



Should You Invest in Facedrive (TSX:FD) Stock Right Now?

Description

Everyone is going gaga over **Facedrive** (TSXV:FD) stock, the newest darling of the markets. The stock [has delivered over](#) 500% returns in the last year thanks to its status as an eco-friendly, ride-sharing company that is going to be the preferred mode of transport for millennials. Why? It ticks all the ESG boxes (environmental, social and corporate governance).

Can Facedrive compete with Uber and Lyft?

What does Facedrive do? It is a ride-sharing company just like **Uber** and **Lyft**. And both these companies aren't doing so great after the initial hype. In July 2015, Uber raised US\$1 billion at a valuation of US\$51 billion. One month before its IPO in May 2019, Uber was worth US\$76 billion. Today, it is worth around US\$60.3 billion.

For the first two quarters of 2020, Uber reported losses of US\$2.94 and US\$1.74 billion respectively. Lyft was privately valued at US\$15 billion before it went public. Today, it has a market cap of around US\$8.35 billion and reported losses of US\$437.1 million in Q2 of 2020.

When Uber went public in 2019, it had almost 3.9 million drivers across the world. It offered its drivers great incentives and took less than 10% of the ride fare as commission. Facedrive does the same right now. It takes 10% of each ride fare as its charges. However, Uber wasn't able to sustain this revenue model in the long term and began to take a higher share of the ride fare from its drivers. Will Facedrive be able to come up with a solution for this?

As Uber kept growing, it had to find new avenues to maximize its earning potential. It did exactly what Facedrive is doing right now. It added food deliveries in certain geographies and also sold off its food delivery business in India in January 2020 on the back of huge losses.

Is Facedrive stock a winning bet?

In August, Facedrive entered a binding agreement to buy Foodora Canada that will give it access to

5,500 restaurant partners of the company. Foodora Canada is a subsidiary of Delivery Hero, a Berlin-headquartered delivery service company that operates in 40 countries and has over 500,000 restaurant partners.

In April, Delivery Hero put out a release that said, “Canada is a highly saturated market for online food delivery and has lately seen intensified competition ... Foodora has unfortunately not been able to reach a strong leadership position, and has been unable to reach a level of profitability in Canada that’s sustainable enough to continue operations.” It is going to be interesting to see what Facedrive is going to do differently with Foodora Canada.

Facedrive is simply doing everything that Uber and Lyft did, albeit with an ESG tag. Think about it. As an investor, do you want to pay a lofty premium just because a company has an environmentally friendly approach? This approach makes sense if it is built on the back of a strong business model.

If the only selling point for your company is that it is environmentally friendly, you might be chasing a pipe dream. I do not buy the Facedrive growth story. The ride-sharing road is littered with losses, and Facedrive hasn’t given me any assurance that it is doing something different.

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