



## BlackBerry (TSX:BB) Stock Falls Below \$8: Time to Buy?

### Description

It is getting uglier day by day. Tech stocks have been on a massive tear and have dug a deep hole in investors' pockets this year. Canadian cybersecurity and IoT champ **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) was no exception. With a recent fall, BB stock is currently trading at \$7.75 — levels not seen since November 2020.

And it's not just BB, but many top Canadian tech giants have seen a colossal fall in the last few months. For example, stocks like **LightSpeed Commerce** and **Shopify** have both halved so far in 2022.

### What's next for BB stock?

Record-high inflation and ensuing faster-than-expected interest rate hikes have weighed on growth stocks this year. Higher rates prominently weigh on richly valued, fundamentally weak stocks. The same was evident in the case of BlackBerry. It has corrected almost 50% in the last six months. However, it does not look attractive even after such a massive fall. Discerned investors should rather wait and see.

For those who don't know, BlackBerry operates in the cybersecurity and Internet of Things (IoT) verticals — both fast-growing huge addressable markets. The cybersecurity segment generates almost two-thirds of the consolidated revenues, while IoT contributes 23%. The licensing vertical makes up the rest.

The company stopped making mobile phones in 2016 and started to expand as a cybersecurity company. Its cybersecurity segment's [revenues](#) fell from \$491 million in fiscal 2021 to \$477 million in fiscal 2022. Notably, boosting the top line and maintaining margins in this segment amid the increasing competition will be challenging for the company.

Its IoT business has seen encouraging operational growth in the last few years. BlackBerry QNX — software for cars is one of its key products, which could be a significant growth driver for the company. The acquisition of QNX in 2010 was a smart move for the company and is now one of the most popular

embedded OS for connected vehicles.

## Declining financials and even fast-declining BB stock

However, BlackBerry's financial growth is a major concern. For the fiscal year 2022, which ended in February this year, the company reported total revenues of US\$718 million. It had revenues of US\$1.3 billion in 2017.

Apart from declining revenues, its margins have also trended lower. BlackBerry's gross margins were 78% in fiscal 2019, which dropped to 65% in the recent fiscal. In addition, its shaky bottom line also weighed on [BB stock](#).

Though BB operates in fast-growing segments, it looks far from consistent profitability. It's going to be a challenging period in the short term for BlackBerry. High operating costs and growing competition will likely still be going to make things hard for it.

## The Foolish takeaway

BB stock is currently trading five times its sales and look a tad stretched. In the short term, rate-hike jolts could continue to dent [growth stocks](#) like BB.

Apart from valuation, what makes it an uninviting bet is its unstable financials. A consistent operational growth translated into financial growth will create meaningful returns for shareholders. But it might take time.

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