



## 3 High-Growth TSX Stocks to Avoid This Week

### Description

Canadian markets look well in shape for a further rally this year. But does that mean that all TSX stocks will soar higher? No! Many Canadian names are way overvalued at the moment, and they might see a significant correction in the short to medium term. Here are three of them.

### Facedrive

**Facedrive** (TSXV:FD) stock has certainly lost its charm this year. The stock had risen 3,000% since January 2020 and was topping the charts early this year. However, things have changed almost for FD stock and its investors in the last few months. It has cratered from \$60 to \$15 in just three months since February and is one of the top losers in the last few months.

I think its weakness is still far from over. Its price-to-sales multiple of close to 200 indicates the stock is still way overvalued. Importantly, the stock will likely exhibit more downside, given the grim outlook on both the operational and financial front.

Facedrive stock surged because of its climate-friendly business model and visible operational improvements last year. It has also been planning to expand its ride-sharing business in the U.S. and Europe. However, the pandemic and ensuing restrictions significantly dented its growth plans. In addition, Facedrive acquired several unrelated businesses in 2020, which could do a little to revive its top-line growth.

Facedrive is a company that needs a total revamp. Management's strong emphasis on core business and reliable revenue growth could bring some respite to investors.

### BlackBerry

As the meme stock frenzy seems to have started to wane, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) has lost more than 25% in June 2021. Also, its weaker-than-expected Q1 earnings might continue to weigh on the stock this week.

BlackBerry [reported](#) a loss of US\$0.11 per share for the quarter against a loss of US\$1.14 per share a year ago. Indeed, the cybersecurity company managed to narrow net loss, but its top-line and gross profit margins notably fell during the quarter.

Importantly, BlackBerry operates in some promising areas, like endpoint security management and internet-connected devices. However, its revenues have been on a constant decline for the last several years.

Its QNX platform and growing addressable market indeed offer a rosy outlook for the very long term. However, BB stock looks overvalued at the moment. It still seems away from converting its operational growth into financial growth.

## Cineplex

Although many analysts are positive about **Cineplex** ([TSX:CGX](#)) stock amid reopenings, I am still doubtful. I am concerned whether it would do justice to the underlying risk. But notably, CGX stock is up 60% so far in 2021.

The theatre chain company lost \$540 million in the last 12 months. Apart from earnings, it dug a deep hole in its balance sheet and increased leverage.

Now, some may think that the worst is certainly over in terms of the pandemic. However, that's not completely true. People got used to streaming movies in their homes on OTT platforms. This changed behaviour might mean it'll take years to achieve the pre-pandemic footfall in movie theatres.

Thus, CGX stock may not create [significant shareholder value](#) for the next few years. Its already overvalued stock could reverse course in the short to medium term, given its bloated balance sheet and uncertain road to profitability.

## CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners
5. Tech Stocks

## TICKERS GLOBAL

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

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