Don’t Buy Meme Stocks: Buy Quality Companies Instead

Description

The impact of social media on our lives is evident. However, the impact social media has recently had on investing has been unprecedented.

Indeed, the recent incredible moves we’ve seen in various meme stocks has left many investors wondering what the heck is going on.

My advice: ignore the noise with these outsized moves. Instead, focus on the fundamentals and growth prospects of the companies in question.

One such company that’s been grouped in with other meme stocks of late has been **BlackBerry** (TSX:BB)(NYSE:BB). While this stock’s recent moves may not be entirely natural, it’s clear investors are starting to catch on about the company’s growth prospects. And in this respect, I think these recent moves are entirely warranted.

Let’s dive into why that’s the case.

Don’t make a meme out of your portfolio

Utilizing social media only and conducting zero financial research has turned out to be a winning investing strategy of late. However, over the long term, it’s impossible to achieve similar returns over time. In fact, most of the recent parabolic moves we’ve seen earlier this year have completely reversed. Such is the case with BlackBerry, along with most of its meme stock peers.

Any time valuations get detached from reality is a time to sell. While BlackBerry’s long-term growth prospects do remain strong, it’s also likely the company’s valuation has been overly bullish and overly bearish of late.

At the company’s current share price around $12 per share, I think BlackBerry is fairly valued today. The company’s recent dip to below $10 per share resulted in this stock being oversold. Hence, investors need to remember to do their own homework on a stock. If one believes a company is oversold at a given point in time, going against the grain can be the most profitable (yet nerve-wracking) time to buy.

BlackBerry's recent rise appears to be due to heavy retail buying from social media-savvy investors. That said, long-term investors with a time frame of more than a few years may safely ignore near-term movements and hold this stock with patience right now.

Here's why.

Explosive long-term growth prospects

BlackBerry's growth potential is certainly worth considering, regardless of the investing environment we find ourselves in today.

Indeed, the company's partnership with **Amazon** to develop BlackBerry IVY, based on the company's QNX operating platform, is a massive catalyst investors have been waiting for. If BlackBerry can find a way to become the operating system of the connected vehicle and IoT market, there's plenty of room for long-term upside on the horizon.

I think investors bullish on technological innovation in the EV and connected vehicle markets have to like BlackBerry at these levels. After all, compared to its peers, BlackBerry stock is relatively cheap today. The company trades at roughly seven times sales at the time of writing. Indeed, the 10 times sales level (or higher) that has become commonplace provides investors with a margin of safety.

Any margin of safety is good right now. However, for growth investors, I think the upside potential is just too enticing at these levels.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. growth
2. growth stocks
3. investing
4. market
5. tech
6. tech stocks
7. technology
8. technology stocks
9. tsx growth stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)

2. 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

Tags

1. growth
2. growth stocks
3. investing
4. market
5. tech
6. tech stocks
7. technology
8. technology stocks
9. tsx growth stocks

Date
2025/06/29
Date Created
2021/05/31
Author
chrismacdonald