



## Facedrive (TSXV: FD) Goes Boom and Bust!

### Description

**Facedrive** (TSXV:FD) went on a wild ride this month, rising 350% before falling 45%. At its all-time low, FD traded for just \$0.88. In the span of a few days, it rose as high as \$2.97, before falling to \$2 just as quickly.

It's not very often that you see such dramatic action in a stock's price in such a short time frame. But as a small-cap company, FD has the potential to swing more dramatically than larger stocks. Perhaps this is just the case of a small-cap company behaving the way small caps do. However, there may be more going on with the company's dramatic rise and fall than meets the eye. In this article, I'll explore Facedrive's dramatic gains in detail, and try to determine what exactly happened.

### Facedrive's earnings

One factor that may be driving Facedrive's stock higher is earnings. According to the *Wall Street Journal*, FD delivered [\\$5.08 million in revenue](#) in its most recent quarter—a whopping 6,000% year-over-year increase. That kind of growth tends to attract attention from investors, so it's not surprising that FD's stock would rise on such news. Investors like to see the companies behind their shares doing well, and FD appears to be doing so.

Not only was the company's revenue up dramatically for the quarter, but the net income was up as well—in this case by a more modest 21%. So Facedrive appears to be doing well. Nevertheless, there are some who think that less innocent factors may be behind FD's dramatic rise. In the next section, I will explore that possibility.

### Are shenanigans at play here?

If Facedrive's financial statements are to be believed, it is a very high-growth business. However, some people aren't buying the hype. Accusing the company of shilling its own stock, they believe that FD is at the centre of [some kind of stock promotion scheme](#).

According to *Hindenburg Research*, FD is paying money to an entity called *Medtronics* for stock promotion services. Hindenburg's reports say FD paid that entity \$8.2 million in 2020 for these services—which consist of sending out press releases to get attention to FD stock. The report shows that Medtronics is incorporated in the British Virgin Islands and has minimal reporting requirements. It also claims that Medtronics has little revenue apart from what's being received from Facedrive.

The above is one research firm's opinion, which or may not be the case. However, it does appear that FD is doing a number of things to juice its stock price that isn't related to business performance, including:

- Using a ticker symbol that could easily be confused for **Facebook's** symbol.
- Claiming to be involved in a number of "ethical" businesses (green ride-sharing, COVID relief, etc.) that could trigger buying from ESG funds.
- Pumping the news full of buzzword-filled press releases.

None of these points in themselves prove that Facedrive is doing anything unethical. But there are influential researchers out there who believe that it is doing some shady things. Ultimately, investors will have to decide for themselves whether FD is legit or just another flash in the pan fad stock. But the arguments against the company do appear credible at least to this author.

## CATEGORY

1. Investing
2. Tech Stocks

## TICKERS GLOBAL

1. TSXV:STER (Facedrive Inc.)

## PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

## PP NOTIFY USER

1. andrewbutton
2. arosenberg

## Category

1. Investing
2. Tech Stocks

**Date**

2025/08/17

**Date Created**

2021/09/27

**Author**

andrewbutton

default watermark

default watermark