



BlackBerry (TSX:BB) Stock Has Peaked

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock has been one of the best-performing TSX stocks of 2021 so far. Up 95% for the year, it has solidly outperformed the market. While the stock is currently way down from its high of \$31.49, it's been a big winner year to date.

All that being said, this stock has probably peaked. BlackBerry was one of several stocks that got promoted by Reddit as part of the “meme stock” craze earlier this year. As a result of the promotion, the stock rallied and then abruptly crashed. There aren't any catalysts on the horizon that could take this stock beyond its peak “meme stock” prices. It may still have some upside at today's prices, but it won't be surging beyond its \$31.49 peak closing price any time soon.

An epic rally fueled by Reddit

The big reason why BlackBerry probably won't soon surpass its \$31.49 closing price is because the rally that took it there was artificial. During the meme stock craze, BB was for a time the [second most popular Reddit stock](#) after **Gamestop**. Reddit's WallStreetBets has nine million members, so it can easily push a stock price higher. But gains based on such promotion don't tend to last very long.

Every single meme stock promoted by Reddit rallied abruptly and then crashed — with the whole trajectory, including the rally and subsequent decline, taking place in less than a month. Later, when Reddit moved on to cannabis stocks, the exact same thing happened with them. Given that BlackBerry's recent rally was part of the meme stock phenomenon, it stands to reason that it won't hit its January highs again — unless Reddit for whatever reason decides to take up the cause once more.

Fundamentals don't justify that high a price

At its peak closing price during the meme stock fad, BlackBerry was worth \$31.49. If it were at that price today, it would cost about 18 times sales and 10 times book value. The company just isn't growing fast enough to justify that kind of valuation. As of its most recent quarter, BlackBerry's net loss was \$130 million, and its revenue was down 18% year over year. Both of those figures in GAAP terms.

Using non-GAAP metrics the company had positive profits and revenue growth, but the company made some questionable adjustments. Overall, BlackBerry's financial picture is very mixed.

The one unambiguous success the company was seeing until recently was in product adoption. Until **Ford** [decided to drop it](#), BlackBerry's QNX was growing by millions of installs every single quarter. But now, with BlackBerry going with other partners, those metrics are going to suffer.

None of this is to take away from BlackBerry's very real successes as a company. Its QNX software *does* still have over 100 million installs, and BB *did* just recently ink a massive deal with **Amazon**. Nevertheless, the company has a long way to go before its stock is worth anything North of \$30. Absent some unforeseen development, BB has peaked.

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