



Elon Musk, Joe Biden, and This TSX Stock Have 1 Thing in Common

Description

Recently, Redditors stormed the stock market and created some unpredictable stock price rallies. And just this week, another TSX stock, **Facedrive** (TSXV:FD), showed a crazy rally. The stock more than doubled in a week. Is this rally a short squeeze, backed by fundamentals, or just another momentum buy, coming from Elon Musk- and Joe Biden-induced electric vehicle (EV) wave?

How are Elon Musk, Joe Biden, and Facedrive connected?

You might have heard of Facedrive in mid-2020, as the stock gathered momentum and soared fourfold between May and July 2020. Last year, the pandemic-induced lockdown boosted demand for food delivery. This created a buying momentum for Facedrive, as it acquired food-delivery service Foodora. You may wonder what food delivery has to do with Elon Musk and Joe Biden.

The core business of Facedrive is sustainable ride sharing that offers EVs in the transport-as-a-service (TaaS) space. The company describes itself as a multi-faceted “people-and-planet-first” platform that adopts the environmental, social, and governance (ESG) approach.

From November onwards, when Joe Biden’s victory was confirmed for the U.S. presidency, all EV-related stocks inflated. Biden had [promised a US\\$2 trillion](#) investment in EVs, electric charging stations, wind energy, and other climate change initiatives. During the Donald Trump presidency, America’s climate change initiatives took a back seat. Hence, the re-entry of a market as big as the United States in the climate change initiative created an EV momentum. The world leader in EV **Tesla’s** stock surged 800%, beating Bitcoin in the rally.

Facedrive appeared in the EV wave with the acquisition of Steer, America’s fastest-growing EV subscription service. It is now launching Steer services in Toronto on March 1.

Is Facedrive’s 123% stock price rally sustainable?

I was bullish on Facedrive [last year](#) when the Foodora acquisition kicked in. But the stock was unable

to maintain the momentum and fell from about \$25 to below \$9 between July and October 2020. The same trend is visible now. Facedrive is playing its cards on the EV momentum. Just like last year, it has come into the limelight by acquiring in the EV space.

I agree Facedrive is a high-growth stock. With such stocks, it is the revenue growth that drives valuation. But last week's rally has put the stock at a 5,800 price-to-sales ratio. If the stock has to maintain this valuation, the company has to show at least 1,000% revenue growth. Even if the company doubles its revenue every year, it will take almost 10 years to achieve a 1,000% growth.

Facedrive is riding the EV momentum, as the trading volume has once again surged to 1.7 million shares — a level last seen in July 2020. Once the EV momentum fades, the stock will fall at the same speed it soared, as investors cash out their profits.

If you invest in Facedrive now, you are taking a high risk, as the company doesn't have the fundamentals or the Redditors' attention to maintain the stock price. This stock could see some significant declines by mid-2021.

Forget Facedrive: Here's a better EV stock

If you want to ride the EV wave while taking a calculated risk, consider **Magna International** ([TSX:MG](#))([NYSE:MGA](#)). Magna is one of the largest auto parts suppliers and automotive contract manufacturer in the world. The company is now focusing on EVs and has partnered with many tech giants and automakers to make EVs for them.

Magna has diversified its revenue streams, working alongside **Alphabet's** Waymo and **Fisker** and also investing in them. Magna is even working with **Apple**, **Sony**, and **LG Electronics** but doesn't have an investment in them. The company doesn't spend a huge amount in research and development and yet benefits from the EV wave.

But Magna can't give you 100% growth in a week. The stock has surged over 40% since the EV wave began in November 2020 and is trading at 64.5 times its EPS. The stock has the potential to sustain this rally and grow as EV demand soars. Even if you want to take risks, buy Facedrive stock when it falls below \$15. You might gain 100% in the next momentum rally, if any.

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