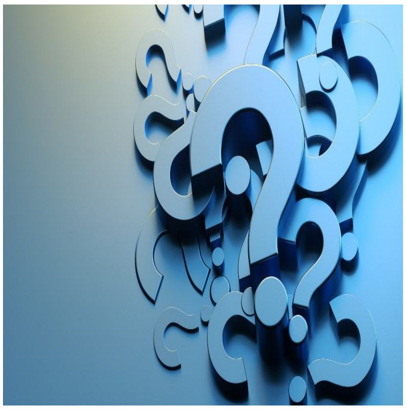

Facedrive (TSXV:FD) Skyrocketed in 2020: Can it Keep Flying in 2021?

Description

Facedrive (TSXV:FD) stock has been on an epic run, with shares blasting off nearly 1,000% over the past year alone. Some folks have dubbed the company as "the next **Tesla**" for its green-friendly model.

While the company is certainly doing more than its part to foster the transition towards sustainable transport, I think it's quite the stretch to dub it the next Tesla. In prior pieces, I've stated that the up-and-coming ride-sharing firm was more like a Canadian version of **Uber** or **Lyft**.

Regardless, I think Facedrive's white-hot stock is way too hot to handle and would encourage momentum chasers to weigh the risks and rewards before initiating a sizeable position. While I certainly wouldn't be against nibbling into a small position, I would much prefer investors wait for a pullback. As you may know, momentum can reverse and without a moment's notice.

There's expensive, ridiculously expensive, and then there's Facedrive stock

I don't want to see you being caught on the wrong side of the trade, especially since Facedrive's valuation is a difficult pill for value-conscious growth investors to swallow. At the time of writing, FD stock trades at 230 times book and thousands of times its sales, making the stock one of the priciest you're likely to come across these days. On the flip side, Facedrive only has a mere $4 billion market cap. If it can catch up to the likes of an Uber or a Lyft, it could easily double up many times over. That said, only venturesome investors should dare get into the name at these heights.

As someone wise once said, the higher they climb, the more room they have to fall. With investors turning their back on the growth trade, there's no question that Facedrive stock could feel a brunt of the damage as the bond-yield-driven tech wreck continues.

Is Facedrive stock a short?

Fellow Fool contributor Chris MacDonald seems to think that Facedrive stock is the best short opportunity in Canada. He notes that the firm's business model is not unique (I couldn't agree more) and that far too many speculators are willing to pay whatever price for entry into the budding EV and ride-sharing space.

"There's meme stocks, and then there's Facedrive. Some story stocks like Facedrive are getting bid up to levels that are absolutely ridiculous right now," wrote MacDonald. "Any company with less than $1 million in revenues and a valuation of more than $5 billion ought to be taken with a grain of salt. Forget a grain of salt — take it with a truckload. Unfortunately, it appears most of the buyers of this stock are unsophisticated retail buyers likely to get burned."

I think MacDonald is right on the money with Facedrive. Investors seem euphoric over the firm's acquisition of Steer. And while the company has a puncher's chance to give Uber and Lyft a run for their money, I think that the stakes are way too high after FD stock's unbelievable 2020.

Don't sell short!

With Facedrive stock down nearly 30% from its peak, I wouldn't look to initiate a position here. While I'm as bearish on the stock as MacDonald is, I wouldn't recommend shorting the company. As we found out with **GameStop** stock, shorting any stock, especially those with significant momentum behind them, is a dangerous proposition.

Personally, I'd recommend enjoying the show comfortably from the sidelines.

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Date
2025/07/29
Date Created

2021/03/02
Author
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