



Is BlackBerry (TSX:BB) a Long-Term Play?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) has registered solid gains in 2021. It's up 38% year to date. However, the stock has been trading sideways in recent months after a 26% pullback from all-time highs. Could the pullback be an opportunity for long-term investors? Here's a closer look.

BlackBerry's edge

BlackBerry has carved a niche for itself as a leading provider of solutions for combating cyberthreats.

With its products addressing more than 96% of cyberthreats, the company is well positioned to generate significant value, as the demand for cybersecurity accelerates. The overall cybersecurity market is expected to be worth US\$345 billion by 2026. BlackBerry could be one of the frontrunners in this evolving sector.

The company already boasts of a robust clientele pipeline. Much of its order book is made up of government contracts, which means future revenue is pretty much locked in. In addition, 19 of the top 25 electric vehicles are also using the company's QNX operating system design, creating another reliable revenue stream.

BlackBerry outlook

BlackBerry has signed a number of deals for its cyber solutions and QNX platform, which can strengthen its revenue base. Once the commercial deals materialize, BlackBerry's balance sheet should receive a significant boost, consequently creating more shareholder value.

However, BlackBerry appears to be trading at a premium with a price-to-earnings multiple of 57. That's better than most tech stocks but not good enough for a legacy company with lower growth expectations.

BlackBerry's prospects seem bright, but the meme stock phenomenon could have made it overvalued.

That means this still isn't an appealing opportunity for long-term investors.

Better bets

While BlackBerry stock's appeal is dulled by its valuation and legacy, there could be better ways to play the themes mentioned above.

Absolute Software ([TSX:ABST](#))([NASDAQ:ABST](#)), for instance, is a [pure-play cybersecurity stock](#) that deserves a spot on your radar. The company develops endpoint security software, which means its tools help secure laptops, phones, and personal devices used by corporate employees.

It was a vital service during the pandemic, but investors are less excited about it now. That's why the stock has dropped roughly 30% since February. In my view, that's an opportunity. Absolute's services will continue to expand as remote work remains part of corporate life and the workforce organically expands over time.

Meanwhile, Absolute Software's stock trades at a price-to-sales ratio of 4.3 and a price-to-cash flow ratio of 11 — not bad for a tech company growing double digits in a multi-trillion-dollar market.

Bottom line

BlackBerry had an epic run this year, but now the valuation looks stretched. The risk-to-reward ratio is simply unattractive. Instead, enterprise security provider Absolute Software could be a better bet. Keep an eye on this evolving theme.

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