



BlackBerry (TSX:BB) Stock: Why I'd Take Profits

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock has been on a wild ride this month. It rose about 80% last week before giving up some gains on Friday. Today, it's rising once more. For investors who got in at \$12, BB has delivered a handsome gain. But it may be time to book profits. In this article, I outline why I'd take profits on BlackBerry stock if I owned it.

BlackBerry is already approaching \$20

As of this writing, BB was trading for just under \$18 on the **TSX**. Its high for the year was \$32. If BlackBerry were to climb \$10 above where it is now, it would be approaching the top of its range. That alone is food for thought. But in fact, hoping for BlackBerry to even stay at \$20 for long is hoping for a bit too much. If you take Reddit promotion out of the equation, the last time BlackBerry was at \$20 prior to this year was in 2011 when it was known as Research in Motion. That year the company posted \$19 billion in revenue; \$3.4 billion in net income; \$6.63 in EPS, and \$4 billion in cash from operations.

Now, compare this to the [most recent fiscal year](#). BlackBerry posted \$893 million in revenue; \$1 billion in net losses and \$82 million in cash from operations.

There's just no comparison. The last time BlackBerry was anywhere near \$20, its results were orders of magnitude better than they were last year. That's not to say that BlackBerry couldn't turn things around and climb again, however. Companies can and do stage successful turnarounds all the time. Until this year, BlackBerry's software and service revenue was rising, which is cause for optimism.

But the markets thought BlackBerry was worth \$20 when it was doing 20 *times* as much revenue as it's doing now. Unless investors have simply become more tolerant of inflated multiples, that suggests the current rally won't last.

Meme rallies are fickle

Another thing to note about BlackBerry is that rallies based on meme value tend to be short-lived. In

January and February, we saw BB, **GameStop**, **AMC**, and **Nokia** rally only to come crashing down in less than a month. Granted, they did rise again later. But the first rally was so quick that we'd be foolish to think another crash couldn't happen this time. Also, the overall level of interest on Reddit seems to be much lower this time around, and the latest meme stock trend isn't getting anywhere near as much media coverage as the last one.

Foolish takeaway

BlackBerry has been in many ways the **TSX** turnaround story of the century. After failing as a smartphone company, it re-invented itself as a [software company](#) and locked down contracts with some of the world's biggest companies.

In purely operational terms, this turnaround was a resounding success. Yet the company still just isn't doing that well financially. Its most recent quarter saw a \$313 million loss, the most recent fiscal year, \$1 billion. Clearly, BlackBerry isn't surging back to its glory days any time soon. Is the stock worth buying at *some* price? Sure. At today's price? Maybe not.

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