



BlackBerry (TSX:BB): The Great Canadian Meme Stock

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock has been on an epic rally in January. Starting the month at \$8.44, it had gone all the way to \$23.78 by the time of this writing. That's a positively frothy 180% gain! If you'd bought BB at the start of the month and sold today, you'd have doubled your money and then some.

It's been a wild ride, but some remain unconvinced.

BlackBerry's most recent quarter was a loser in GAAP terms, with earnings and revenue both down year over year. The company did post some positive news, such as a lawsuit settlement with **Facebook** and a new deal with **Amazon**. But with the revenue impact of these developments uncertain, it's hard not to think that this rally has been a little excessive.

Meme stocks explained

This is where the concept of "meme stocks" comes into the picture.

Meme stocks are stocks that are heavily promoted on forums like Reddit's [WallStreetBets](#) and *r/investing*. These forums have millions of users and are perceived to have the ability to move markets.

Recently, *WallStreetBets* made headlines when it promoted the struggling videogame company **Gamestop** ([NYSE:GME](#)). Prior to Reddit's pump, the stock had been heavily shorted, because the underlying company was in severe decline. Gaming is rapidly moving toward a digital sales model, which makes physical retailers like Gamestop less and less relevant.

And the data shows it. In 2014, Gamestop had \$9.3 billion in sales and \$393 million in net income. By 2019, those figures had shrunk to \$6.4 billion and -\$464 million, respectively. Clearly, the company is going nowhere fast. Yet the stock is positively surging. As of this writing, it was up 1,700% for the year and 110% for the day. That's a rally the likes of which we rarely see.

And, obviously, it isn't organic. *WallStreetBets* has been heavily encouraging its users to buy GME

stock, leading to its share price surging. Along with Redditors, we've had heavy hitters like Elon Musk and Chamath Palihapitiya chiming in as well. Combined, these individuals have a massive reach. And they've helped send GME to the moon.

BlackBerry is no Gamestop

Sooner or later, the Gamestop rally is going to come crashing down. The underlying company is in a terminal decline, and the stock price gains depend on a non-stop train of social media hype.

For this reason, some have started to become nervous about BlackBerry. Much like GME, BB stock is a *WallStreetBets* favourite; in fact, it's currently the number two Reddit trending stock after GME itself. Given this similarity, it's hard not to wonder whether BlackBerry's rally is equally as unsustainable.

The answer to that question is "probably not." While BB stock may be in the midst of a bubble, it's not anywhere near as unfounded as what's going on with GME. While BlackBerry did see GAAP earnings decline last quarter, it has also seen many positive developments, including

- Massive adoption of its QNX software, which now runs on 175 million vehicles;
- A [major deal with Amazon](#) to collaborate on self-driving cars;
- A legal win over Facebook that will provide revenue, possibly recurring; and
- A secular rise in recurring software revenue.

These are all major positive developments that could spur BB to growth in the future. Are the current prices justified? Who knows? But this clearly isn't just another GME.

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