



Down 97% From Record Highs, Is Facedrive (TSXV:FD) Stock a Buy?

Description

Shares of Canada's ride-hailing company **Facedrive** (TSXV:FD) have taken investors on a roller-coaster ride in the last two years. The stock went public in September 2019 and ended the month at a price of \$2/share. FD stock then soared to a record high of \$60 in February 2021 before wiping off all gains to currently trade at \$1.95.

In fact, FD stock [is down over 65% in September](#) after the company's co-founder Imran Khan disclosed that Facedrive is looking to file for bankruptcy protection later this month.

Does this provide investors with a buying opportunity right now, especially if bankruptcy proceedings fail to materialize?

Facedrive is now a food-delivery company

When Facedrive went public, it was a ride-hailing company competing with the likes of **Uber** and **Lyft**. However, over the last year, Facedrive has expanded its business segments to include food delivery, an electric car subscription service, an e-social platform, as well as a marketplace for high-quality apparel.

Facedrive Marketplace provides curated merchandise, which is produced by sustainably sourced materials, while Facedrive Foods offers contactless delivery of foods to customers. It also developed Facedrive Health to offer innovative solutions to acute health challenges using a proprietary wearable technology called TraceSCAN.

In the [second quarter of 2021](#), Facedrive reported sales of \$5.79 million, which were significantly higher than its year-ago sales of \$93,615.

Its cost of revenue totaled \$5.34 million, indicating a gross margin of less than 8%. The company's operating expenses also grew to \$13.95 million in Q2, which meant Facedrive reported an operating loss of \$8.15 million in the June quarter. Its net loss stood at \$7.55 million due to a government grant of \$909,373 received by the company.

In the second quarter of 2020, Facedrive's operating expenses were \$6.88 million, which meant its operating loss was \$6.79 million.

Its ride-share revenue more than doubled to \$80,110 in Q2 compared to \$36,650 in the year-ago period. Facedrive Foods sales stood at \$4.97 million, while vehicle subscription sales grew to \$662,097. Both these business segments did not exist for the company in the prior-year period.

What's next for FD stock?

We can see that Facedrive derives a significant portion of its revenue from food delivery, which makes it a direct competitor to companies such as Uber Eats and **DoorDash**. This business generates revenues from food-delivery services, merchandise sales, and restaurant commissions.

Facedrive Foods has successfully capitalized on the shift in consumer behaviour amid the ongoing pandemic and fulfilled an average of 4,700 orders each day in 19 Canadian cities during Q2. It ended the quarter with 5,312 restaurant partners and 303,035 registered end users.

Facedrive stock is currently valued at a market cap of \$171 million. It means FD stock is trading at a trailing 12-month price-to-sales multiple of 13, which is extremely steep given the company's widening losses.

While Facedrive will continue to grow its top line at a rapid clip in the next few quarters, investors should understand that its ride-hailing business will find it difficult to gain traction given the leadership positions held by Uber and Lyft in several markets.

Further, revenue growth from the food-delivery business might also decelerate once the economies reopen completely and consumer spending trends experience a major shift, making FD stock a high-risk bet, despite its massive pullback.

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