



Why Facedrive Stock Plunged 25% Wednesday

Description

Motley Fool investors watching the market recently have likely been regarding **Facedrive** (TSXV:FD) with some suspicion — and it turns out, rightly so. Shares of the stock soared [over 350%](#) in just a few days, only to fall by 25% on Wednesday. So, let's look at what's happening with Facedrive stock.

What happened?

Shares of Facedrive stock were basically dumped on Wednesday, dropping 25% by early afternoon. And did anything happen with this stock? Well, about as much happened now as it did a few days ago when the stock jumped — that is to say, absolutely nothing.

The shift in buying seems to be entirely speculative, followed by fear selling. The rally began as Facedrive stock entered oversold territory. It had lost about 94% of its value since February of this year, mainly from the tech stock selloff. And so, some traders believed it was time to start buying up the company at all-time lows.

But perhaps they went a bit too far.

So what?

Once shares reached a peak price over \$4 per share, the selloff began. And honestly, I'm surprised it didn't happen sooner. That's because there was a mass of insiders selling off Facedrive stock earlier in the month. This happened after the company announced its new CEO sold a large part of their stake in the company.

Such large chunks of shares going back to market led to the low share price. And that left it in oversold territory. The new CEO alone sold \$5.4 million worth of shares on Sept. 1, followed by about 800,000 shares over the next few days. The company's formerly largest stakeholder was also the CEO, who then resigned, leading to this new movement by the new CEO Sayan Navaratnam.

And the reason the new CEO is selling so much? Salary. Navaratnam claims since joining Facedrive in 2018 that the salary was “limited,” and therefore he wants enough cash on hand to ensure he can enter the “next stages of its long-term growth plan.”

What now?

Navaratnam is not alone in the selloff, and this could be another thing investors selling today have clued into. Investors hoping to buy up Facedrive stock and see it soar back to \$60 per share were cut short at just \$4.10 for the eco-friendly ride service. The company continues to struggle, losing \$13.4 million the first half of the year, and making only \$9.7 million in revenue.

Meanwhile, there has been insane activity in Facedrive stock even before this recent boom and bust. And that means it could soon be at risk of the day traders of WallStreetBets and elsewhere. In fact, executives have even hinted at the potential for bankruptcy. Should that happen, this would put it at severe risk of a short squeeze, fellow Fool writer [Vishesh Raisinghani](#) writes.

What does that mean for investors today? Stay away from this stock. Its volatility is through the roof! And while some may hope to gain riches from this movement, it's more likely you'll be as bankrupt as Facedrive stock on the TSX today.

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