



## Why BlackBerry Is the Gem Among Reddit WSB “Stonks”

### Description

I think 2021 could be defined as the year of the retail investor.

Indeed, retail investors have created a new dynamic in financial markets of late. This has been reflected in the various short-squeeze attempts we’ve seen the likes of **AMC**, **Gamestop**, and **BlackBerry Ltd.** ([TSX:BB](#))([NYSE:BB](#)). The extremely rapid parabolic moves we saw in these stocks in recent weeks wasn’t sustainable. That said, the growth thesis supporting BlackBerry stock might just be.

Here’s why I think BlackBerry is the “stonk” those following the wallstreetbets Reddit group got right.

### Business model bullish for long-term growth

Fellow Fool David Jagielski recently wrote an [article](#) I think was right on the money. He said: “There’s a lot to like about BlackBerry’s business. It has high margins, it has many recurring customers, and it recently landed a deal with **Amazon** Web Services that could generate significant revenue, as the two businesses work on providing car manufacturers with some valuable metrics and data based on information they collect from a vehicle’s sensors. If that leads to other deals or there’s another development that can generate bullishness, it wouldn’t be surprising for BlackBerry to surge in value again.

Indeed, BlackBerry’s recurring high-margin business model is enticing. The company’s growth prospects have become much more enticing with its Amazon deal. BlackBerry’s core business is focused on the right sector with the right secular growth catalysts. These factors are correctly being appreciated by the market, in my view. Accordingly, I think the recent retail investor interest we’ve seen in this stock is broadly overdue.

### Valuation does not reflect BlackBerry’s growth potential

Additionally, BlackBerry’s business model is set up for much higher growth than what’s being priced in

today. BlackBerry trades at a significant discount to its growth-oriented tech peers. Despite being a software company with meaningful growth prospects, BlackBerry has not received any love from the market for a long time.

There's a large discrepancy in Canadian tech stocks in terms of valuation today. Accordingly, I think investors will be placing a larger emphasis on finding growth at a reasonable price moving forward. If BlackBerry continues to trade at this sort of discount, I think continued upward pressure will be put on this stock from retail and institutional investors alike.

Tech stocks may be broadly overvalued right now. Heck, the whole market isn't cheap currently. However, picking the most undervalued of any group of stocks is a winning long-term strategy. In this regard, BlackBerry has the potential to outperform for some time.

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