Facedrive: Why This 3,000% Gainer Stock Scored Big in July

Description

Canadian tech stocks have notably outperformed broader markets this year. But one mid-cap stock that has particularly stood out among them is **Facedrive** (TSXV:FD).

Facedrive is a $1.8 billion Canadian ride-hailing company that lets riders choose from electric vehicles and hybrids. The environmentally friendly proposition differentiates itself from traditional players. The same will likely help it gain market share as the carbon-neutral strategy is more appealing for millennial customers.

Facedrive stock rose 40% in July, despite the odds

Ride-hailing technology company Facedrive had quite an eventful July. After substantially volatile sessions, the stock rose almost 40% in July, clocking one of the best months on record. Apart from the superior market performance, some serious accusations related to corporate governance and higher quarterly earnings made last month enthralling for Facedrive and its investors.

In the last couple of months, it seems like investors have started believing in Facedrive's growth story, as highlighted by its stock price. The stock has soared approximately 800% this year and 3,000% in the last 12 months.

In the first quarter of this year, Facedrive reported revenues of $387,901, which was approximately 10-fold increase year over year. The company earns revenues from rider fees and licensing arrangements. In 2019, it reported revenues of $599,104, an increase from $13,579 in 2018.

The year 2020 has been remarkable so far for Facedrive. It has seen significant growth in several vital metrics like completed rides, registered drivers, and subscribers.

Hindenburg Research on Facedrive

Meanwhile, late last month, forensic financial research company Hindenburg Research issued a damaging report on Facedrive. It gave a price target of $0.70 — almost 95% lower from last week's levels.

Interestingly, Facedrive stock did not pay heed and continued to march higher. The stock rose more than 35% last week after Hindenburg's negative report.

Facedrive has been aggressively expanding in food delivery as well as in corporate ride-sharing space. It is currently operating in Ontario, Ottawa, the Greater Toronto Area, Hamilton, London, Guelph, Kitchener, Waterloo, and Cambridge.

It aims to increase its geographical footprint in the U.S. and Europe in the next few years.

As earlier stated, Facedrive stands tall among established players. However, it won't be difficult for competitors to build a greener fleet, which could be troublesome for Facedrive.

The Foolish takeaway

Notably, FD stock is currently trading at $20 and looks expensive from the valuation perspective. Also, the stock has been extremely volatile recently, which could keep conservative investors at bay.

Though Facedrive is a loss-making company at the moment, its revenue growth in the last few quarters has been very impressive. Its climate-friendly business model and extensive presence will likely bode well for its financial growth.

The global ride-sharing industry is one of the sectors that offer encouraging and healthy growth prospects. How Facedrive moves forward with its climate-friendly appeal in this high-growth industry will be interesting to see.

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