superb growth in a shorter (mapped out) timeframe.

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dafxentiou

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