



Down 26% in 2022, Is BlackBerry Stock a Buy Right Now?

Description

Shares of the Canadian tech company, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) are down 26% in the first two months of 2022 and have declined over 50% from 52-week highs. Valued at [a market cap](#) of \$5 billion, it has underperformed the broader markets significantly, despite pivoting towards enterprise security from smartphone manufacturing in 2016.

Let's see if BB stock should be part of your buying radar right now.

BlackBerry stock is a high-risk bet

BlackBerry acquired cybersecurity firm Cylance in early 2019, allowing it to increase sales by 15% year over year in fiscal 2020 (ended in February). Cylance was soon integrated into BlackBerry's suite of security services.

While most tech companies experienced a surge in demand, BlackBerry's Technology Solutions that houses QNX saw a pullback in sales, as it is dependent on demand from the automobile sector. In fiscal 2021, BlackBerry sales fell by 14% due to supply chain disruptions that exacerbated the slowdown of the global automobile industry. BlackBerry's cybersecurity business also grew at a far slower pace compared to peers such as **CrowdStrike** and **Palo Alto Networks**.

In the first three quarters of fiscal 2022, BlackBerry's [sales were down](#) 22% year over year, as the recovery in the auto sector was slower than expected due to supply chain challenges. The company expects these headwinds to continue in the near term, which will be offset by strong demand from cybersecurity and IoT divisions.

Wall Street expects BlackBerry revenue to fall by 20% to \$730 million for fiscal 2022, while its net loss is forecast at \$196 million. Analysts, however, expect sales to rise to 23.3% to \$900 million in fiscal 2024, while the adjusted net loss per share might narrow to \$0.03.

There is a good chance for BlackBerry to raise equity capital and dilute shareholder wealth given it ended the most recent quarter with \$407 million in cash.

BB stock is trading at a discount to consensus estimates

BlackBerry discontinued smartphone manufacturing in late 2016 and aimed to gain traction in the enterprise software business, on the back of aggressive acquisitions. However, right now BlackBerry's growth seems to be inorganic and unsustainable, despite the acquisition of Cylance.

Alternatively, investors remain optimistic about its QNX business unit, which should drive the top line, as the automobile sector recovers by the end of CY 2022. In addition to design wins by QNX, BlackBerry's IVY partnership with **Amazon** will also be closely followed by market participants. The partnership integrates QNX with Amazon Web Services's machine learning and IoT services that are part of the connected vehicles space.

Due to sluggish revenue growth in the last two years, BlackBerry might also sell a part of its licensing business, allowing it to deploy resources and fund high-growth verticals. However, BlackBerry remains dependent on the auto market for its turnaround, making it a risky bet given chip shortages are expected to last another year. Throw in rising gas prices as well as inflation, and it's possible for the demand recovery of gas-powered vehicles will be delayed.

Investors looking to purchase cybersecurity stocks can consider buying other quality stocks such as CrowdStrike, as they are not tied to the performance of the automobile sector. Additionally, BlackBerry's falling profit margins, expensive multiples, and ongoing losses indicate the stock will underperform when market sentiment turns bearish. Analysts tracking BB stock expect it to gain over 21% in the next year. But there are much better stocks you can buy on the TSX right now.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. araghunath
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date

2025/08/24

Date Created

2022/03/05

Author

araghunath

default watermark

default watermark