



\$1,000 Invested in This Stock LAST YEAR Would Be Worth \$7,260 Today

## Description

Most Canadian stocks have lost value over the past 12 months. However, technology stocks have performed better than any other sector. In fact, one emerging tech startup, **Facedrive** (TSX:FD), has performed so well that it has septupled in fewer than 10 months.

\$1,000 invested in Facedrive when it went public in September 2019 would now be worth \$7,260 — an incredible 626% return in less than a full year. Here's a closer look at what's driving the stock skyward and what potential investors need to know about its future prospects.

## Market potential

Facedrive is a ride-sharing platform with a twist. The company claims it is a “people-and-planet-first” platform. What that means is that the app uses incentives and disincentives to encourage users to lower the carbon footprint of every ride.

The app calculates the carbon footprint of every trip. Users then have a choice to pick greener means of transport, such as a hybrid car or electric vehicle, to lower this footprint. Alternatively, they pick a conventional car and pay an extra fee that is ear-marked for environmental initiatives.

Similar incentives are targeted at drivers who own hybrid or electric vehicles on the platform.

This model makes Facedrive appealing for two reasons. Firstly, corporations can use the app to lower their carbon footprint and meet their sustainability targets. Facedrive's list of corporate partners has been consistently expanding since it launched. Now the list includes high-profile clients such as **Telus** and Jack Astor's.

Secondly, Facedrive's focus on sustainability makes it a prime target for investors in the emerging Environmental, Social, and Governance (ESG) sector of the wealth management industry. Family offices, private equity firms, and pension funds would prefer an investment opportunity with a social impact to add to their portfolio. This broadens Facedrive's access to capital from smart money investors.

Those two factors have probably propelled Facedrive stock's incredible run since 2019. Now, investors must consider if the valuation has surged beyond the company's fundamentals.

## Facedrive valuation

As with any other exciting tech stock, Facedrive is both losing money and is overvalued by traditional metrics.

The company generated [\\$599,104 in sales last year](#). Yes, you read that right. This company is worth \$1.24 billion and generated roughly half a million in sales last year. That's a price-to-sales ratio of 2,066 times on a trailing basis.

However, the company is so early in its development that sales and income are not exactly meaningful. Instead, I believe investors are fixated on the total addressable market as a benchmark for the valuation.

Facedrive currently operates only in select regions of Ontario. It's been servicing the Greater Toronto and London, Ontario areas since last year and just launched in Ottawa today.

Meanwhile, the global ride-sharing market will be worth US\$218.0 billion by 2025. Larger, better-established rivals such as **Lyft** are valued at US\$23 billion. That means there's plenty of room for Facedrive to expand its network and valuation in the coming years.

## Bottom line

Facedrive is a highly risky and speculative tech stock. However, courageous investors who bet on this emerging startup last year are already sitting on multifold gains. Considering the size of this market and the demand for greener investment alternatives, Facedrive could deliver similarly impressive gains in the near future.

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