Why I'd Avoid These 2 Top-Gainer TSX Stocks in 2021

Description

After the dreadful pandemic, the year 2021 will likely bring one of the best years for stocks. However, investors need to be cautious and pay attention to valuations while investing for the long term.

Facedrive

Shares of the ridesharing company **Facedrive** (TSXV:FD) have been riding high for the last few weeks. After soaring almost 500% last year, the stock has more than doubled so far this year.

However, the rally seems unsustainable to me. For the nine months ended September 30, 2020, the company generated $747,976 in revenues. While that's a handsome growth compared to the last year, the stock seems to have gone too far too soon. Facedrive is a loss-making company and is also yet to generate positive EBITDA. The stock is currently trading close to 3,000 times its sales. Mind-blowing!

Another concern with Facedrive is the absence of a well-defined strategy. The company's core business is ridesharing with a climate-friendly proposition. However, it has entered into several non-related businesses in the last few years.

How its foray into health, apparel, food delivery, and car leasing business plays out remains to be seen. Facedrive generates more than 75% of its total revenues from the ridesharing business. Importantly, how the management focuses on its mainstay, with so many emerging verticals, will be interesting to see.

The challenges do not end just there, only. Where Facedrive differentiates from peers is its environment-friendly appeal, as it offers EVs and hybrids to riders. However, established players could soon bulk up their fleet with greener vehicles, which could be highly perilous for Facedrive.

The stock has been a solid wealth creator, gaining 1,520% in the last 13 months. If you are among these, it makes sense to exit at least a portion.

Ballard Power Systems

The case is quite similar with **Ballard Power Systems** (TSX:BLDP)(NASDAQ:BLDP). With its stock up 265% in the last 12 months, it seems to have priced beyond perfection. Investors' rejoice was evident given Biden taking office and his focus on green energy. However, the rally was mainly driven by sentiment, and Ballard's financials do not justify the stock's current valuation.

Fuel cell stocks are on a roll driven by exuberance for alternative fuels and electric vehicles. Fuel cells carry out a chemical reaction, which converts hydrogen fuel into electricity. Thus, this is a relatively clean method of energy generation against the combustion of oil or gas.

Ballard Power is currently valued at nearly $10 billion that makes approximately $100 million in revenues annually. That's a large disconnect and implies a pullback. Interestingly, the company's revenue growth has also been terrible for several years. With losses widening for the last three years, its bottom-line trends are depressing as well. So, investors who are ready to pay hefty premium must be very careful.

Hydrogen fuel has great growth potential, and renewables leaders like China and Europe could see some serious traction in the area. However, it could take years for large-scale production and becoming economical. Ballard Power stock looks way expensive for its current fundamentals. It will likely see a pullback before going up again.

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2. TSX:BLDP (Ballard Power Systems Inc.)
3. TSXV:STER (Facedrive Inc.)

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