



BlackBerry (TSX:BB): What to Expect From its Q1 2023 Earnings

Description

It's been more than three months since markets began to slide. Unfortunately, growth stocks and investors seem to have no respite amid the recent market turmoil. While the **TSX Composite Index** has dropped 15%, TSX tech stocks, on average, have tumbled 42% so far in 2022. Notably, mobile handset maker turned cybersecurity stock **BlackBerry** ([TSX:BB](#)) ([NYSE:BB](#)) has fallen 42% in 2022, which is in line with its peers.

What's next for BB stock?

Growth stocks with poor fundamentals and stretched valuations see the exaggerated impact of the rising interest rates. That's what has happened with TSX tech stocks. These names saw immense growth amid the pandemic, which drove them to [towering valuations](#). However, as things gradually returned to normal, the COVID-related factors ceased to play out in their favour.

However, BlackBerry has been a different story. The stock was stuck to its customary range of \$12-\$13 for the most part, except for its short stint beyond \$30 early last year, thanks to its infamous short squeeze. However, for now, it seems that the stock might see a hard time reaching its typical range again, at least in the short to medium term.

BB to report Q1 earnings this week

BlackBerry will report its first-quarter earnings for the fiscal year 2023 on June 23. According to analyst estimates, the company will report total revenues of \$207 million for the quarter ended on May 31, 2022. For the same quarter last year, it reported revenues of \$174 million.

BlackBerry has beat analysts' top-line estimates for the last four consecutive quarters. However, its revenue growth has been a real concern for investors. Though it operates in high-growth areas like cybersecurity and IoT, it has been unsuccessful in converting that into financial growth.

BlackBerry stock could see some encouraging move if top-line growth in its upcoming show improves.

In addition, an upbeat management commentary will also likely be a key driver for its stock.

Note that BlackBerry announced an optimistic long-term outlook last month. The management expects to clock US\$1.2 billion in annual revenues in the next five years from US\$718 million in the last 12 months. The revenue guidance indicates a 13% CAGR through 2027. Along with revenue growth, BlackBerry also expects its profit margins to expand by 2027.

BlackBerry marked a heroic turnaround from its once mobile manufacturing business to high-growth areas like operating systems for cars and cybersecurity. However, a steady decline in revenues and highly unstable earnings have weighed on its stock for the last several years. As a result, BB stock has lost 50% of its value in the last five years.

The Foolish takeaway

Interestingly, the broad market scenario does not look too supportive for growth stocks, even after their steep fall. Rising inflation has already confirmed that steeper, bigger interest rate hikes are approaching. That could push growth stocks down further. BB stock, too, might continue to trade weak due to its weaker fundamentals and uncertain broader markets.

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vinitkularni20

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