



What Investors Should Focus on When BlackBerry Ltd. Announces Results Next Week

Description

BlackBerry Ltd. ([TSX:BB](#))(NASDAQ:BBRY) is set to report its earnings for the fourth quarter on March 27 and all eyes will be on the numbers of this former smartphone leader.

The company that was once Canada's pride fell as the world watched, and today, those who own a BlackBerry device are often mocked.

However, I still believe BlackBerry is an outstanding company that currently has an incredible leader at its helm. Since CEO John Chen took over, BlackBerry has consistently proved its critics wrong.

The company recently introduced a number of new devices and a new tablet, which caused a lot of eyebrows to rise. Investors and critics are wondering what the company is really up to by introducing new devices when BlackBerry has been lagging in that market segment.

Last weekend, BlackBerry unveiled the SecuTablet—targeted at business users, because it allows personal information to be kept separate and secure. This tablet uses a German technology that BlackBerry purchased last year and is based on Samsung hardware and IBM software. The company also recently launched some new handset models.

Some analysts are concerned about these moves. Morgan Stanley's James Faucette says BlackBerry's initial sales for the Classic are nowhere close to the 2-3 million target expected for 2016.

Peter Misek, Managing Partner, DN Capital says investors should not focus on hardware or handset sales. That's BlackBerry's past. Yes, the hardware business is the biggest part of the company right now and John Chen is pushing for a targeted number of handset sales to meet certain objectives. That's because until now, it's the handset sales that have been largely responsible for keeping BlackBerry afloat.

What investors should focus on instead is the performance of BlackBerry's software and service business, the Internet of Things, as it is called. That is BlackBerry's future and that is what will drive the company to succeed and turnaround completely.

John Chen has indicated that his company is on the verge of finally being profitable again. When BlackBerry reports its numbers next Friday, investors should pay attention to its software revenue. Misek says that department provides BlackBerry with a recurring revenue stream that has high margins.

Another notable performance measure would be to see how many customers decided to pay for BlackBerry's EZ Pass program. BlackBerry developed this program to migrate its operating system to one platform. Previously, the company was using two operating systems to manage OS 5 (BlackBerry Enterprise Services 5) and OS10 (BES 10) devices. Starting February 1, customers had to pay to continue to use this service. So, it will be interesting to see how many of the 7.5 million customers were willing to pay for the software service. It would be a big win for BlackBerry if most of its customers decided to do so.

As for those debating about whether to buy shares of the company or not, one thing to keep in mind is there's a lot of volatility attached to companies trying to make a turnaround. If you have the stomach for it, then BlackBerry is indeed likely to be a promising addition to your portfolio.

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