



## This Drone Stock Is Flying High Despite Market Doldrums

### Description

Unless you've been living under a rock recently, you've probably noticed that drones are flying high. In many cases they literally be spotted flying overhead in densely populated urban areas—much to the chagrin of local residents. And figuratively, too, as one drone company is rising in the markets—and it's listed on the **TSX Venture Exchange**.

The name of this aerial wonder?

**Drone Delivery Canada Corp** ([TSXV:FLT](#))

Drone Delivery Canada is a company that designs, develops and implements drone delivery systems. The company aims to disrupt traditional shipping by using drones to deliver packages. Its website states that drones can deliver goods “faster, easier and cheaper” than traditional shipping. And they appear to be in good company on that point. Top companies like **Amazon.com** have also [made bets](#) on drone-based delivery for similar reasons.

Amazon's Prime Air service is currently undergoing testing. But in Drone Delivery Canada's case, the service appears to have already been rolled out, as the company signed a delivery contract with an Ontario First Nations community last year. An interesting development. But is Drone Delivery Canada's stock a buy? First we should look at the demand for their service.

### Possible demand for delivery drones

Although hard data on this topic is hard to find, it appears there may be demand for drone-based delivery. According to a 2015 survey, 30% of Americans said they would pick up their first drone-delivered package in the next five years, which may indicate that consumers are interested in the convenience and savings that can come with drone delivery. That said, it's too early to tell. For investors who look for more solid indicators that an investment is worthwhile, we'll have to dig deeper.

### Questionable financials

Upon digging into the financials, Drone Delivery Canada starts to look questionable. I was unable to

find any information about revenue on its website, while other sources online state that it has none. The company does have expenses, however; it reported about \$8 million worth in 2017. Most of these expenses come from research & development (\$2.3 million) and “selling and general administrative” (\$4.4 million). According to *The Wall Street Journal*, the company’s net income for 2017 was \$-8.36 million.

### Bottom line

Drone Delivery Canada has had a great run in the markets in 2018, as it’s up about 80% year to date. If we take a longer-term timeframe, the returns look [even juicier](#). For example, the stock is up 745% since the start of 2016. That said, I’m unable to find a good reason for this stock to rise apart from the general hype surrounding drone-based technologies. The company’s earnings situation seems to be particularly questionable, as I can’t find any proof that it’s bringing in revenue, despite ballooning expenses year after year.

Unless you’re a momentum investor with a solid chart-based reason for picking it, skip Drone Delivery Canada. This stock has been doing well recently, but it’s nearly impossible to say why.

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