



Is Facedrive (TSXV:FD) Really a Millionaire-Maker Stock?

Description

This year indeed belongs to the stocks with crazy swings. Some of the stocks saw immense volatility early this year, which was mind-boggling to even seasoned investors. **Facedrive** (TSXV:FD) stock was part of it. The stock went from close to \$2 to \$60 in just 15 months. That's a baffling return of more than 3,000%. Interestingly, investors who timed the markets and entered FD stock at these levels could have made close to a million dollars.

FD stock in 2021

However, Facedrive stock has fallen more than 50% in the last six weeks. A lot of investors must be seeing an opportunity to enter at current levels on the hopes of significant gains. But can it repeat a similar performance again?

Facedrive is mainly a ride-hailing company with several other businesses like food delivery, car leasing, and healthcare. It makes almost three-fourths of its revenues from its ride-hailing business. If you are following the company and its stock, you must be aware that it offers its riders EVs, hybrids along with traditional cars to choose from. The climate-friendly business model is particularly attractive to millennials, which forms the core of its target customer base.

However, Facedrive has seen quite shaky top-line growth during the pandemic. Many companies post losses early in their life cycle. In such cases, their revenue growth is a crucial indicator for investors.

Could Facedrive be the next Tesla?

The company has been depicting a promising picture of its [non-core business](#). However, Facedrive has not seen the growth in its financials. How the management focuses on its mainstay ride-hailing business amid all other emerging segments will be interesting to see.

Strangely, everything related to electric vehicles is soaring these days. Few analysts even claimed Facedrive to be the next **Tesla**. However, considering it a climate-friendly version of **Uber** would make

more sense. Note that Facedrive substantially lacks in scale compared to its bigger peer.

Notably, established ride-hailers have also joined the EV-league and intends to make their fleet green in the next few years. Uber aims to bring an all-electric fleet by 2040. This severely dents Facedrive's competitive edge and raises growth concerns.

FD stock is currently trading close to \$30 and sports a market capitalization of \$2.8 billion. The stock is trading at a price-to-sales ratio of 2,800 — a substantially premium valuation.

Indeed, growth stocks trade at a premium because they offer superior growth prospects. Investors are willing to pay more for them due to their [steep growth expectations](#). However, for Facedrive's growth, this looks astronomically high.

The Motley Fool: Bottom line

So, could FD stock make you a millionaire? Yes and no. That's because the stock has seen a vertical move in the past. The volatility has helped speculators. Consider **GameStop** stock, which surged 9,000% in just a month. There are many examples like these. But that's not investing.

When a company sees a consistent revenue and earnings growth over the years, it translates into its stock price, which ultimately creates value for shareholders. This is sustainable in the long term.

Investors should be more careful while trading in speculative stocks. It is important to focus on fundamentals while investing for the long term and overlook the short-term noise.

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