



Down 50% in 2022, Is BlackBerry Stock a Buy?

Description

Similar to several other [tech stocks](#) listed [on the TSX](#), shares of **BlackBerry** ([TSX:BB](#)) are also trading significantly lower compared to its 52-week highs. BlackBerry stock is down 50% year to date, valuing the company at a market cap of \$3.42 billion.

The former smartphone company exited the mobile manufacturing business a few years back to focus on its expanding suite of software services. But BlackBerry has consistently failed to deliver on its promises, resulting in a depressed valuation.

Let's see if BlackBerry stock can stage a comeback in the future and deliver outsized gains to investors.

How did BlackBerry stock perform in fiscal Q2?

BlackBerry has trained its guns on verticals such as cybersecurity and the Internet of Things (IoT) to drive revenue growth. In the fiscal second quarter (Q2) of 2023 (ended in August), BlackBerry reported sales of US\$168 million, a decline of 4% year over year. Its adjusted net loss stood at US\$29 million, or US\$0.05 per share, compared to a loss of US\$33 million in the year-ago period.

Wall Street forecast the company to report revenue of US\$166 million and an adjusted loss of US\$0.07 per share in the August quarter.

BlackBerry's cybersecurity business gained traction once it acquired Cylance almost four years back for US\$1.4 billion. Further, its IoT business generates a significant portion of its sales from an embedded operating system for connected vehicles known as QNX. In fact, this OS is used across industries such as transportation and healthcare in addition to automotive.

In Q2, BlackBerry's cybersecurity business accounted for 66% of revenue, while the IoT business brought in 30% of sales. The share of BlackBerry's licensing business is just around 4%.

BlackBerry's licensing business generates sales from licensing fees and royalties for its mobile and messaging business. In fact, BlackBerry also licensed its brand to third-party mobile manufacturers.

But last year, the company decided to phase out the licensing business and sell several of its patents for US\$600 million. As a result, licensing sales were down 77% year over year in fiscal 2022, dragging total sales lower by 20%.

While IoT sales were up almost 25% year over year in the last six months, BlackBerry's cybersecurity business declined, which is making investors nervous. Several of BlackBerry's competitors in the cybersecurity business, including CrowdStrike and Palo Alto Networks, have generated double-digit growth consistently.

Now, there are concerns that BlackBerry's pending sales of its patent portfolio might not go through. At the end of Q2, BlackBerry's cash balance stood at US\$642 million, and the patent sales would have effectively doubled its cash reserves, which could be deployed to shore up its core businesses.

What's next for BB stock price and investors?

Analysts tracking BlackBerry expect sales to fall by 4% year over year to US\$689 million in fiscal 2023. Its net losses are also forecast at US\$424 million compared to a net income of US\$12 million in the year-ago period.

BlackBerry remains unprofitable several years after the smartphone exit, and BB stock is currently priced at four times forward sales, which is quite steep. While I believe there are much better stocks you can invest in right now, analysts remain bullish on BB stock and expect its price to gain 30% in the next year.

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