



1 Weed Stock That Will Break Out Ahead of BlackBerry (TSX:BB)

Description

Reddit bulls consider **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) a meme stock because the former smartphone maker has the makings of the best cybersecurity company in the coming years. The Canadian tech stock is a prime target of these retail traders that propelled **GameStop** and **AMC Entertainment** into the limelight in 2021.

However, lost in the meme frenzy is **OrganiGram Holdings** ([TSX:OGI](#))([NASDAQ:OGI](#)). While BlackBerry's trailing one-year price return is 99.53%, the weed stock outperforms the tech stock year to date (+82.25% versus +52.01%). Likewise, market analysts forecast the cannabis producer to [breakout](#) ahead of the Reddit favourite.

Head-to-head

BlackBerry has gone up to as high as \$19.12 in early June 2021 but has since dropped by nearly 33%. The current share price is \$12.83. During the same period, OrganiGram lost steam and lost 21.8% of its value. Nonetheless, the \$920.22 million cannabis company seems to have the upper hand following the Q3 fiscal 2021 results.

Speculative assets

The GameStop saga altered the financial landscape, and meme investors earned the ire of hedge fund managers. Michael Burry, CEO of Scion Asset Management, and the character depicted in *The Big Short* movie expect meme stocks to crash like the housing and internet bubbles in recent memory.

Burry successfully predicted the 2008 market crash. This time, he said the speculative assets are losing steam. Also, the losses of Reddit stocks are growing. The value of four popular names dropped by around 25% by early July. He emphasizes that most meme stocks are without significant sales or [earnings upside](#).

Declining revenue

BlackBerry CEO, John Chen was quick to dismiss the Reddit frenzy. He said his focus is on fundamentals, nothing more. In Q1 fiscal 2022 (quarter ended May 31, 2021), the \$7.26 billion company's net loss was US\$62 million versus US\$636 million in the same quarter in fiscal 2021.

However, the 15.5% decline in revenues didn't sit well with market observers because it was the fourth revenue drop in five quarters. The bright spot was the sharp 48% year-over-year rise in Internet-of-Things (IoT) software sales. BlackBerry's QNX operating system is making hay in the automobile industry. Still, the forecast of market analysts isn't rosy. The [return potential](#) is negative, with the 12-month average target of \$7.64 (-38.9%).

Stellar revenue growth

Meanwhile, investors in OrganiGram have reasons to feel ecstatic. In Q3 fiscal 2021 (three months ended May 31, 2021), gross and net revenues climbed 31% and 13% versus Q1 fiscal 2020. Sequentially, it was a 51% and 31% increase over Q2 fiscal 2021. Notably, the company's net loss shrunk by 96% year over year from \$89.87 million.

OGI Chief Strategy Officer Paolo De Luca said, "We are pleased with the growth in revenue in Q3 as we were better staffed to fulfill the demand for our revitalized product portfolio, which continues to resonate well with consumers." He added that sales are trending higher to date in Q4 and cites the strong industry outlook.

According to OGI CFO Derrick West, management has identified additional cost efficiency opportunities that should enhance the gross margin profile. He anticipates deriving benefits from cost reductions during Q4 fiscal 2021. The company can capture economies of scale while ramping up cultivation.

Meme label

Based on analysts' forecasts, OrganiGram should deliver better results than BlackBerry in the near term. The meme label has placed the tech stock in a bad light too.

CATEGORY

1. Cannabis Stocks
2. Investing
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TICKERS GLOBAL

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2. NYSE:BB (BlackBerry)
3. TSX:BB (BlackBerry)
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