



Why Facedrive (TSXV:FD) Stock Fell 56% Last Week

Description

Canada's ride-hailing stock **Facedrive** (TSXV:FD) left investors perplexed last week. The stock, which has cratered for months, lost another 56% last week. It closed at \$2.3 on Friday, down from its all-time high of \$60 in February this year. Facedrive has lost more than 96% of its market value since February.

Why is FD stock falling?

The decline in Facedrive stock accelerated after the top executives announced their disassociation with the company recently. Sayan Navaratnam, Facedrive's chief executive and chair, resigned last week. Along with the CEO, CFO Fairy Lee and director Bill Kanter have also resigned.

There was a significant surge in FD stock volume last week. More than 2.65 million shares exchanged hands on Friday against its three-month average daily volume of approximately 171,000.

To make matters worse, Navaratnam has accused another founder Imran Khan of this precipitous stock fall. According to Navaratnam's [letter](#) to shareholders, Imran Khan has sold hundreds of thousands of shares of the company and has made millions of dollars. What could be more troublesome for FD investors is that Khan intends to sell 786,000 more shares, according to the letter.

Facedrive's founding shareholders and early investors had voluntary share lock-up agreements. Sayan Navaratnam extended this lock-up in March 2021 by another two years. Imran Khan's share lock-up period ended in March and in subsequent months.

How Facedrive changed course in 2021

Facedrive is having the exact opposite ride this year against 2020. Since listing in September 2019, FD investors have milked mammoth returns of over 3,000% till this February. That's way higher than some established [high-growth tech names](#).

Facedrive offered ride-hailing services in almost all the big cities in Canada. It stood apart from

established ride-hailing companies; it presented riders options to choose from EVs, hybrids, or gas-powered vehicles. The company did show encouraging operational and financial growth early last year. However, the pandemic and multiple unrelated acquisitions changed the track of the company.

For the latest reported quarter, Facedrive posted \$4.3 million in revenues and a loss of \$5.9 million. Interestingly, FD stock is overvalued even after such a precipitous fall. That indicates more downside in the short term from the valuation perspective.

Perhaps the stock recovery is highly unlikely after the recent board rejig and another potential round of stock dumping. [I'd highlighted FD's valuation concerns](#) just before it started tanking in February.

The Foolish takeaway

There are hundreds of examples where a stock goes up exponentially and comes down even faster. Facedrive is just added to that list. Any discerned investor would have seen the red flag when FD stock price kept soaring, even when the company had a highly unstable top line, let alone sustained profitability. Moreover, the company did not communicate with shareholders until the stock ruptured 95% of its value.

We often come across an expression that says high risk gains higher returns. Facedrive stock conveys that it is not entirely true. Taking a calculated risk and investing based on fundamentals make sense.

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