Forget Facedrive (TSXV:FD): Consider This Decent Growth Stock Instead

Description

Facedrive (TSXV:FD) stock has soared almost 300% this year, and the emerging ride-sharing stock returned more than 900% last year. Such jaw-dropping growth could easily mesmerize new investors. However, the stock should see a severe pullback in the short term, in my view. Let's see why.

Facedrive stock

Facedrive stock is just outrageously overvalued. It sports a market capitalization of more than $5 billion at the moment and generates annual revenues of less than a million dollars.

Started in 2016, Facedrive boasts itself as a "people-and-planet first" company that offers EVs and hybrids to riders. After volatile revenue growth in the ride-sharing business, the company also expanded in multiple businesses like healthcare, marketplace, car leasing, etc. Facedrive is a loss-making company at the moment. Notably, how the management focuses on its mainstay, with so many sub-segments, will be interesting to see.

Since October 2020, the stock price has zoomed from $9 to $60 last week. Interestingly, the impressive surge came without any significant development. The company closed a private placement deal and announced Steer EV subscription services in Toronto recently.

However, the news was pretty insignificant to justify the stock price increase. The company has not seen any meaningful growth in its operational performance nor in financials in this period.

Thus, the stock is significantly overvalued and could see a pullback. Its current stock price is not justified, even if the company doubles revenues for the next few years.

Fairly valued top TSX stock to bet on this year

Betting on such an overvalued stock could be detrimental to your long-term financial goals. Instead, investors can consider a top growth stock **BRP** (TSX:DOO)(NASDAQ:DOOO).

It is an $8 billion powersports vehicle manufacturing company that has a presence in more than 120 countries. The company manufactures off-road vehicles, snowmobiles, watercraft, and has a leading market share in many of these categories. Almost 60% of its total revenues come from the United States. In the last five years, BRP stock has returned around 400%, notably beating the TSX Composite Index.

BRP stock witnessed tremendous weakness last year amid the pandemic and closures. However, its latest quarterly earnings release saw some encouraging demand recovery.

For the third quarter ended on October 31, 2020, BRP reported adjusted income growth of 41% year over year. The management also delivered upbeat commentary and increased earnings guidance for the current year. The increased guidance indicates year-over-year earnings growth of around 35% in 2021.

BRP stock has soared more than 50% since the vaccine launch last year. Despite the rally, the stock is relatively undervalued and implies room for further growth.

The mutating viruses and continuing restrictions could delay BRP's recovery. However, interestingly, as consumer discretionary spending increases, it could see a robust demand surge in the post-pandemic world. Once the pandemic ends, BRP's leading position in the powersports space and leisure travel boom should drive the stock notably higher.

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