Facedrive Stock Remains a High-Risk Bet, Despite Gaining 350% in the Last 4 Days

Description

Shares of the Canada-based ride-hailing and food-delivery company **Facedrive** (TSXV:FD) have surged close to 350% in the last four trading sessions. It's currently [valued at a market cap](#) of $366 million, but FD stock is still down 94% from all-time highs, despite the recent uptick.

Facedrive stock closed trading at $0.88 per share last Wednesday and has since risen to $3.85. The recent surge has followed a sustained 10-day selloff in FD stock that wiped off over 80% of the company's market cap.

There is no particular news surrounding this small-cap stock in the past week. It seems speculators are betting on a rebound in FD stock given the recent surge in trading volumes. According to data from Yahoo Finance, over 2.45 million Facedrive shares were traded on September 21, which is significantly higher than its average volume of 582,000.

While shares of the company were grossly oversold, they remain a high-risk bet given the uncertainties surrounding the company as well as its weak fundamentals.

Facedrive is grappling with management issues

Earlier this month, Facedrive's management team, including its CEO, CFO, and director, announced their resignations. In the company's letter to shareholders, former CEO Sayan Navaratnam accused Facedrive's co-founder Imran Khan of selling a majority of his stake, which resulted in a steep decline in FD's stock price.

Navaratnam further alleged Khan has already made millions of dollars following the equity stake sale, and that Khan intends to sell 786,000 additional shares, which will be a worrying sign given that FD stock has fallen off a cliff.

Facedrive was listed as a public company two years back, and the stock rose from $2.05 in September 2019 to a record high of $60 in early 2021. FD offers ride-hailing services in several large Canadian cities and marketed itself as an eco-friendly company targeting millennial riders.

However, the COVID-19 pandemic severely impacted the company's ride-hailing revenue last year. It then aggressively diversified into other verticals, including food delivery, and managed to report $3.93 million in sales in 2020.

While ride-hailing sales more than doubled year over year to $80,110 in Q2, its food-delivery segment reported revenue of $4.97 million. It's quite evident that Facedrive is a food-delivery company, as this business accounted for 86% of total sales in the June quarter. But Facedrive also reported a net loss of $7.55 million in the quarter.

What's next for FD stock?

There are several loss-making tech companies in Canada and the United States. But a majority of them are led by strong management teams who are confident of the company's long-term growth potential. However, Facedrive is part of a market where it's competing with giants such as **Uber** and **DoorDash**. Its food-delivery business has gained traction due to the pandemic, which acted as a tailwind, and the company might experience decelerating growth moving ahead.

The company ended Q2 with just $13.46 million in cash, which suggests it will have to raise equity capital multiple times before it turns profitable. Despite its massive slump in the last six months, FD stock is valued at a trailing 12-month price-to-sales multiple of 27.8, which is extremely steep.

Long-term investors need to stay away from this speculative bet given there are much better stocks to buy and hold right now.

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araghunath