



BlackBerry (TSX:BB) Stock Falls Below \$7: Should You Buy?

Description

Tech stocks seemed unstoppable last year, creating massive wealth for shareholders. However, things overturned fast. They are the biggest wealth destructors this year. Almost all tech stocks have lost half of their value in the last few months. **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) stock has dropped 52% in the previous six months and is currently trading at its 20-month lows.

Is BB stock a buy now?

Who could've imagined last year a tech rout of such an extent? Canadian tech giant **Shopify** has fallen from \$2,220 to \$440 apiece today — an 80% value erosion in six-odd months. Fast-growing fintech stock **Nuvei** is no different, dropping from \$180 levels last September to \$58 this week.

Note that many of these [tech stocks](#) enjoyed value expansion during the pandemic. Their earnings were least affected compared to more vulnerable pockets like travel and hospitality. However, as things normalize post-pandemic, COVID-related factors will not be aiding their growth.

Also, fast-increasing interest rates should continue to dominate these [growth stocks](#). The Fed raised its benchmark interest rates by 50 basis-point last week. To add to the woes, it made a strong case for similar increases going forward.

Interestingly, BlackBerry stock does not look attractive even after its recent massive fall. Though it operates in some of the high-growth sectors, the same was not seen in its financial growth.

Concerning financial growth

BB reported total revenues of US\$185 million for the quarter that ended on February 28, 2022. This was a drop from \$210 million in the same quarter last year.

On an annual basis, the mobile manufacturer turned cybersecurity company reported revenues of US\$718 million in the last 12 months. In 2016, it was around US\$2.16 billion.

At the same time, BlackBerry also saw its margins [deteriorating](#), another concern for investors. Its gross margin dwindled to 65% in the fiscal year 2022 against 77% in 2019.

BlackBerry QNX, an operating system for cars, has gained significant traction in the last few quarters. It is already embedded in nearly 200 million vehicles. However, the company seems to have failed to convert that into sustainable financial growth.

Its other vertical — cybersecurity, contributes two-thirds to its consolidated revenues. Interestingly, the global cybersecurity industry has grown by double digits, while BlackBerry's revenues from this vertical have dropped by around 18% CAGR in the last five years.

The Foolish takeaway

BB stock was trading mostly within its typical range of \$14-\$16 till late last year. However, it has fallen to \$6.6 levels this week. When will BlackBerry delight its investors is anybody's guess. Sadly, it seems like it will be a while till then.

Volatile markets and rising interest rates make these loss-making names more vulnerable. From the valuation standpoint, BB stock does not depict an appealing picture. So, I would like to see its top line stabilize before considering BB for my portfolio.

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