



## BlackBerry (TSX:BB) Stock: Finally Worth a Look

### Description

**BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) stock is finally worth looking at. After trading at outrageously high levels for much of 2021, the stock has come back down to earth and back in line with fair value.

Last year, BB was one of the stocks that soared as part of the “meme stock” phenomenon. Investors on Reddit got wind that the stock was pretty cheap (before the rally) and began bidding it up. The result was that the stock soared to several-year highs before crashing down again later. It took a long time, but eventually BB fell to the level it was trading at before its monster rally.

That means that the stock is much cheaper today than it was for much of last year. And now, big investors are starting to get interested. On Monday, **RBC** put out a note saying that BlackBerry stock was approaching fair value and, therefore, was becoming investable. A day later, BlackBerry rallied 5% in its biggest gain since the meme stock days. The stock is up, but it's still not so high that you need to count it out. In fact, BB may be worth a look for the first time in over a year.

### BlackBerry was much too expensive in 2021

To understand why BlackBerry is getting interesting now, we need to look at how the stock traded in 2021. That year, the stock went as high as \$30 when [Reddit investors bid it up](#). At that price, the stock was trading at more than 15 times sales and eight times book value. For a company with negative revenue growth, such multiples are hard to justify. Today, however, BlackBerry stock is much cheaper than it was when it was trading at 15 times sales. At a price of \$9, BlackBerry only trades at about five times trailing 12-month sales. That's still pretty pricey for a company with negative revenue growth. But it's at least cheaper than where BlackBerry was in the past.

### Recent earnings

One potentially positive development for BlackBerry is its sequential growth in revenue and earnings. In [the most recent quarter](#), BB delivered the following:

- \$184 million in revenue, up 5.14% on a sequential basis
- A \$210 million reduction in operating expenses
- \$51 million in operating income (up from a \$127 million loss)
- \$0.13 in adjusted EPS (up from a loss)

These metrics were somewhat improved from the previous quarter. Revenue, unfortunately, was once again down from the same quarter a year before. However, the company managed to improve its profit on lower revenue by cutting costs dramatically. The \$210 million cost reduction in Q3 helped swing EBIT from a loss to a profit. If BlackBerry can keep this trend up, then it may be able to start delivering real value to shareholders.

## Foolish takeaway

BlackBerry stock has given investors a wild ride over the last few months. After rising above \$30, it fell back down to earth, and repeated the whole journey several times after that. Today, BlackBerry stock is at a relatively modest valuation. The company still doesn't appear to be thriving, but it's a better value than it was in January of 2021.

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