



Is BlackBerry Stock a Buy After Plunging to New Lows?

Description

While growth investors have been waiting for a big Christmas rally, all they have been getting is a disappointment. Canadian [tech stock](#) **BlackBerry** ([TSX:BB](#)) has been the most recent stock to plummet to new lows this week. BB stock has lost 60% of its market value this year, underperforming peers that have lost 40%.

BlackBerry disappoints again

BlackBerry's third-quarter earnings of fiscal 2023 were not very well received by the street this week. In fact, the company beat on both earnings as well as on the revenue front. But the concerns over its flattish revenue growth and growth in its mainstay cybersecurity business weighed on the stock.

Some [value investors](#) think BB stock is a buy at current levels after the correction. However, the challenges are not likely to end anytime soon for BB. Plus, with more interest rate hikes coming and turmoil in the broader markets, BB will likely feel the pinch.

BlackBerry reported total revenues of US\$169 million for the quarter that ended on November 30, 2022. This was a decline of 8% year over year. Notably, this was BlackBerry's ninth consecutive quarterly revenue decline. It posted a net loss of US\$4 million in Q3 2023 compared to a profit of US\$74 million last year.

Cybersecurity woes

What's more concerning for BlackBerry is the declining growth in its cybersecurity business. It contributes more than two-thirds of its revenues to its consolidated topline. This segment has been in a consistent decline for the last several quarters, mainly due to the increasing competition.

Apart from the revenue growth, its profit margins in the cybersecurity vertical are also shrinking. To be precise, it reported a gross margin of 57% in the cybersecurity vertical for the recent quarter, falling from 59% in the same quarter last year. Management expects macroeconomic headwinds to weigh on

this segment in the near term.

In the IoT (Internet of Things) vertical, BB reported revenues of US\$51 million, representing decent 19% growth year over year. The gross profit margin for this vertical came in at 80%. BlackBerry management conveyed a gloomy outlook for its IoT vertical amid a challenging environment for the global auto industry. It sees some tightening in its Europe and North American market, mainly due to supply chain woes and demand worries.

Conclusion

BB stock is currently trading at \$4.70 and is close to its pandemic lows. At around this time last year, the stock was comfortably trading above \$12 a share.

The value erosion has been due to macro headwinds, and to a bigger extent, its weaker quarterly performance. So, even if broader markets upturn next year, there might not be a significant recovery in BB stock. That's because, even if it operates in high-growth, budding businesses, BlackBerry has not quite managed to convert that into financial growth.

Slow-but-steady revenue growth, particularly in its cybersecurity business, could provide a much-needed respite for BB stock. That still seems like a distant dream amid a bleak outlook. So, it's better not to expect much from BB stock, at least for the next few quarters.

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