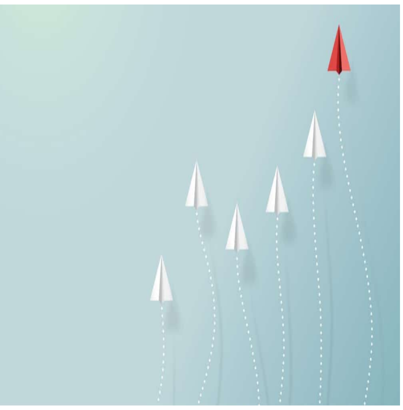

Hotter Than Shopify (TSX:SHOP): This Stock Is Up 900% This Year!

Description

Shopify Inc is having another strong year on the markets with its share price up around 170% since the beginning of the year. The tech stock's been unstoppable and at this point, it seems like a forgone conclusion that it will blow past $1,500 in 2020.

As people are staying indoors during the coronavirus pandemic and spending more time online shopping, Shopify's been seeing a surge in traffic on its platform.

However, as well as Shopify's been doing this year, another stock is doing even better. Another tech stock, **Facedrive** (TSXV:FD) is scorching hot this year and is up an incredible 700%. The stock ended 2019 at a price of just $2.30. Last week, it soared to $24 a share — more than 10 times higher than where it started the year.

What's gotten investors so excited about Facedrive?

Facedrive was already doing well heading into May, when its stock was already up over 80%. But things changed on May 14, when Facedrive announced it was buying up assets of food delivery company Foodora Canada. Since then, the stock's been skyrocketing.

Already in the ride-sharing business, the purchase gives the company a strong presence in food delivery. Foodora has locations all over the country and can help Facedrive compete with Skip The Dishes, Door Dash, and other food delivery companies.

But food delivery is just one aspect of the company's business. According to Facedrive's March 2020 investor presentation, before the Foodora news, the company is targeting global opportunities in the ride-sharing business. It's looking at expanding its business into the U.S., Europe, and other parts of the world.

The company's also looking to differentiate itself by focusing on being environmentally friendly, which it believes will help attract millennials.

Should investors jump on the bandwagon?

I get the optimism and excitement around the stock, but the problem is that it's far too early to be this bullish.

In April, Facedrive released its annual results for 2019. The company's revenue for the entire year was just $599k. Although it represented incredible sales growth from just $14k in revenue in 2018, the company still has a long way to go in proving out its business model.

Being environmentally conscious, expanding into different businesses, and growing globally are all very expensive initiatives. And without sufficient revenue to accomplish that, Facedrive will likely tap into the equity markets to fund its growth. That's going to result in share dilution for investors — and lots of it.

Facedrive's stock is trading at around 2,000 times its revenue. A multiple of 20 is obscene and it makes Shopify's high price-to-sales multiple of around 50 looks like a bargain. Hype's overtaken Facedrive's valuation and investors should stay far away from this stock as it's overdue for a sizeable correction.

The economy's in a recession and consumers will have less to spend on ordering out, especially on food delivery apps where it'll cost more to get food delivered than it would to just to pick it up at a restaurant.

At a valuation of $2 billion, Facedrive looks to be the most overvalued stock in Canada right now.

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