



## Why BlackBerry (TSX:BB) Stock Plunged 18% in September

### Description

September was a concerning month for the stock market. Broader markets fell 6%, while growth stocks fell much harder, extending losses for the year. Investor-favourite stock **BlackBerry** ([TSX:BB](#)) ([NYSE:BB](#)) lost 16% in September and was among the top losers. So far in 2022, BB stock has lost 44%, notably underperforming the **TSX Composite Index**.

This has been a disastrous year for growth investors. Poor market sentiment driven by rapidly rising interest rates has weighed heavily on them. Plus, declining financial growth drove investors to dump riskier names, fueling broad market volatility.

### BlackBerry: Fiscal Q2 2022 earnings

BlackBerry reported its fiscal second-quarter 2022 earnings last week. The numbers were once again lukewarm, resulting in more selling pressure on the stock. It posted total revenues of US\$168 million, a 4% decline year-over-year. Declining revenue growth has been an enduring concern for BB investors. This was the company's eighth consecutive quarter of falling revenues.

Moreover, BlackBerry's cybersecurity vertical reported a drop in revenues. It's experiencing strong competition from established players in this market, which has weighed on its topline. On the other hand, BB's IoT (Internet of Things) segment saw encouraging revenue growth in the last quarter.

In the recently reported quarter, cybersecurity revenues fell to US\$111 million from US\$120 million in the same period last year. BlackBerry's revenues in the IoT vertical soared to US\$51 million — an increase of 27% year-over-year. Besides falling revenues, BlackBerry has had an unstable bottom line over the last several years, leading to massive shareholder value destruction.

On the margins front, BlackBerry has also seen a consistent decline in the last few years. Its gross profit margin fell to 63% in the past 12 months, down from its long-term average of 72%. So, even if BlackBerry operates in high-growth areas like IoT and cybersecurity, it could take time to see financial growth and for the stock to unlock shareholder value.

## Challenging macro scene

Apart from its weakening fundamentals, BlackBerry stock could experience more weakness due to a challenging macro environment. In many parts of the world, central banks have been aggressively raising interest rates to tame record-high inflation. Rising rates are particularly denting for [growth stocks](#). As rates rise, there's an increase in discount rates used to value their future cash flows, which lowers their present value.

Moreover, the combination of record-high inflation and rising rates has introduced intense fears of a global economic slowdown which could further fuel stock volatility. In these uncertain times, investors tend to move away from riskier assets to safer options like utilities or dividend stocks.

The recent correction has indeed pushed BB stock to a more appealing level from [a valuation standpoint](#). However, with a declining topline, concerning fundamentals, and ongoing policy tightening, it might be prudent to wait it out before considering BB stock.

Notably, the rate hike cycle is expected to continue at least through to the end of this year. So, stocks like BB could still have a rough ride ahead and subdued financials will only delay its recovery further.

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