Facedrive and Air Canada Stock: Which Is the Better Buy?

Description

For some reason, **Facedrive** (TSXV:FD) stock and **Air Canada** (TSX:AC) stock are super popular among investors. It could be because they have achieved super rallies in the past and made some investors tonnes of money. Now that the growth stocks have gone through a correction, investors are wondering if they could become wealthy by investing in the stocks.

Facedrive stock

Facedrive stock made an impressive run. From 2020 to the peak in 2021, it was a 25-bagger! It was a bumpy ride, to say the least. From the stratosphere of $60 per share, it returned to the Earth's core as a penny stock before appreciating to the current levels of $3.85 per share, resulting in a four-bagger. This could be a dead-cat bounce for all we know.

That said, if it's not, even if the tech stock just returned to $10 per share, it would still be a whopping appreciation of close to 160%. But can it return to that level?

If it does rally to $10 soon, it'll probably be driven by momentum. Right now, the company isn't very fundamentally strong. Its revenue growth was strong — jumping from $0.6 million in fiscal 2019 to $13.1 million in the trailing 12 months. But the tradeoff for the superb revenue growth was the gross margin shrinking from 54.8% to 11.8%. Additionally, it's still EBITDA and net income negative.

Since it's still in its early stages of growth and operating at a loss, at best, Facedrive is a speculative investment. That said, Facedrive could gain a stronger following down the road by being in the trend. On its website, it describes that it's "a multi-faceted 'people-and-planet first' tech ecosystem offering socially-responsible services to local communities with a strong commitment to doing business fairly, equitably and sustainably."

Investors looking for speculative investments with strong growth potential can also consider Air Canada stock.

Air Canada stock

Once upon a time, Air Canada stock crawled out of the last recession and flew from $1 to $50 per share for a 50-bagger! Anyone who actually booked that kind of extraordinary gain would be a legend!

The peak occurred in late 2019. Fast forward to today, the stock trades at about $22.68 per share — not nearly as low as $1. Moreover, no thanks to the pandemic, which hit the industry hard, the airline last reported net cash burn of about $8 million on average per day. This totaled a net cash burn of $745 million for the second quarter.

Furthermore, Air Canada's balance sheet is swimming in a whole lot more debt due to a large decline in demand for air travel, which won't normalize until the pandemic is in the rearview mirror.

Positive net income might not return until 2023. Yet since Air Canada is a cyclical stock, it would be right for interested investors to consider buying the stock at a cyclical low. Just note that in the next year or two, AC stock can revisit $10-21 per share. Longer term, if it survives through the pandemic and normalization period, it can trade at least at about $40 per share.

The Foolish investor takeaway

Both Facedrive stock and Air Canada stock can deliver outsized price appreciation potential down the road. However, they're risky and speculative investments. Therefore, interested investors should size their positions accordingly and consider booking gains on meaningful rallies.

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