



## BlackBerry (TSX:BB) Stock: How High Can Reddit Push it?

### Description

**BlackBerry (TSX:BB)(NYSE:BB)** stock is up a record-breaking 171.5% from the start of the year. That's the highest it's been in nine years. It was up 40% yesterday alone! However, this surge wasn't driven by fundamentals. Instead, BlackBerry stock has caught the attention of the most influential investors on the market in 2021: [Reddit users](#).

Retail investors on social media platform Reddit — specifically on the “WallStreetBets” subreddit — have been targeting deeply unpopular stocks in recent months. Their collective coordinated buying of specific stocks has been remarkably successful. Some of their targets are up as much as 345% over the *past three weeks alone!*

If you own BlackBerry stock (or bought alongside the Redditors), congratulations. The stock has finally unlocked shareholder value after two decades. However, it may be time to step back and consider how far this rally can go and whether you should book profits or buy more.

Here's a closer look.

### BlackBerry's stock valuation

At the time of writing, BlackBerry stock is worth \$24. That's a price-to-sales ratio of 13.4 — much lower than most smartphone makers and tech stocks in 2021. However, unlike most tech companies BlackBerry isn't growing. Instead, it's a shadow of its former self and has been steadily shrinking over the past two decades.

Value investors like Prem Watsa bought the stock in the hope that a new management team could save the company. The strategy was to offload BlackBerry's patent portfolio and use the capital to double down on cybersecurity software and mobile operating systems for electric vehicles.

However, the portfolio is estimated to be worth only \$571 million, while the company's market value has now surged past \$13 billion. Unsurprisingly, BlackBerry stock is overvalued. But Reddit users weren't targeting BlackBerry for its fundamentals.

## Trading on investor sentiment

Retail investors on Reddit seem to have targeted BlackBerry because it was *unpopular*, not because it was *undervalued*. They specifically picked companies with plenty of short interest. In other words, they targeted companies that institutional investors or Wall Street was betting against.

When a professional investor bets against a stock (called "shorting"), they borrow the stock and sell it at market price. If the stock price declines over time, they can buy it back, deliver it to the buyer, and pocket the difference as a profit.

However, if the stock price goes up, they must buy the stock *at a higher price* to close their trade and stem their losses. This buying action pushes the stock even higher — a phenomenon known as a short squeeze.

Reddit users on the WallStreetBets subreddit have been applying this short squeeze to deeply unpopular stocks to create these massive spikes. It's been a profitable strategy, but it can't go on forever. Short squeezes are, by definition, temporary, which is why savvy investors must book profits now.

## Bottom line

BlackBerry stock has been surging on demand from Reddit users. But this short squeeze is temporary. It may be the perfect opportunity to sell and book profits now.

### CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:BB (BlackBerry)

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