



## Why Is Gamestop Stock Going Gangbusters Again?

### Description

**GameStop** ([NYSE:GME](#)) is a company that has recently and surprisingly managed to realign itself on the [path to growth](#) from a position that seemed irrecoverable at one point. Shares of the video game retailer are up by an astounding 3,740% over the last 12 months.

The video game retailer will go down in stock market history for playing a pivotal role in causing mammoth hedge funds almost US\$13 billion in losses due to their short positions on the stock.

Retail investors rallied together in January 2021 to take on the short-sellers from Wall Street. As the Redditors flocked to buy GameStop shares and send the stock soaring, the big players on Wall Street lost billions.

Many investors made big bucks during GameStop stock's rally. Several of them faced losses as latecomers when the price sank from over US\$347 per share on January 27 to \$40.69 per share towards the end of February 2021.

I will discuss why GameStop appears to be in a better position today and a Canadian meme stock you could consider adding to your portfolio.

### GameStop's revival

Big-shot hedge funds at Wall Street were placing short bets on GameStop stock, because it was evident that the iconic video game retailer was too weak to recover. The company needed to close down its unprofitable stores, invest in e-commerce, and revamp its outdated services to adapt to the new market.

Nobody believed in the company's potential to pull that off, and the short-selling activities made equity financing impossible. The legendary short squeeze orchestrated early in the year sent the stock soaring in a matter of weeks. Thanks to the massive boost from retail traders, GameStop managed to raise US\$551 million in cash by selling just 3.5 million units of the company. Selling the same number of units a year ago would have fetched barely US\$13 million.

GameStop managed to eliminate its long-term debt through the cash boost provided by January's short squeeze. While it may be down from its all-time high, GameStop is now well capitalized for growth. It can focus on investing in revitalizing its operations to become profitable again.

GameStop no longer has the same operating environment. The short interest on the stock is not there anymore, and investors might be better off avoiding the same short-squeeze dynamics to be present today.

## A Canadian stock to consider

**BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) was also a target of short-sellers, but the retail investor army that defended GameStop also came to BB stock's rescue. Wall Street big shots lost a lot of money from the Canadian stock. However, BlackBerry is far from being in the same position as GameStop.

Unlike GameStop, BlackBerry was already on the path towards profitability *before* the short squeeze. BlackBerry had long moved away from the cellular phone market space. It now focuses on providing intelligent security software and services to governments and enterprise-level businesses worldwide.

The company has been consistently growing its software revenue. It recently signed up **Volvo** as a customer for its QNX software. Depending on how its AI software investments play out, BB could easily find a return to the status it used to have when it was at the top of the smartphone market.

## Foolish takeaway

GameStop may finally be on the path to recovery, but BlackBerry's management had already started taking the necessary steps and had the finances to steer the ship towards profitability. The short-squeeze miracle in January helped GameStop and BlackBerry stock stay afloat.

If you are bullish on the potential for the meme stocks, BlackBerry could be a [worthwhile investment](#) for you to consider for your portfolio.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:GME (GameStop Corp.)
3. TSX:BB (BlackBerry)

## **PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

### **Category**

1. Investing
2. Tech Stocks

### **Date**

2025/09/27

### **Date Created**

2021/05/24

### **Author**

adamothonman

default watermark

default watermark