



What Should You Do With Facedrive Stock Today?

Description

Shares of Canada-based ride-hailing company **Facedrive** (TSXV:FD) has burnt significant investor wealth this year. FD stock touched a record high of \$60 in February 2021 and is down 98% since then to trade at \$1.36 per share right now, valuing it at [a market cap](#) of \$129 million.

Facedrive has been grappling with multiple issues in recent months and has failed to deliver on its lofty promises since it went public in September 2019.

Let's see if Facedrive is an attractive contrarian bet or a dumpster fire for long-term investors at current valuations.

What impacted Facedrive stock in 2021?

Facedrive stock [lost more than 60%](#) in September 2021 after one of the company's co-founders, Imran Khan, disclosed the company may file for bankruptcy protection. Alternatively, Facedrive's former CEO Sayan Navaratnam accused Khan of selling several thousand shares of the company triggering a steep pullback in its stock price.

Khan, however, claimed he sold shares after the lock-up period ended in March 2021. These developments have expectedly made investors extremely nervous, accelerating the selloff in FD stock.

Facedrive initially intended to disrupt the ride-hailing market in Canada, as it focused on providing environment-friendly options to customers. But it had to compete with giants including **Uber** and **Lyft** that dominated the market. The company was then severely impacted by the onset of COVID-19, which decimated travel platforms all around the world.

As the demand for ridesharing services fell off a cliff last year, Facedrive diversified operations to grow its top line. It expanded into verticals such as food delivery and e-commerce, which allowed the company to generate \$5.79 million in sales in Q2 of 2021 compared to less than \$100,000 in the year-ago period.

It launched the Facedrive Marketplace to provide curated merchandise while Facedrive Foods offers food delivery services to Canadians. The company also developed Facedrive Health to provide smart-health services by leveraging Facedrive's proprietary wearable tech called TraceScan.

What's next for FD stock investors?

Facedrive has to wrestle with multiple issues that include top-level exits, a weak balance sheet, competition from heavyweights, and widening losses. The company's sales rose from just \$600,000 in 2019 to \$3.93 million in 2020. In the last 12 months, it derived more than \$13 million in sales. But FD's operating losses rose from \$6.9 million in 2019 to \$17.7 million in 2020. In the 12 months prior to Q2 of 2021, its operating losses stood at \$21.7 million.

This suggests FD stock is valued at a trailing price-to-sales multiple of almost 10 times, which is extremely steep. Further, Facedrive [ended Q2 with a cash balance](#) of \$13.5 million and \$8.83 million in debt. In addition to interest payments, the company also has to contend with a high cash-burn rate, which suggests it will have to raise capital multiple times, diluting shareholder wealth in the process.

Facedrive stock remains a high-risk bet due to the structural issues surrounding the company. The upside potential will be massive, especially if it can stage a turnaround in the future. But there are much better companies trading on the TSX that have the potential to beat the market with stronger fundamentals.

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Date

2025/09/11

Date Created

2021/11/16

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