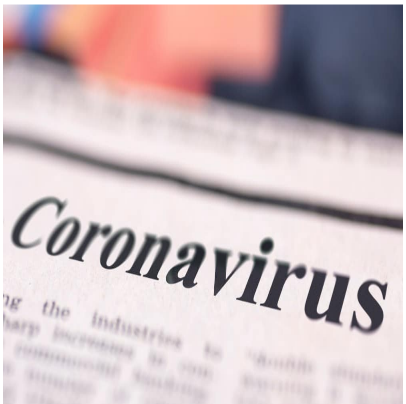

Will the COVID-19 Pandemic Crush Ride-Sharing Businesses?

Description

Ride-sharing companies provide people with convenient ways to get a lift quickly and easily using just apps on their phones. But as popular as the service is today, that can change due to COVID-19 and the effects that the pandemic is having on the world. Even if it goes away after a year or two, people and businesses are changing, in ways that could negatively impact ride-sharing businesses. If you're looking to invest in **Facedrive** (TSXV:FD), you'll probably want to consider these shifts in consumer behaviour, identified in a recent study by **IBM**. The data was collected in May and June, polling over 18,000 Americans.

People are moving away from shared mobility services

One of the big concerns for people now is about cleanliness and social distancing. And those aren't things people can control outside of their own personal vehicles. And so it may not come as a big surprise that IBM found in its study that over half of people who used taxis, ride-sharing, public transit, or other shared mobility services would either use them less frequently or stop using them entirely.

And of those individuals who would prefer to use a personal vehicle but don't have one, 60% would purchase a car. If more people have their own vehicles, that would certainly bring down the demand for ride-sharing services.

An increase in remote work could have long-term consequences

By now, you've probably seen many tech companies offering some of their staff the ability to work remotely on a permanent basis. And it's a trend that many people want to continue, with 61% of the respondents in the survey saying they want to work primarily on a remote basis. The long-term impact of that is fewer people living in or near downtown cores and instead moving to places where it's affordable.

For ride-sharing businesses, that means more municipalities and red tape to deal with. That's more overhead and greater administration costs. And in smaller towns, there may be less of a need for ride-sharing if people aren't travelling significant distances.

These aren't changes that will happen overnight, but an increase in remote work could have lasting effects over the years, and that will impact the long-term success and financial viability of ride-sharing businesses like Facedrive.

Should investors avoid Facedrive stock?

Facedrive's had a terrific year on the markets, rising more than 700% in 2020 already. The company's global plans are ambitious, and they likely helped attract many investors. However, expansion into many parts of the world would be a costly and challenging endeavour, even without COVID-19. Now, it would be downright risky.

Ride-sharing companies face many challenges, and there are also low barriers to entry if new competitors want to come along and fight for market share. That combined with the change in consumer behaviours noted by IBM are all great reasons to steer clear of ride-sharing investments, especially ones as expensive as Facedrive. The company simply lack the numbers to back up its astronomical valuation. At a price-to-book ratio of nearly 400 and a price-to-sales multiple of more than 2,000, Facedrive is one of the most expensive stocks I've ever seen.

Growth is a great thing, but Facedrive investors shouldn't be blinded by it, because it's not a guarantee that the company will be able to realize all of its aggressive targets. But whether it's Facedrive or any other ride-sharing business, investors are better off waiting in the sidelines for now and investing in safer stocks.

CATEGORY

1. Coronavirus
2. Investing

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1. TSXV:STER (Facedrive Inc.)

PARTNER-FEEDS

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