



BlackBerry (TSX:BB) Stock Is a Buy — But at What Price?

Description

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock has surged 40% year to date and is currently trading below \$12. But this isn't the fair price of this meme stock. Then what is the fair price, and what price should you buy this stock?

The actual price of BlackBerry stock

BlackBerry stock made headlines in January and June as it fell prey to Redditors' game of [short squeeze](#). In this short selling, the stock price came close to \$20 in June and then retreated. For a long time, it hovered around the \$13-\$14 price range.

It is the first time since May the stock fell below the \$12 support. Many Wall Street analysts are bearish on the stock as the company has to prove itself in the cyber security space where it ventured after the fallback of its mobile phone business.

BlackBerry's [recurring revenue](#) continues to be below expectation, and chip supply shortage has delayed revenue growth from automotive. So if you ask me the actual price of BlackBerry in terms of fundamentals, even \$12 is high. It is trading at 8.8 times its sales per share, which is high for a tech stock that has not generated revenue growth. In fact, BlackBerry expects slow revenue even in fiscal 2022.

Though the fundamentals look weak in the near term, there is still hope given the stock's meme status.

What price should you buy BlackBerry stock?

Now, meme status means the stock is popular among Redditors and is attractive for short selling. In the spot market, BlackBerry stock dipped below its 200-day moving average and is close to oversold. Even analysts are bearish on the stock.

Adding to the mix, BlackBerry's management expects tepid or flat growth in the coming two quarters.

The company is in a whirlwind. On one hand, the chip supply shortage has delayed production-based royalties from automotive clients. On the other hand, negotiations to sell patents related to mobile devices, messaging, and wireless networking are taking longer than expected. There's simply no clarity around when these headwinds will subside.

Some investors are holding onto BlackBerry because they bought it in the short squeeze rally for \$14-\$18 and are just waiting for [another short squeeze](#) to exit their position. If you are such an investor, wait for the stock to fall to \$11 before buying it in anticipation of another short squeeze.

But let me warn you, the probability of a third short squeeze is 50:50.

Why should you buy BlackBerry stock?

I believe more in fundamentals and value prospects than I do in chances. Some contrarian investors like Prem Watsa are holding BlackBerry for its growth potential in automotive and embedded markets. As the licensing deal and chip shortage headwinds ease, BlackBerry stock could rally on the back of growth prospects than a short squeeze.

BlackBerry has secured design wins from 24 of the top 25 electric vehicle (EV) makers. The EV revolution is coming as major automotive countries (China, Europe, and the United States) move to net-zero carbon emission. All these design wins will materialize into production-based royalties once chip shortage eases and automotive production resumes.

BlackBerry is launching the IVY vehicle data analytics platform in February 2022, with a pre-launch in October. It has demonstrated IVY's application in artificial intelligence-driven battery management and in-vehicle payments. It is exploring more applications to make IVY attractive to automakers. If BlackBerry succeeds in making its mark in the automotive and cyber security space, the stock can make you a millionaire in 10-12 years. But if the stock falls, you may not lose much if you buy it at its dip (around \$10-\$11).

Final thoughts

The choice is yours. BlackBerry stock is a buy below \$12 and a hold above \$12. While buying the dip does not guarantee a profit, it reduces the risk of downside. If you are ready to take the risk, buy BlackBerry stock now and not when it rallies above \$12.

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