



## 3 Rallying TSX Stocks That Corrected up to 30% Last Week: Time to Buy?

### Description

Stretched valuations of some top-rallying TSX stocks seem to have started to bother discerned investors. Even though broader markets have continued to soar recently, some Canadian names notably plunged last week. Does it make sense to bet on them after a weakness? Let's see.

### Facedrive

**Facedrive** (TSXV:FD) stock has had a massive plunge in the last few weeks. It is currently trading at \$18.5 — a steep fall from \$60 levels in mid-February. FD stock fell 30% last week.

In a recently released [corporate update](#), Facedrive reported revenues of \$1.25 million last year. Its mainstay ride-sharing business saw a deep demand drop last year amid the pandemic and ensuing closures. However, Steer, an EV subscription platform, which it acquired in September 2020, partially offset the decline. In Q4 2020, Steer contributed \$564,680 in revenues.

I think Facedrive remains a speculative bet on concerns of valuation and profitability. Despite the recent correction, FD stock is still overvalued and might invite further downward pressure. How the company will manage to expand its top line post-pandemic remains to be seen.

FD stock soared more than 3,000% between January 2020 and February 2021. It could be highly risky if you see this recent weakness as an opportunity.

### Aphria

Top pot stock **Aphria** (TSX:APHA)(NASDAQ:APHA) dropped more than 10% last week. It has fallen from \$33 levels in February and is currently trading at \$20. Though the stock has witnessed a significant weakness, I think further weakness can't be entirely ruled out. APHA stock is still trading at a premium valuation as against its forward sales.

However, it will be prudent to enter Aphria at these levels with a small amount or in slices. Pot stocks

like Aphria have been extremely volatile. Also, somewhat premium is justified for Aphria given the acquisition of **Tilray** and higher sales opportunities south of the border.

The combined entity looks well placed to benefit from the potential legalization in the United States. It will likely achieve cost competitiveness and a scale, which should help stand tall among its peers. Strong growth prospects and a recent weakness make APHA stock an attractive bet for long-term investors.

## Transat AT

Canada's holiday travel specialist **Transat AT** (TSX:TRZ) stock plunged almost 20% last week. The fall was on much-expected lines after its merger with **Air Canada** was called off last week.

The deal [termination](#) put Transat in a hard position. It has already suffered a lot amid the pandemic and stringent air travel restrictions. Notably, Transat reported a 94% drop in revenues and a big loss last year.

Combining with Air Canada could have been a sweeping deal for Transat, as the flag carrier is in a much better financial position. Air Canada has been relatively strong due to its disciplined cost management and lower cash burn. AC stock has soared almost 50% in the last six months.

As its deal with Air Canada is now cancelled, Transat might have to look for new suitors or avenues for new funding. Faster vaccinations and a sizeable government bailout could play a pivotal role in saving Canada's embattled aviation companies. Transat might see survival hopes soaring in that case, while Air Canada could see a relatively faster recovery post-pandemic.

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### Date

2025/06/29

### Date Created

2021/04/12

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