



GameStop (NYSE:GME): Don't Gamble Your Life Savings on a Meme

Description

Last week, investors got a harsh lesson about investing in bubbles.

Driven by the mania in “meme stocks,” many bought **GameStop** ([NYSE:GME](#)) when it was well over \$300, only to see it crash to less than \$70.

This isn't the first time a bubble has occurred in individual stocks. But for a new generation of investors on apps like Robinhood, it's their first taste of massive losses. Many of the investors who piled into GME stock are on the younger side and never experienced the 2008/2009 recession or had money on the line in last year's crash. For them, the Gamestop crash was a cold, hard lesson in reality.

Gamestop is in terminal decline

The fact that [Gamestop eventually crashed](#) is not surprising. Stock prices tend to correlate with fundamentals, and GME's fundamentals are terrible. Its revenue is lower today than it was five years ago, and its most recent quarter saw a \$464 million loss.

There's reason to believe that these metrics will remain poor. Game sales are rapidly moving from an in-store model to an online model. Modern game consoles are internet enabled, allowing digital downloads. Not only does this spare consumers the inconvenience of losing their games, but it also means they never have to worry about one being sold out. Gamestop is not well equipped to compete with such a model. It *does* have a pretty successful business in *used* games, but that's likely to take a hit too, once we reach a point where new games are released exclusively online.

One meme stock that could do better

By now, it's starting to look like Gamestop was a bust. Maybe it will rise again, maybe it won't, but its volatility makes it inappropriate for the majority of investors.

If you don't want to give up on meme stocks completely, there may be one option to consider:

BlackBerry

([TSX:BB](#))([NYSE:BB](#)).

BlackBerry is, like Gamestop, a meme stock that was [heavily promoted by Reddit last month](#). Unlike Gamestop, however, it's having (some) success as a business.

In the past two months, BB has posted:

- Positive growth in non-GAAP revenue;
- \$0.02 in adjusted EPS;
- A lawsuit win over **Facebook** that will provide revenue to the company — exact details to be determined;
- A new partnership with **Amazon** on electric car software; and
- 175 million installs of its QNX electric car software.

Taken as a whole, these are all encouraging signs. It should be noted that the revenue growth and positive adjusted EPS are non-GAAP metrics. The equivalent GAAP numbers are negative. However, over the last few years, BlackBerry has been posting positive growth in *software* revenue, and its products are seeing increasingly wide adoption.

Does any of this guarantee that BlackBerry will rise from today's prices?

Hardly. The stock more than doubled in January and is still up 100% from its price a month ago. These gains have gone way ahead of the business's actual growth. Nevertheless, BB is one meme stock that is actually having some measure of success *as a business*. So, if you must buy a meme stock, BB might just be the one to consider.

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