Time to Exit Facedrive (TSXV:FD) Stock?

Description

Drug giant **Pfizer** just announced that clinical trials for its COVID-19 vaccine have a success rate of over 90%, sending recovery stocks soaring on November 9. Recovery stocks are companies that have been battered because their services are not in demand when there was a lockdown that includes ride-sharing companies like **Uber** and **Lyft**. Uber was up 7.4%, while Lyft gained a whopping 26.3%.

However, closer to home, there is one stock that's been unable to break through- **Facedrive** (TSXV:FD). The stock was trading at $12.04 on November 6. After the Pfizer news broke, rose to $12.75. Right now, it has dropped back to $12, at the time of writing. I have written about the stock before on October 3 when I had warned investors to stay away from the stock.

Facedrive is focused on diversification

Facedrive has ventured into multiple verticals without concrete plans on how to grow any one of them. On the face of it, Facedrive is a green ride-sharing company. But it also bought Foodora's bankrupt Canadian operations during the lockdown.

It launched HiQ, a social gaming platform to help young Canadians cope with the challenges of isolation during the lockdown by making new connections and playing trivia games online.

In August, the company acquired Tally Technologies, "…awhite-label, free-to-play sports predictions platform founded by Superbowl-winning quarterback Russell Wilson and Jason LeeKeenan."

On October 7, **Air Canada** announced that it had signed a deal with Facedrive to launch a pilot project for its employees using proprietary COVID-19 contact tracing technology, TraceSCAN. According to the press release, "TraceSCAN Wearables combine complex algorithms in an AI-enabled mobile application with wearable devices built on the industry standard nRF52 Bluetooth chipset….The Government of Ontario lent its support to TraceSCAN back in July because it's the only feasible technology that will help masses of government employees who are back to work to trace contacts who have COVID-19."

TraceSCAN was supposed to be the tech of choice for other airlines, schools, and retail companies. It's been over a month and there has been no update on the tech by Facedrive.

What's the end game?

It is hard to understand what Facedrive's core business is. From the looks of it, the company is behaving like a venture capital firm with a "spray and pray" model. However, venture capital firms have an advantage in the sense that after they invest in companies, they don't have to run them.

Companies already have founders who are passionate about the business and have already been running them. Here, Facedrive has entered into a bunch of verticals that are the latest thing for millennials. I am not comfortable with the company's business model, mainly because I can't see one.

The company's stock is purely sentiment-driven. Good news and announcements will give a boost to the stock price and any mention of the financials and cash-burn will bring it down. And it looks like the company's non-participation in the rally proves my theory.

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