



Facedrive (TSX:FD) Stock Turned a \$10,000 Investment Into \$34,900

Description

If you're looking for a TSX stock that has beaten the market, look no further than **Facedrive** (TSXV:FD). Up 249% this year, it has turned a \$10,000 investment into \$34,900. We're not even two full months into 2021, so that has been a mighty impressive gain, to put it mildly. The question investors need to ask themselves now is, how far can this stock go? When a stock rallies 249% in a little over month, it's hard not to notice. Yet such parabolic gains tend not to continue for long. In this article, I'll explore Facedrive's recent results and whether they can justify continued exponential gains. We can start by looking at the company's revenue growth.

Phenomenal revenue growth

One of the factors behind Facedrive's stock price gains is its revenue growth. In the company's July interim financial statement, FD reported that its revenue reached \$387,000, up from \$36,000 — a percentage change in excess of 1,000%. The stock didn't turn a profit on all of that revenue. But early-stage tech investors tend to focus on revenue growth over profits, expecting that enough continued sales growth will eventually make profits possible.

In Facedrive's case, it looks like the revenue gains came from increased sales and proportionately lower fees paid to drivers. In the period ended March 2019, FD brought in \$171,000 and paid \$135,000 to its drivers. In the same period in 2020, it brought in \$852,000 and paid out \$567,000 of that. The share going to drivers was lower in the 2020 period than the 2019 period. On top of that, gross revenue increased by about 500%. Take both of those factors together, and you have a recipe for 1,000% net revenue gains, which is exactly what happened.

An exciting business idea

Another possible reason for Facedrive's success in the market is its business idea.

FD is a ride-hailing company like **Uber** or **Lyft** — but with a unique twist. It's billing itself as a [“green” ride-sharing company](#), and a portion of each ride's proceeds go toward tree-planting initiatives. The

company also offers restaurant and grocery delivery — similar to other ride-sharing companies. According to Facedrive's website, it planted 4,000 trees in 2019. This is a unique spin on the ride-sharing model, and it may help the company reach a niche customer base among the climate conscious.

Will Facedrive take off?

It's one thing to note that Facedrive has seen explosive growth in the stock market, but quite another to say that the company will succeed. Certainly, Facedrive's revenue is growing rapidly. However, it's not hard to grow when you're starting from a base amount of just \$36,000. It remains to be seen whether Facedrive's service will ever see wide adoption. The company certainly has a unique idea with the tree-planting thing, but the market of people who'll choose a ride-sharing company based on that is probably quite small.

Overall, we'll need to wait to see more reports from Facedrive before we really know how it's doing as a company. Since its interim financial report, we haven't heard much. The recent third-quarter earnings release [did not show a profit](#). Perhaps we'll hear something of substance this summer. Until then, it would be wise to tread carefully with a stock like Facedrive. It's a very early-stage company, and you can expect significant volatility, at a bare minimum.

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