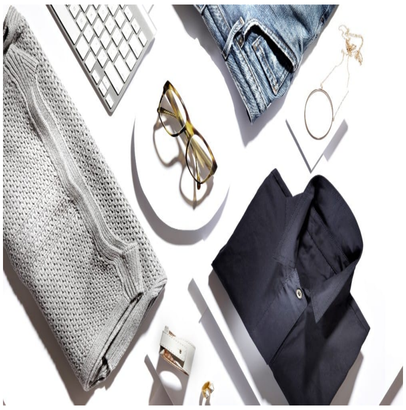

Don’t Buy Facedrive (TSX:FD): Buy This Stock Instead

Description

Facedrive (TSXV:FD) stock keeps falling as fundamentals creep. We’ve witnessed a 78% dip from $59.95 on February 8 to $12.5 on July 16 — and you thought crypto is volatile. Cryptocurrencies like Bitcoin and Ethereum have some hope of becoming alternate currencies. But what will you call Facedrive, which moved from being a ridesharing service to a food delivery service?

The fundamental of Facedrive don’t add up

Facedrive’s first-quarter earnings gave a shocking figure. Its ridesharing revenue fell 72.5% year over year (YoY) to $79,054. Whether this is a company’s revenue or an employee’s annual salary is difficult to say. Conversely, 96% of Facedrive’s revenue, or $4.09 million, came from Foodora and Steer, which it acquired last year in an all-share deal.

In one of my previous articles, I wrote on Facedrive’s acquisitions. There I stated Warren Buffett’s description of an all-share deal, “I’ll pay you $10,000 for your dog by giving you two of my $5,000 cats.”

If you invested in Facedrive for whatever reason, by now, you know the company has no stable plan. It is just dragging wherever it sees the money. Before the pandemic, it saw money in ridesharing, and it gave an environmental touch to it.

In the pandemic, it saw money in food delivery and contact tracing and gave a sustainable tough to it. Now it sees money in car rentals as people want to travel when the economy reopens. Here it gave an electric vehicle (EV) touch.

The life of such companies with no core business to fall back on is short. Perhaps Facerive launched an initial public offering (IPO) too early without putting its business in place. It launched its IPO in September 2019, just three years from being founded.

Hype can get you a momentary rally, but it can’t sustain this rally. Investors are all about return on investment (ROI). If they don’t see the ROI coming, they will cash out even if they face a loss.

A viable alternative to Facedrive

If you own shares of Facedrive, you are better off cashing it out even at a loss. You can recoup these losses by investing in viable alternatives with a growing business and the potential to add value. If the tech aspect of Facedrive attracted you, a better alternative is **Lightspeed POS** (TSX:LSPD)(NYSE:LSPD).

The omnichannel platform empowers your local retailer and your favourite food outlet with the tech to take orders online and deliver them to your doorstep. It is serving local merchants across the globe.

Lightspeed has a strong product with the potential to become the Android of omnichannel solutions. Its acquisitions are strategically targeted at verticals, technology, and geographic outreach within the omnichannel space.

For instance, its latest acquisition of supplier-merchant platform NuORDER is in sync with its plans to expand its Supplier Network. With this, it aims to connect suppliers with merchants in the way it connects merchants with customers.

Lightspeed stock surged more than 420% since its IPO in March 2019. It not only has the potential to sustain the current stock price of ~$99, but also surge past $120 by Christmas. The company has strong growth potential as people start dining out and shop for vacations.

Working out the math

If you had invested $500 each in Facedrive and Lightspeed IPO through the Tax-Free Savings Account (TFSA), you would now have more than $4,700. But now it's time to rethink your portfolio. Cash out on Facedrive and invest that $2,600 in Lightspeed to enhance your value.

If you made the above investment at the start of the year, your Facedrive investment has reduced to $410, and Lightspeed investment has grown to $580. It is better to cash out your Facedrive investment even at a loss and put that money in Lightspeed.

It will take Lightspeed a year to recoup your Facedrive loss of $90. Once it recoups its losses, it can grow further.

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