



Are These 2 Canadian Stocks Really the Next Netflix and Tesla?

Description

The stock market has been [scorching hot](#) coming into 2021. The roller-coaster ride of emotions, I believe, is just getting started. So, buckle your seat belts, don't make any rash decisions, and please, do at least a bit of profit-taking if you've doubled, tripled, or quadrupled your money in any momentum stocks over the last few months.

In this piece, I'd like to focus on two exciting white-hot Canadian stocks that have become too hot for my portfolio to handle.

Don't chase returns without putting in the homework!

If you're like many new investors who've grown euphoric over "quick and easy" gains provided by Mr. Market, I'm not against playing with the house's money if you've doubled or tripled your money in 2020.

Whenever a stock surges above and beyond your estimate of its intrinsic value, you should at least contemplate doing a small bit of trimming. Sometimes a hot stock gets a bit too hot to handle. And if that's the case, it's all right to pull the brakes, even if it means missing out on further gains over the near-term.

The next Netflix and Tesla?

Consider shares of **WildBrain** ([TSX:WILD](#)) and **Facedrive** (TSXV:FD), two incredibly powerful momentum stocks that Fool [Jitendra Parashar](#) recently referred to as the next **Netflix** and **Tesla**, respectively in recent articles. Such commentary is bullish enough to entice one to hold on, no matter how stretched a valuation gets. After all, who would want to be one of the investors who sold Netflix or Tesla too soon?

While both WildBrain and Facedrive have fascinating business models, with stocks that could get heat up faster than the likes of a Netflix or a Tesla, I still fail to understand why WildBrain is the “next Netflix” or Facedrive is the “next Tesla.”

At the time of writing, WildBrain and FaceDrive stock are up around 210% and 1,200% from their 2020 lows. While both names may have some industry overlap with the likes of a Netflix or a Tesla, I still think it’s quite the stretch to declare that either name is the next Netflix or Tesla.

As such, I’d encourage investors to do their own research and analysis before coming to such conclusions, as valuing stocks against the wrong comparables can produce some pretty undesirable results, especially when there’s a considerable amount of stock price momentum involved.

WildBrain — more like Corus?

When it comes to WildBrain stock, Fellow Fool contributor Chris MacDonald is right on the money when he says that WildBrain is more comparable to the likes of low-growth Canadian content producer **Corus Entertainment** than streaming behemoth Netflix.

Of course, such a comparison probably wouldn’t make WildBrain nearly as enticing, given the profound challenges faced by Canadian content producers.

FaceDrive — the next Uber?

FaceDrive is in the business of ridesharing, not the manufacturing of electric vehicles (EVs) like Tesla. While FaceDrive may have an “environmentally friendly” service with some users that use EVs, it’s important to understand the differences in their respective business models to project forward-looking growth trajectories as a part of your valuation.

Both FaceDrive and Tesla are fast-growing firms in the business of transportation, but that’s where I believe the comparisons stop.

In a prior piece, I noted that FaceDrive had the potential to disrupt the major players in the “moatless” ridesharing market but encouraged investors not to bet what they couldn’t afford to lose on the white-hot up-and-coming play.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:WILD (WildBrain Ltd.)
2. TSXV:STER (Facedrive Inc.)

PARTNER-FEEDS

1. Business Insider
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Date

2025/08/23

Date Created

2021/01/29

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