



Momentum Alert: This TSXV Stock Is White-Hot — But Is It Too Hot to Handle?

Description

I'd like to bring your attention to **FaceDrive** (TSXV:FD), which has been one of the hottest stocks on the planet since surging out of its March bottom. The TSXV stock was an 11-bagger over four months in an unprecedented rally that's since taken a breather. In recent weeks, shares pulled back over 27%, but the stock is still up over 800% from the depths of March.

There's no doubt that the once unknown TSXV stock FaceDrive is now on the radars of momentum investors who are looking to make a quick buck. The company went from a relatively unknown tech firm to having a market cap north of the \$1.6 billion mark.

A white-hot TSXV stock that exploded onto the scene

The multi-bagger rally was nothing short of [unprecedented](#), and while momentum has reversed, alongside the broader appetite for the broader basket of tech winners, there are reasons to believe that the ridesharing firm has a heck of a lot more room to run when compared to the likes of an **Uber** ([NYSE:UBER](#)) or a **Lyft** (the Big Two), both of which exploded onto the IPO scene with multi-billion-dollar market caps.

On a relative basis, it does seem like FaceDrive (the new kid on the block) could disrupt the major players in the no-moat ridesharing market, which has since started spreading its wings into the food delivery arena. More recently, FaceDrive announced that it's scooping up the assets of food delivery firm Foodora Canada, news that has sent FaceDrive stock to unprecedented heights.

FaceDrive's stock looks unfathomably expensive

Today, FaceDrive stock trades at over 1,900 times sales (no, that's not a typo) and over 340 times book, making it one of the priciest stocks you'll ever come across based on traditional valuation metrics. Indeed, the pie-in-the-sky multiple makes FaceDrive seem like a dangerously risky play that ought to be off-limits for all but the most fearless of investors who aren't rattled by daily double-digit percentage moves in a TSXV stock.

There's no question that FaceDrive has a heck of a lot of room to run in both the ridesharing and food delivery markets. The low switching costs in the market and the narrow moat surrounding the Big Two's customer bases will allow FaceDrive to take a growing slice of the pie over time.

With Uber spending tonnes of money on long-shot initiatives such as self-driving technologies, one has to think about what will happen to Uber's competitors if a game-changing technology were to come out of its pipeline.

As such, I wouldn't underestimate Uber's R&D, as a breakthrough technology could propel the firm into sustained profitability and build a massive moat around its business.

While ride-hailing and food delivery may be a commoditized industry today, who knows what will happen over the next five or 10 years?

Foolish takeaway

For now, the ridesharing and food delivery market is anyone's for the taking. The app that allows people to go from point A to point B for the cheapest price will be the winner.

While the Foodora asset purchase is encouraging, I find it hard to get behind the name with the stock at these [lofty valuations](#). To say shares are expensive would be a vast understatement.

As such, I'll be sitting comfortably on the sidelines, as FaceDrive stock is way too hot for my portfolio to handle!

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:UBER (Uber Technologies, Inc.)
2. TSXV:STER (Facedrive Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise

6. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/08/25

Date Created

2020/07/20

Author

joefrenette

default watermark

default watermark