Which Stock Has Better Fundamental Upside: BlackBerry or Facedrive?

Description

In today's world, billionaire investors like George Soros fear a tech stock bubble. If you recollect the internet bubble of 2000, people invested millions in internet stocks, which had no concrete business, just reality-distorting stories. While the dot.com bubble was plagued with defunct companies, not all internet companies were defunct. The trick is to differentiate between real businesses with growth potential and businesses with good investor promotion.

Internet-based businesses don't require much capital, and they can stall the profit in the hopes of scalability and volume. Then how do you differentiate businesses with potential from businesses with promotion? The answer is fundamentals. I have a perfect comparison for you: **BlackBerry** (TSX:BB)(NYSE:BB) versus **Facedrive** (TSXV:FD).

Facedrive stock

Facedrive is a stock that sells itself as a multi-faceted "people-and-planet first" tech ecosystem offering socially responsible services. Its primary business was that of ride sharing, but it lost track in 2020 and acquired many irrelevant businesses in an all-share deal.

Facedrive stock surged from $2.05 in September 2019 to $59.95 in February 2021, up almost 2,800%, and then collapsed 76% in two months. It reported 2020 annual revenue of $3.9 million, of which $3.4 million came from all-share acquisitions of

- HiRide, a ride-sharing and car-pooling business;
- Nearly bankrupt Canada's food-delivery service Foodora; and
- Electric vehicle (EV) subscription service Steer.

Warren Buffett has a funny way of describing all-share deals like these: "I'll pay you $10,000 for your dog by giving you two of my $5,000 cats."

In total, Facedrive operates in six verticals, each different from the other. Rideshare, Marketplace, Foods, Social, Health, and Steer. That makes me wonder what business is Facedrive into: tech platforms or holding companies. And if you look at its core business of ride sharing, it isn't growing. It has a 3.5-star rating on

Google Play, and the Facedrive team is not bothered to reply to any of the feedback. It looks like the app is abandoned, and the drivers are not showing up.

This highly dysfunctional company is a perfect example of a short-term investor promotion only to raise funds. Such companies don't have fundamental support and are first to collapse in a bubble burst.

BlackBerry

Operating in the same market are fundamentally viable cloud companies like BlackBerry. This company survived the 2000 dot.com bubble. BlackBerry stock dipped 76% between March and May 2000, but it survived the bubble. These bubbles clean up all dysfunctional companies from the market and only leave the one with strong fundamentals.

If your foundation is strong, you can withstand the harsh weather. After three years of the dot.com bubble, BlackBerry rose to unprecedented levels on the back of its smartphone. But it faced the worst nightmare of any tech company: disruptive technology. **Apple's** touch screen iPhone disrupted the market for BlackBerry's button phones. BlackBerry is still recovering from this attack and has now prepared a strong foundation in the cybersecurity and automotive operative system (OS) space.

Its cybersecurity solutions serve enterprises in highly regulated verticals like the government, financial services, and healthcare. Its automotive OS is used in 175 million cars. It has the right tech in the right business. Now, all it needs is to overtake the competition and gain market share. Sadly, that is the toughest part in the highly competitive cybersecurity space.

BlackBerry stock is in a downcycle — down 33.6% in the last two months. The challenges will continue for the next two years until the pandemic eases and the EV demand returns. BlackBerry's revenue fell 16%, but its adjusted EBITDA surged 12% in fiscal 2021, indicating that the company's fundamentals are strong enough to help it withstand another decline.

Investing in fundamental stocks

A stock that has withstood multiple crises deserves a round of applause for its foundation. A stock like BlackBerry needs patience. The world won't change for it in a day. But it has the potential to fall, get back up, and fight. Such are the stocks you buy at the dip and forget. In the next three to five years, the stock might not show much growth. But when it enters the growth momentum, it could show unprecedented growth, as it did in the 2003-2007 period, rising 1,800%.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSXV:STER (Facedrive Inc.)

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