



## Here's What I Would Buy Instead of BlackBerry

### Description

Investing should be done with a long-term mindset to growth wealth sustainably and steadily for years, if not decades on end. Instead of “getting rich quick,” investors should instead aim to “compound wealth slowly” while understanding that this will snowball over time to a six- or even seven-figure retirement.

For that reason, I'm not a fan of meme stocks. If the ticker is on the front page of Reddit (especially r/Wallstreetbets), I ignore it, no matter how eye-popping the returns are or how strong the FOMO (fear of missing out) itch is. One of these recent stocks has been **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)), a hot tech stock among Canadian investors, and one I would personally avoid. Here's why.

### BlackBerry to the moon?

BlackBerry fell victim to the same meme stock hype that gripped retail investors in January 2021 during the Reddit-fueled **GameStop** short-squeeze. From a price of \$8.45 per share on January 1st, it soared over 300% to a price of \$31.49 on January 27.

The stock has since fallen hard, currently trading at around \$11, but it has pumped as high as \$18 in June 2021 and above \$14 numerous times since then. It remains a favourite of Reddit retail traders and even has its own subreddit dedicated to discussion and news.

### All hype and no results

BlackBerry's sporadic, volatile upwards price movements are due to heightened retail interest and coordinated buying frenzies, nothing more. There are no solid fundamentals to back any of the absurdly high valuations we've seen it rocket to briefly.

With a -83.78% profit margin, -25.87% operating margin, -4.33% ROA, and -40.29% ROE, BlackBerry simply fails to create value for shareholders. Quarterly revenue growth has dropped -32.40% year over year. The company incurred a \$1.1 billion net loss and posted basic earnings per share of -1.97 in

2021, which are abysmal figures.

The company's heyday was back in 2007, where the stock traded around \$241.90 during January. Back then, BlackBerry created a unique product with its mobile phones and, for a few years, occupied a competitive position with no rivals and dominant market share.

Since falling into obscurity, BlackBerry is in the midst of executing a strategic pivot into cybersecurity services, including IoT security, endpoint protection, AI and machine learning threat detection, and critical event management solutions. Whether or not it can execute this successfully remains to be seen.

## A better alternative

I'd mentioned earlier that investors should maintain a long-term horizon and ignore meme stocks with large followings and volatile price movements. If you are dead set on [investing in potentially high-growth Canadian tech stock picks](#), you would be better off buying an [exchange-traded fund \(ETF\)](#) that captures multiple companies. My pick here would be **iShares S&P/TSX Capped Information Technology Index ETF (TSX:XIT)**.

This ETF currently holds 24 stocks from Canada's info tech sector, notable ones being **Shopify** at 27.21%, **Constellation Software** at 23.90%, and **CGI** at 13.51%. Up-and-coming companies like **Nuvei**, **Lightspeed Commerce**, and **Descartes Systems Group** are also held in smaller portions.

XIT has returned a compound annual growth rate of 24.14% over a 10-year period, compared to the 9.16% of the **iShares S&P/TSX 60 Index ETF**. The management expense ratio currently sits at 0.61%. The ETF currently trades at a price of \$50.90 per share, making it an affordable way to gain exposure to some otherwise expensive Canadian technology stocks.

## The Foolish takeaway

I don't think BlackBerry will ever reach 2007 heights again. With 567 million shares outstanding, a theoretical price of \$200 a share would equal a \$113 billion market capitalization, which is ridiculous, unless it somehow manages to corner the entire cybersecurity market by dethroning existing industry heavyweights like **Palo Alto Networks**, **CrowdStrike Holdings**, and **Okta**. Investors would be better off putting their capital into a thematic ETF that tracks the performance of the Canadian tech sector at large.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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