



## Are Further Gains in Store For RIM Shareholders?

### Description

**Research in Motion** (TSX:RIM,NASDAQ:RIMM) seems never to be far from the lips or ears of the Canadian investor. It is not just a company we know, but a company that we tend to be emotional about. In some respects, we might consider RIM to be the Toronto Maple Leafs of the Canadian stock market. Like the Toronto Maple Leafs, RIM's demise has been well documented. However, the company's shares have nearly tripled over the past four months. This move has left many of us scratching our heads and wondering if the stock has further to run.

### Nothing to add

You'd be small-f foolish to think that there might be some piece of existing fundamental information out there that is not currently being reflected in the price of this stock. A mind-boggling 51 sell-side analysts follow RIM, spending much of their daily lives trying to figure out the company's destiny. Add on a growing world of blogosphere analysts, and you've got yourself one well-covered entity. However, while poking around recently, I came across an interesting tidbit that *could* lead this stock to run much further than it already has, if the soon-to-be released Blackberry 10 gets a warm reception on Jan. 30. Because of the extensive coverage that it receives, RIM has not really surprised me in years – but this information did.

### The stat

The number of RIM shares that have been sold short speaks volumes. Short selling is the act of selling shares that you don't actually own, with the hope of buying them back at a lower price at some point in the future. When you short a stock, you're betting that its price will drop.

I expected that RIM's recent rise owed partly to short sellers that had been covering their positions – buying shares in hopes of limiting the financial loss that any further rise in the stock price might cause, and driving the price higher in the process.

Turns out that's not even close to the truth. RIM's shares bottomed on Sept. 24 at C\$6.31. The outstanding short position was 87.5 million shares (about 17% of total shares outstanding). As I write, RIM's shares are at C\$18.17 and the short position stands at 137 million shares (27% of total shares

outstanding). 50 million more shares have been shorted since RIM's rise began!

Here's the chart to portray the trajectory of the share price and the outstanding shares sold short over the past year.....

[RIM shorts outstanding](#)

Image not found or type unknown

Source: *Capital IQ*

### **Bold prediction**

Based on this information, I suspect these short sellers WILL cover their outstanding positions by buying the stock ... someday.

The shorts are betting that BB10 will be a huge flop, spelling the end of RIM. But if RIM is able to gain some traction with BB10, and demonstrate pent-up market demand for this product, the short sellers will likely get scared. The demand that will be created by short sellers buying the stock to close their positions could lift RIM shares considerably higher.

The shorts have already endured significant pain. Those who sold shares at \$7 would now have to buy them back at \$18. Indications of a successful BB10 launch could push them over the edge.

### **Back to the fence**

Though I see a route to a higher RIM stock price, I'm not certain this scenario will bear fruit. After an initial spark of interest, as those who hold older Blackberry models turn them over for the new edition, my opinion is that demand for the BB10 will dissipate.

RIM has lost too much market share. They likely won't gain it back just by bringing to market a product that is very likely similar to existing smartphones. This is longer-term thinking, though, and has little to do with the next few months that follow the upcoming product launch. With even a whiff of success from BB10, RIM shares may have much more to gain.

[Follow us on Twitter](#) for the latest in Foolish investing.

*Fool contributor Iain Butler does not own shares in any of the companies mentioned in this post at this time. The Motley Fool has no positions in the stocks mentioned above.*

### **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

## **Category**

1. Investing

## **Date**

2025/09/26

## **Date Created**

2013/01/25

## **Author**

tmfohcanada

default watermark

default watermark