This Beaten-Down Tech Stock Could Rebound

Description

It's been a roller-coaster year for **Drone Delivery Canada** (TSXV:FLT). The stock started the year by rallying more than 180% to an all-time high of $2.5. The rally was short-lived, as the stock ended up relinquishing 60% of the gains and is now almost flat for the year.

While the deep pullback raises serious concerns about the company's core business, investors may want to take a closer look. The company is operating in an industry that is still in its infancy. A few years back, drone deliveries seemed to be science fiction. Not anymore.

Amazon has moved to establish a drone delivery system, and that all but validates what Drone Delivery Canada has been working on over the years. After more than half a decade of developing its technology, Drone Delivery Canada now boasts of an array of pilot drone delivery projects and logistics platforms.

The projects and platform come at the perfect time, as drone delivery is gaining momentum and becoming a big business in line with e-commerce growth.

The outlook

The company has also diversified its projects to ensure its drones are not limited only to e-commerce. For instance, DDC's devices can haul heavy objects up to 180 kg (400 lbs) and medical supplies that need to be handled delicately. This opens up opportunities in the medical and industrial logistics markets.

The fact that its drones can be deployed in other industries expands the company's total addressable market (TAM). While drones can be used to deliver goods to remote communities across Canada, they can also be used in the healthcare, oil, and gas sectors, among others. Altogether, this could be a multi-billion-dollar segment of the global economy.

Valuation

There is no doubt of the tremendous opportunities up for grabs amid the growth of drone deliveries. Drone Delivery Canada is well positioned to take advantage of the opportunities backed by several well-developed projects. With the stock 60% off its 52-week high, now may be the best time to take a position.

From a valuation perspective, Drone Delivery stock looks like any other overhyped tech stock. The company's market value is roughly $200 million, while it generated just $422,000 in sales over the past 12 months. That's a comically high price-to-sales ratio.

But that's understandable for a company that's barely out of the proof-of-concept stage. DDC has just completed a few pilot projects. These have helped it perfect the devices and software necessary to create a new layer of logistics. Now that the products are ready, DDC can seek out commercial deals and long-term contracts that will add tremendous revenue seemingly overnight.

Meanwhile, the firm is sitting on over $31 million in cash and cash equivalents. In other words, the stock is trading at a price-to-cash ratio of 6.6. It also means that the company has enough resources to develop new technologies and stay afloat while the tech is perfected.

That being said, this is still a highly speculative, venture-style bet that's not suitable for everyone.

Bottom line

DDC should certainly be on your radar — especially if you're a long-term investor seeking aggressive growth opportunities and have an appetite for risk.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

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. kduncombe
2. vraisinghani

Category

1. Investing
2. Tech Stocks

Tags

1. Editor's Choice

Date
2025/09/05
Date Created
2021/11/19
Author
vraisinghani