



## 5 Things to Know About BlackBerry Stock in November 2022

### Description

This has not been a year for tech stocks. While markets are down 5%, TSX tech stocks have fallen nearly 40% this year. **BlackBerry** ([TSX:BB](#)) stock has been even worse, losing 50% in the same period.

### BB stock continues to disappoint

A confluence of factors weighed on BB stock this year. Macro challenges like high inflation and interest rate increases coupled with BlackBerry's poor quarterly earnings, drove its stock lower.

[Tech stocks](#) generally underperform in rising-rate environments, as their future cash flows become less valuable. In case of BlackBerry, its declining revenues and uncertain outlook made investors all the more wary, recently pushing the stock to its three-year-low levels.

### Business profile

Once a smartphone maker, BlackBerry reincarnated itself in the last few years into a cybersecurity and an IoT (Internet of Things) company. The cybersecurity vertical makes up two-thirds of its total revenues, while the IoT contributes the rest.

The cybersecurity vertical takes care of securing devices that are connected to the internet. IoT designs operating systems for cars. While both are high-growth businesses with expansive addressable markets, BlackBerry has not quite gotten hold of them yet.

### Financial growth

In the last 12 months, BlackBerry reported total revenues of US\$705 million — a drop of 10% year over year. And it was not a one-time thing. It has been seeing declining revenues for years.

There is no respite on the net income front as well. In the last 12 quarters, BlackBerry has reported a positive net income on only two occasions. Its profit margins have also taken a big hit in the last few years. To be precise, its gross margin in 2022 came in at around 62%, which is way below its long-term average of about 70%. On the balance sheet front, BB has manageable debt and a strong liquidity position.

## Outlook

BlackBerry's QNX operating system — a communication technology for connected cars has already been embedded in more than 215 million cars. This is certainly one of the bright spots for the company and for its future growth. The software market for cars is forecast to see enormous growth in the coming decade. However, the segment accounts for a tiny share in BlackBerry's financials. Though it sees operational growth, it could take years to convert that into financial growth.

Moreover, its cybersecurity vertical — a major revenue generator — is witnessing steep competition that's losing market share. The segment is seeing a consistent decline in revenues, which could be concerning for investors.

## An unattractive bet?

BB stock is currently trading four times sales and looks [discounted](#) compared to peer tech names. However, its declining financials, that too, when the macro picture continued to remain uncooperative, make it an unattractive bet. BlackBerry could dominate the IoT market in the long term. But it's too early to bet on, and thus, the opportunity cost could be huge.

## Alternative stock idea

Tech investors could consider **Constellation Software** ([TSX:CSU](#)) for the long term. It has stayed relatively resilient to broad market pressures this year and has notably outperformed. Its unique business model of acquiring smaller, diverse software companies and catering to the public as well as private customers has created above-average earnings for years. It will likely keep trading strong next year as well, despite the macro challenges due to its consistent profitability and compelling business model.

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