Facedrive: A $1B+ ESG Stock Promote Likely a Donut, Sporting a Collapsing Core Business, With Flailing Business Pivots, Culminating in Multi-Million Dollar ~~Payments To~~ Payment for Undisclosed Stock Promotion to an Opaque BVI Entity~~, Flailing Business Pivots And DoA Legacy Business Model; 95% Downside~~; 100% downside

- ~~We think Facedrive is an EV-hype story stock whose story is about to unravel. We anticipate a sharp repricing of shares in the immediate future and see *de minimis* overall value in the company's operations.~~ Facedrive is a Toronto-based ridesharing business which appears to be dramatically impaired by COVID. While the company speaks to the "13,000" drivers on the platform, **we estimate current actual numbers at sub 400-500 total drivers**.
- Facedrive claims to have been a vibrant and growing business pre-COVID. We tested the app, finding the actual process of hailing a ride highly difficult as **in Facedrive's core market, Toronto, there appear to only be 4-8 drivers at any given time**. This is a $1B ridesharing business. Several of our calls to Facedrive's customer care line were never answered. ~~**Our price target is $0.**~~
- ~~Just two months ago in May 2020, the company paid $8.2 million plus a guarantee of hundreds of thousands of shares of stock to an opaque BVI entity with a newly created name for "marketing and consulting" services.~~
- ~~Facedrive's entire operating budget over the last twelve months (LTM) was $6.3 million, so the company paid 130% of its entire LTM operating budget for one month of this "consultant's" services, with additional payments to follow.~~
- ~~The BVI entity also appears to be associated with OilPrice.com, a known stock promotion site that admits in its disclaimers that stock usually plunge after they are done promoting them. We believe Facedrive will suffer a similar fate.~~
- ~~Facedrive has relied extensively on a network of companies controlled by its CEO. The company's 2019 filing statement detailed paying no fewer than 4 entities controlled by its CEO. It paid entities related to its CEO 24% of its 2019 operating budget.~~
- ~~Facedrive's CEO, Sayanthan Navartnam, already has one massive public company failure in Creative Vistas, which currently trades on the OTC Pink sheets for $0.03 per share.~~
- ~~Uber and Lyft have adequate cash balances to expand the business where they had the clear first mover advantages. They sport war chests of about $10.8 billion and $600 million, respectively. By comparison, Facedrive's change purse consists of just ~$10 million; hardly enough cash to even try to compete with the industry's two main players.~~

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Commented [SP1]: this reflects the price target of $0 below, which we agree with. if price target is adjusted to 75c, then its 95% downside

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- Rather than focusing on tackling just one resource-intensive highly competitive market like ridesharing, Facedrive ~~recently entered a second—food delivery. We found a total of 17 restaurants offered on its platform compared to UberEats' 400,000 and GrubHub's 300,000.~~ turned to launching gimmicky "new business lines" such as food delivery which appears to have minimal actual operations and a near-zero chance of success – we communicated with restaurant partners that confirmed minimal to no orders from Facedrive Eats.
- Facedrive even joined the COVID-hype train launching a "COVID Tracing App". We reached out to their partner on the project who confirmed what appears to be misrepresentation of the projects publicly stated progress
- Despite all this, Facedrive has promoted itself to a shocking $1B+ market cap on less than $1m sales with minimal real app reviews. Facedrive achieved this valuation on a slew of PRs of hot air, helped by stock promoters, who received payment through an opaque BVI-registered entity with a newly created name, for undisclosed stock promotion – the site admits in its disclaimers that stock usually plunge after they are done promoting them. **In May 2020, Facedrive paid $8.2 million for 1 month of fees**.
- **This egregious payment, the largest we have ever seen,** is multiples higher than the typical of stock promotion campaign costs and does not even include the minimum monthly retainer going forward. In fact, this payment for **one month** of services is greater than Facedrive's entire operating budget over the last **twelve months** (LTM).
- **Inadequate disclosure surrounding these payments may increase regulatory risk for the company**. The stock promoters and Facedrive claim that the payments are to "attract riders and drivers outside the US and Canada", while the stock promotion site itself states that the readership is primarily US and Canadian stock investors.
- Additionally, Facedrive relied extensively on a network of related parties controlled by its CEO. The company's 2019 filing statement detailed paying 4 entities controlled by its CEO representing approximately 24% of its 2019 operating expenses.
- **We anticipate a sharp repricing of the shares and see *de minimis* overall value in the company's operations. Facedrive appears to be a nearly empty box surrounding by highly questionable partners and more. Our price target is $0.**
- ~~We called the first four "most popular" restaurants on the Facedrive Foods page. One didn't have a working phone number, two said they don't use Facedrive and another didn't even seem to be a restaurant, but rather a catering service.~~
- ~~The company also launched a trivia app that mysteriously garnered dozens of 5 star reviews before it ever launched and a marketplace where it appears to only sell clothes bearing its own brand at extremely high price points.~~
- **We do not think Facedrive's core ride hailing business is viable and we find its "marketing" and related party spends to be extraordinary and extremely alarming**. **We have serious doubts about the veracity of the company's claims relating to its ill-conceived side projects that were hastily thrown together for show**. We believe this "story" stock is heading toward a hard repricing.
- ~~With about a year of cash on its books, Facedrive will have some time to attempt other pivots, but we think this "story" stock is heading toward a hard repricing.~~

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- Facedrive's CEO and CFO previously involved with a public company, Creative Vistas, which precipitously plummeted 99%, perhaps an ominous sign for Facedrive. Facedrive's CEO recovered the restructured assets of Creative Vistas for $1, the only guy to walk away with anything.

Background: A Struggling Ridesharing Company with Limited Resources ~~and~~, No Defensible Competitive Niche and No Core Business

Facedrive was founded in 2016 with the core premise of being an "eco-friendly" ridesharing app ~~that~~. It allows riders to choose environmentally friendly vehicles ~~with options for~~ by giving them electric, hybrid or gas-powered ~~cars~~options.

The company soft launched its app in Ontario in late 2017 and ~~opened to several other~~ currently operates in a handful of Canadian ~~locales in the following years~~locations [Pg. 21]. ~~Currently, the app only operates in small sections of Canada.~~

Facedrive's stock, on the other hand, gives the impression of a robust business; recently rocketing higher on every 'buzz word' in the ~~public company electric vehicle~~book hype, despite ~~only~~ having ~~a tangential relationship to the industry~~limited tangible underlying business. The stock has spiked about ~640% since it came public via reverse merger ~~merger~~ in ~~mid-~~September 2019, ~~helped along~~propelled by a ~~massive~~ paid promotion ~~effort,~~inappropriately disclosed as platform marketing. This is the most expensive stock promotion campaign we ~~will delve into.~~ have ever seen.

~~Current prices afford the company~~ Facedrive currently trades at a ~~market cap of about ~C$~~ ~$1.41 billion ~~despite consistent net losses and~~ valuation, or an obscene ~908x revenue multiple ~~of ~908x~~ based on ~~the~~ run-rate from last quarter's ~~revenue, which was only C$388 thousand.~~$388k sales – it is the most expensive technology company over $1bn in the world on an EV / Sales basis. We believe this business is fundamentally flawed and unlikely to generate meaningful sales (particularly based off of our current diligence, to be presented herein) and even if they do, it will come at the cost of significant cash burn.

The ridesharing industry operates as an intensely price competitive near-duopoly, where incumbents Uber and Lyft have incurred a cumulative multi-billion dollar annual cash burn in order to ~~expand market share.~~ even maintain market share. Ridesharing is generally priced near the cost to provide the ridesharing service, where Facedrive is forced to offer services even below market price as they have no brand recognition.

~~In comparison,~~ Facedrive has very few users ~~and~~, minimal resources~~. Should it somehow overcome those obstacles, it has~~ , and no sustainable differentiator~~.~~ (Uber or Lyft~~, on the other hand,~~ could ~~simply~~easily add electric vehicle options if they ever ~~wanted~~felt it worthwhile to ~~step into~~eliminate Facedrive's supposed 'niche'.)

COVID materially disrupted the ridesharing industry earlier in the year; a shock that even Uber and Lyft have not ~~yet fully recovered from. Facedrive, with its fledgling network, appears to have suffered mightily as it battled powerful incumbents and a damper on the industry~~fully recovered from. For example, analysts now expect that Lyft will do 40% less sales than was imagined at the start of the year. Facedrive has historically presented itself as a growing and vibrant ridesharing ecosystem. However, given the very limited current underlying ridesharing operations, we can only conclude that Facedrive has not recovered from COVID. This view has been echoed by interviews with Facedrive drivers and employees.

Likely seeing the writing on the wall for its ridesharing prospects, the company has decided to pivot wildly with launches of ~~multiple~~ products spanning an array of disparate industries. These include:

1. A COVID-19 contact tracing app
~~2.~~ ~~1.~~ ~~A trivia app~~
~~3.~~ 2. An Uber Eats / GrubHub laughable clone
~~4.~~ 3. An eCommerce marketplace
4. A trivia app

All of ~~its new~~these endeavors ~~appear to be misfiring. Beyond its struggles for direction~~are, at best, poorly conceived and executed ideas or, at worst, brazen promotionalism with limited real business intention behind them. Given Facedrive's lack of progress in these areas, we lean toward the latter.

It does not end there, Facedrive displays several more worrying signs, including numerous related party transactions with its CEO and a highly unusual series of payments to an opaque newly-named entity in the British Virgin Islands.

We think Facedrive is a story stock whose ~~story~~tale is about to unravel. We anticipate a sharp repricing of shares in the immediate future and see de minimis overall value in the company's operations.

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Part I: ~~Troubling Signs~~The Most Expensive Undisclosed Stock Promote We Have Ever Seen—Paying $8.2 Million to an Opaque BVI Entity for a Month of "Marketing" and Numerous Related Party Transactions

Facedrive's Unusual Deal With "Medtronics Online Solutions Ltd", A Newly Renamed BVI Entity

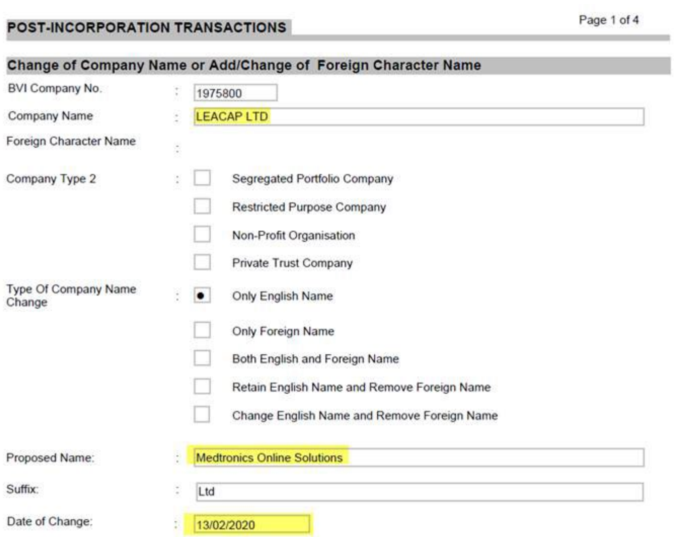
In May 2020, Facedrive announced it had hired a company called Medtronics Online Solutions Ltd. to "perform marketing and strategic consulting services". In the announcement, Facedrive's CEO strongly suggested that the services were part of a global marketing campaign to expand visibility of the company's ridesharing platform, its core business:

> "As Facedrive prepares for global expansion, it is more important than ever to get our 'people-and-planet first' message across to audiences not only in Canada, but in the United States and Europe, in the most efficient and effective way. With that in mind, I am excited to work with Medtronics, whose unique marketing strategy and proven global outreach **will help us ensure that our first-of-its-kind eco-friendly ride-sharing platform** reaches the widest audience possible with maximum impact," said Facedrive CEO Sayan Navaratnam."

The price for the "marketing and strategic consulting" services was steep. The company later disclosed that it had paid Medtronics 800,000 shares for its initial month of services, valued at $8.2 million~~,~~ (currently value at $12.1 million), *and* an obligation to pay 105,000 shares ***each month for the next 7 months***. The shares are subject to certain lock-up restrictions, per the arrangement.

Neither announcement stated which jurisdiction Medtronics was located in – and finding this out was no trivial task. ~~Despite being~~Medtronics is described as having a global marketing presence, yet Google ~~had only~~has just 3 results for the entity outside of the Facedrive announcement ~~(and all 3 results were actually related to/links to the announcement).~~.

We located the entity in the British Virgin Islands, registered to nominee directors. BVI Corporate records show that the entity had been named Leacap Ltd. up until about a month before the Facedrive contract, when it changed its name to Medtronics.



POST-INCORPORATION TRANSACTIONS

Page 1 of 4

Change of Company Name or Add/Change of Foreign Character Name

BVI Company No. : 1975800

Company Name : LEACAP LTD

Foreign Character Name :

Company Type 2 : ☐ Segregated Portfolio Company
☐ Restricted Purpose Company
☐ Non-Profit Organisation
☐ Private Trust Company

Type Of Company Name Change : ● Only English Name
☐ Only Foreign Name
☐ Both English and Foreign Name
☐ Retain English Name and Remove Foreign Name
☐ Change English Name and Remove Foreign Name

Proposed Name: : Medtronics Online Solutions

Suffix: : Ltd

Date of Change: : 13/02/2020

Medtronics Appears to Be Associated ~~With~~with OilPrice.Com, a Stock Promotion Site. But This Apparent Promotional Arrangement Has Unusual Features

LeaCap Ltd. is associated with OilPrice.com, a website known for stock promotion. The site has issued at least 7 articles touting the glowing promises of Facedrive and its stock since March. [1,2,3,4,5,6,7]

We found the deal with Medtronics to be unusual for a number of reasons:

1. Size. Facedrive paid $8.2 million to Medtronics in an initial payment. Facedrive's entire operating budget over the last twelve months (LTM) was $6.3 million, meaning the company paid 130% of its ~~entire~~ LTM operating budget for one month of services, with additional payments to follow. [Pg. 4, Pg.8, Pg. 4] Typically, promoters are paid in the 5 or low 6 figures~~.~~ (ie. $50-150k). We have yet to see a promoter paid this much or in such disproportion to a company's financials.

2. Opacity. The newly-changed Medtronics BVI entity had zero online footprint, making it challenging to even identify. BVI requires users to pay in order to even search a company name.

3. Misleading Disclosure. As shown above, the Facedrive announcement suggested Medtronics is being paid to market its ***platform***, not its stock. We view Facedrive's disclosure as misleading. Furthermore, OilPrice.com added a custom disclaimer to its Facedrive articles that strikes us as a fig leaf meant to mirror Facedrive's dubious disclosure:

> **"**An affiliated company of Oilprice.com… has signed an agreement to be paid in shares **to provide services to expand ridership and attract drivers in certain jurisdictions outside Canada and the United States.**"

If it was not clear enough, Oilprice.com characterizes itself as the following:

> Who Visits OilPrice.com?
>
> Our rapidly expanding and influential audience consists of investors, fund managers, resource bankers, traders, energy market professionals and high net worth individuals from around the world, but mainly the US, Canada, UK and Australia.

In other words, this is a stock promotion agreement between Oilprice.com and Facedrive which has been inappropriately disclosed as a marketing agreement for the platform (and NOT the stock). This undisclosed stock promotion of this cost would not be appreciated by regulators.

Facedrive doesn't currently operate anywhere outside of Canada and has barely made headway in its home market, as we will show.

Furthermore, the content is unmistakably promotional. On Apr 21st, OilPrice.com published an article about "6 Visionaries Shaping the Future of Transportation", which compared major public company CEOs such as Amazon's Jeff Bezos, Google's Sundar Pichai, Tesla's Elon Musk, Virgin's Richard Branson… and Facedrive's Sayan Navaratnam.

> **#2 Sayan Navaratnam**
>
> While Branson, Bezos and Musk are busy with "fly-me-to-the-moon" sentiments, Sayan Navaratnam-- planning to join the other transportation gurus—is quietly making moves on a more Earthly scale.

But another article describe Facedrive as follows "Facedrive isn't just a ride-sharing platform, it's a high-tech innovator spawned from the brightest minds of Canada's 'Silicon Valley'."

Another article describes Facedrive as part of the sustainability movement and declares “Buffet [sic], Bezos And Blackrock Are Betting Big On This $30 Trillion Mega-Trend”.

What does that have to do with recruiting drivers outside of the U.S. and Canada?

(It does not appear that Buffett or Blackrock have stakes in Facedrive. Also, the name is spelled “Buffett” with two t’s—a buffet is a self-serve style of casual dining.)

Buffet, Bezos And Blackrock Are Betting Big On This $30 Trillion Mega-Trend

By Ian Jenkins - May 28, 2020, 6:00 PM CDT

By the time giant high-tech, cash-burning companies like Uber catch on to the $30-trillion-plus mega trend of sustainable investing, their competition may have caught up.

OilPrice.com also shows the following disclaimer on its articles, which suggests that stocks it profiles have a habit of spiking then plummeting once it stops touting them. The language appears to us to be all but saying “stocks featured on our site pump then dump”:

> “This communication is for entertainment purposes only... **Frequently companies profiled in our alerts experience a large increase in volume and share price during the course of investor awareness marketing, which often end as soon as the investor awareness marketing ceases**.”

We expect Facedrive is already on the back half of ~~the~~this “awareness marketing” trajectory.

Related-Party Transactions—The Company Paid 24% of its 2019 Operating ~~Budget~~Expenses to Related Parties Controlled by the CEO

We found other troubling signs in Facedrive’s brief history as a public company. Despite its modest size, Facedrive has relied extensively on a network of companies controlled by its CEO. The company’s 2019 filing statement detailed paying no fewer than 4 entities controlled by its CEO, providing everything from marketing, call center services, product development to office space. [Pg. 64]

Non-Arm's Length Party Transactions

Dynalync, a related company controlled by Sayanthan Navaratnam, the CEO, director and co-founder of Facedrive, provides consulting services and product development to Facedrive. Total expenses charged to Facedrive were $390,700 for the three-month period ended March 31, 2019 and $568,000 for the fiscal year ended December 31, 2018.

Facedrive also engages DependableIT through Dynalync, a related company controlled by Sayanthan Navaratnam, the CEO, director and co-founder of Facedrive, to provide call center services to Facedrive. See "*Part III – Information Concerning Facedrive – General Development of the Business*". Total expenses charged to Facedrive for DependableIT's services are included in the expenses charged by Dynalync.

Decosta is a related company controlled by Sayanthan Navaratnam, the CEO, director and co-founder of Facedrive, provides marketing services to Facedrive. Total expenses charged to Facedrive was $60,000 for the fiscal year ended December 31, 2018.

Connex is a related company controlled by Sayanthan Navaratnam, the CEO, director and co-founder of Facedrive, subleases offices space in Ontario to Facedrive. See "*Part III – Information Concerning Facedrive – Narrative Description of the Business – Platform Offerings – Facedrive Locations*". In addition, Facedrive was indebted to Connex in the aggregate principal amount of $750,000 evidenced by a demand non-interest bearing promissory note. The indebtedness owing to Connex represents payment made by Connex on Facedrive's behalf for operating expenses and was repaid in Facedrive Class B Shares pursuant to a debt conversion agreement dated March 31, 2019.

In total, the company expensed $1.26 million to related entity Dynalync for R&D and operational support in 2019, representing over 24% of the company's ~~entire~~ annual operating ~~budget~~expenses. [Pg. 9]

~~In the first quarter of 2020, the company has thus far only expensed a minimal amount to related parties for office space. [Pg. 19] We will monitor these transactions to see if they re-emerge in subsequent quarters.~~

Facedrive's CEO Already Has One Public Company ~~Failure. It Is~~Experience in His Rear View Mirror. The Stock Traded Down 99% Over its Life and Currently ~~Trading For $0.03 On~~Trades on The OTC Pink Sheets.

This also isn't Facedrive CEO ~~Sayanthan~~Sayan Navaratnam's first foray into the public markets.

He was also CEO and Chairman of Creative Vistas, a broadband systems integrator primarily focused on servicing Canadian customers of Rogers Communications. ~~Navartnam~~Navaratnam was named Chairman and CEO of the company in 2004. [Pg. 3]

Despite glowing initial promises, the company was ultimately unable to service its debt due to lackluster revenue and cash flow. ~~Navartnam~~Navaratnam ended up purchasing the company's main operating subsidiary for $1 ~~and~~plus the assumption of the company's debt. [Pg. 20]

In February 2011, the company ceased being quoted on the OTC Bulletin Board and was relegated to the OTC Pink Sheets.

It appeared to cease filing around 2012 and trades today for $0.03 on the U.S. Over the Counter markets – representing ~~essentially~~ ~99% downside for anyone who owned the stock at almost any point during its primary operating history.

Navaratnam is still listed on the company's website as the Chairman of the Board, which describes him as "the visionary who plays a key role for the growth strategy of Creative Vistas".

Given that Navaratnam brings the same "visionary" talents to Facedrive, we decided to dig further into the company's prospects and operations.

Part II: ~~Swimming Against a Tidal Wave—How~~ Facedrive ~~Compares~~ Has Little to ~~Rivals Uber & Lyft~~

~~In an industry with virtually no technological barriers to entry, ridesharing companies are locked~~ **No Long-Term Prospects in** ~~an arms race to establish the largest rider & driver networks as the only credible barrier to other competitors. After ~3 years of operation, Facedrive is nowhere close to making a dent in terms of revenue.~~ **Ridesharing**

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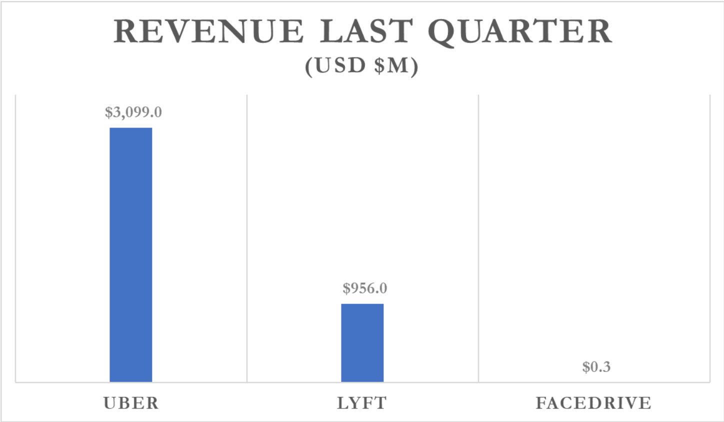
~~Relative to its competition, it literally *doesn't even show up.*~~



~~**Facedrive Has Minimal Android and iOS Installs Relative to Its Main Competitors**~~

~~We get another glimpse of how Facedrive is faring relative to industry leaders by tracking downloads on Android's Google Play store and Apple's App store. On Google Play, the largest market, Uber has 500+ million installs and Lyft has 10+ million, while Facedrive has barely eclipsed 10,000.~~

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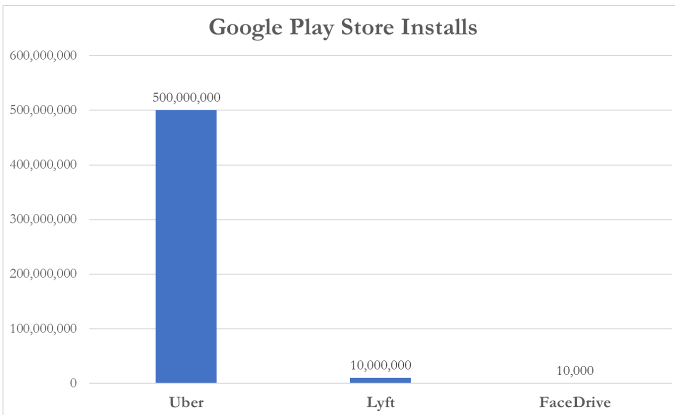
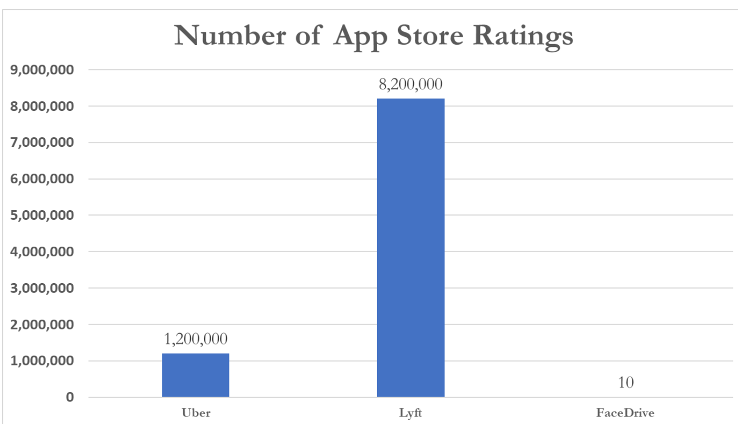


~~On the Apple App Store, which doesn't display installs but does show number of ratings, we see Uber with 1.2 million ratings, Lyft with 8.2 million and Facedrive with just 10.~~



~~Cash Poor: Facedrive Has Less Than 0.1% of the Cash Balance of Its Main Competitor; With Cash of Just US$10 Million Compared to Uber's US$10.8 Billion~~

~~Facedrive clearly has a lot of catching up to do, which in the capital intensive ridesharing industry (mostly stemming from hardware infrastructure, software development and various insurance costs) requires substantial cash resources. The path to winning new drivers and riders often requires cash incentives or lower rates.~~

~~Uber, for example, has an accumulated deficit of over $19 billion owing to its "first mover advantage" and large historical expenditures that propelled it to dominate new markets around the globe. [Pg. 4] It will likely burn substantially more cash before reaching profitability (if it ever gets there). Last quarter alone, Uber burned about $850 million in cash. [Pg. 9]~~

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~~As of the latest quarter, Uber and Lyft had war chests of about $10.8 billion and $600 million, respectively. By comparison, Facedrive's change purse consists of just ~$10 million, which includes the proceeds from its recent financing rounds.~~

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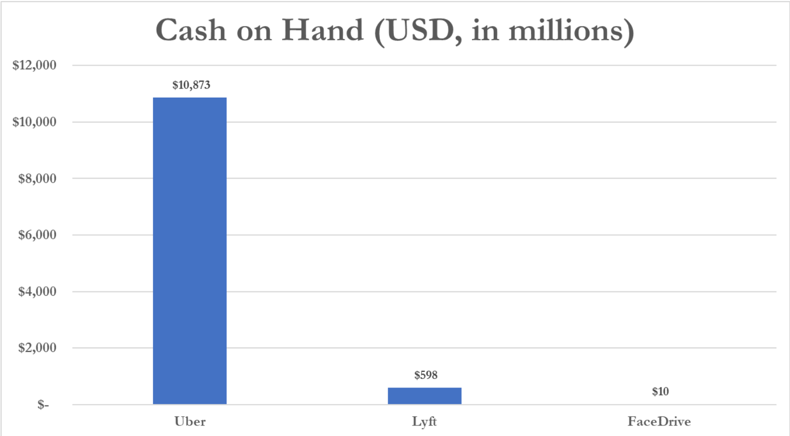
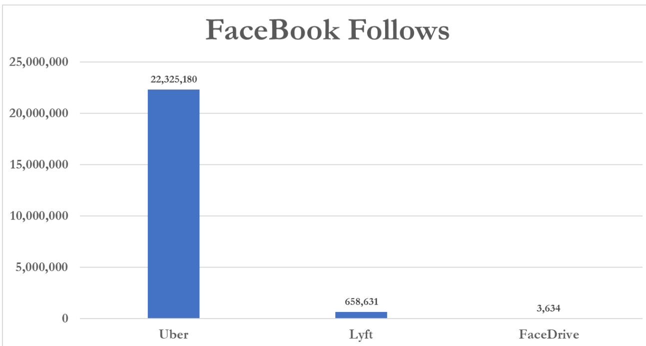


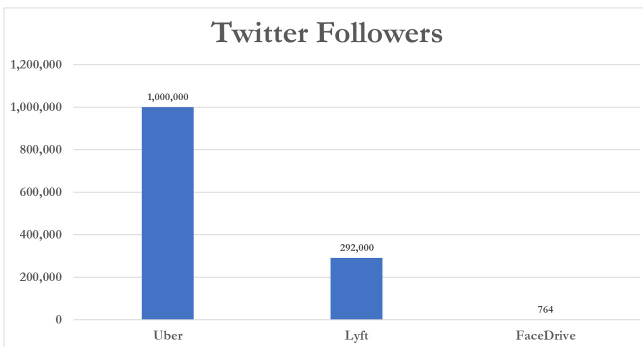
~~Over the past 4 quarters, Facedrive has burned $5.2 million in operating cash flow while generating only $951 thousand in revenue. These numbers do not bode well – especially if Facedrive seeks to continue spending millions for "marketing".~~

~~Facedrive Has a Virtually Non-Existent Social Media Presence, Which Seems Extremely Problematic For A Software-Based Company~~

~~Despite its lack of userbase and lack of cash, Facedrive seems well-suited for social media, where it could gain support for its stated mission of sustainability. However, we see that it has only 764 followers on Twitter and 3,634 follows on Facebook. These numbers pale in comparison to the combined millions of followers shared between Uber and Lyft.~~



~~The story looks the same on Twitter.~~



~~Facedrive's User Reviews On Both Google and Apple Are Worse Than Both of Its Main Competitors~~

~~Beyond its lack of revenue, lack of a user base, lack of cash, and lack of social media presence, Facedrive has worse user reviews than rivals, making it tough to pick up market share based on user satisfaction.~~

~~Facedrive users regularly complain of being unable to get rides and poor/delayed customer service.~~

App Ratings

	Uber	Lyft	FaceDrive
App Store	4.7	4.9	4.4
Google Play	3.9	3.8	3.2

Facedrive Claims 13,000 Drivers, But the App Shows Almost No Drivers in Its Key Markets

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Creating a vibrant network of drivers and users is essential for the success of any ridesharing platform.

A March 2020 Facedrive investor presentation seemed to suggest great progress ~~on~~along that path, boasting of 13,000 drivers *registered* on its platform. **However, after our own analysis, interviews, and testing we suspect the number of active drivers is significantly lower, likely in the range of 500-600**.

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~~The~~For context, the company reported gross fees from rides of $852,200 in Q1 2020, which implies about 6-7 rides per working day for 500-600 drivers, given the historical average fee of $10/ride. [Presentation Pg. 20]

This estimate was corroborated by our field testing. **In the key Downtown Toronto region, we found the app regularly had only 2-4 drivers available**. The most drivers we found at one time in Downtown Toronto was 7, which appeared on 5:00pm on a Friday (end of week rush hour/happy hour).

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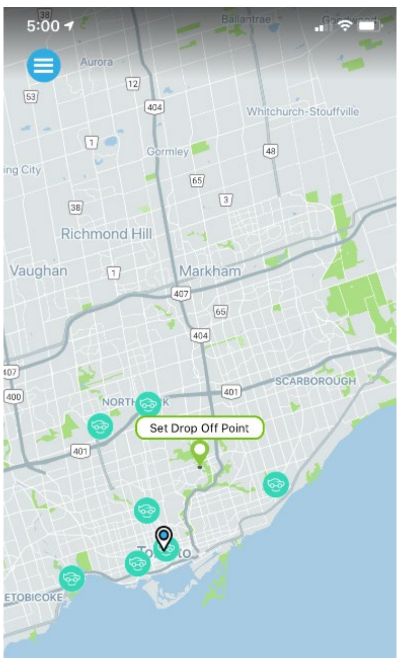

Facedrive support confirmed that all available drivers appear on the app's map.

Anecdotally, an industry colleague attempted a short trip in Toronto but the app was unable to match them with a ride after a 10-minute wait. After the match failed, **Facedrive support called their phone to ask if they still wanted a ride** (like a traditional, non-app based taxi service). They described the experience as "very strange".

In our own call with Facedrive support, the rep acknowledged that they do not have enough drivers in Downtown Toronto and that they often attempt to call in drivers from other areas, which increases wait times and ~~worsening~~worsens the user experience. He said in Scarborough they were more active, with ~10-15 drivers on the road at any given time.

Our review of the app showed that in Ottawa, which the company launched amidst much fanfare in the beginning of July, generally had zero to two drivers at a time. London, Ontario also had around 10-15 drivers on the road during our testing.

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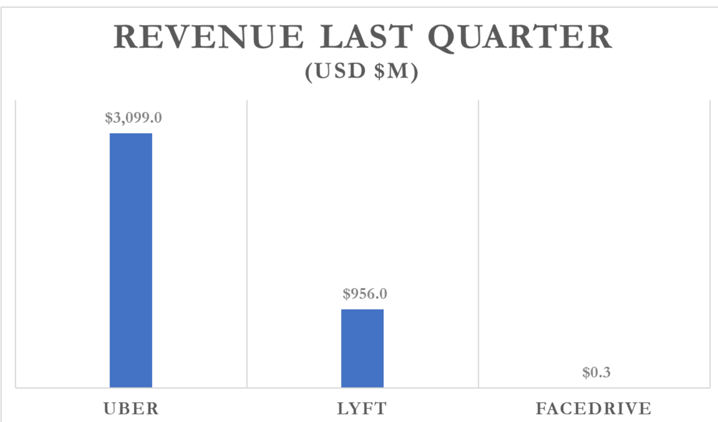
With No Drivers, It Is No Wonder Facedrive Has Near No Revenues

Ridesharing apps are very cheap to program and the industry has virtually no *technological* barriers to entry. As a result, the ridesharing industry overall is locked in an indefinite price war as they seek to expand or even just maintain market share.

After ~3 years of operation, Facedrive is not even in the same universe as its' competitors – it virtually has none.



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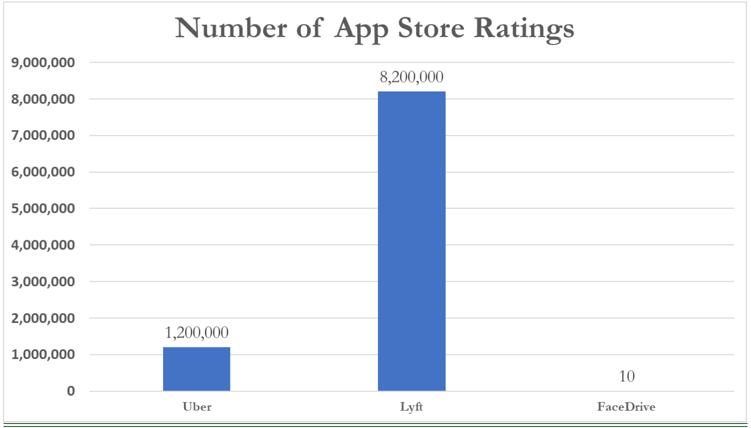
On the Apple App Store, which doesn't display installs but does show number of ratings, we see Uber with 1.2 million ratings, Lyft with 8.2 million and Facedrive with just 10.



Facedrive Has a Virtually Non-Existent Social Media Presence

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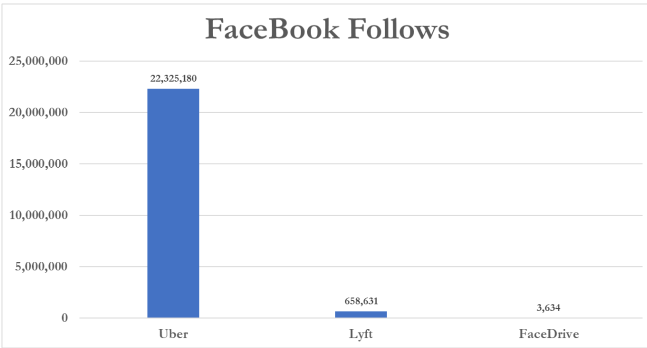
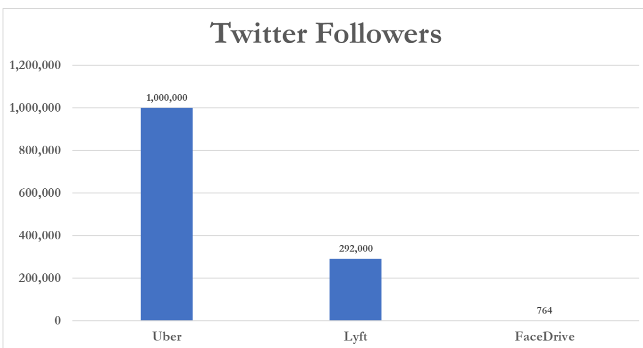
Despite its lack of userbase and lack of cash, Facedrive seems well-suited for social media, where it could gain support for its stated mission of sustainability. However, we see that it has only 3,634 follows on Facebook and 764 followers on Twitter. These numbers pale in comparison to the combined millions of followers shared between Uber and Lyft.



The story looks the same on Twitter.



Facedrive's User Reviews on Both Google and Apple Are Worse Than Both of Its Main Competitors

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Beyond its lack of revenue, lack of a user base, lack of cash, and lack of social media presence, Facedrive has worse user reviews than rivals, making it tough to gain market share based on user satisfaction and word of mouth.

Facedrive users regularly complain of being unable to get rides and poor/delayed customer service.

App Ratings

	Uber	Lyft	FaceDrive
App Store	4.7	4.9	4.4
Google Play	3.9	3.8	3.2

Adding Injury to Insult, Facedrive is Showing Up to a Gun Fight with a Knife: Cash Poor: Facedrive Has Less Than 0.1% of the Cash Balance of Its Industry Leading Competitor; With Cash of Just US$10 Million Compared to Uber's US$10.8 Billion

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Facedrive clearly has a lot of catching up to do, which in the capital-intensive ridesharing industry requires substantial cash resources. The path to winning new drivers and riders often requires cash incentives, lower rates and extensive hardware and support infrastructure.

Uber, for example, has an accumulated deficit of over $19 billion owing to its "first mover advantage" and large historical expenditures that propelled it to dominate new markets around the globe. [Pg. 4] It will likely burn substantially more cash before reaching profitability (if it ever gets there). Last quarter alone, Uber burned about $850 million in cash. [Pg. 9]

Field Code Changed

Field Code Changed

As of the latest quarter, Uber and Lyft had war chests of about $10.8 billion and $600 million, respectively. By comparison, Facedrive's change purse consists of ~$10 million, which includes the proceeds from its recent financing rounds.

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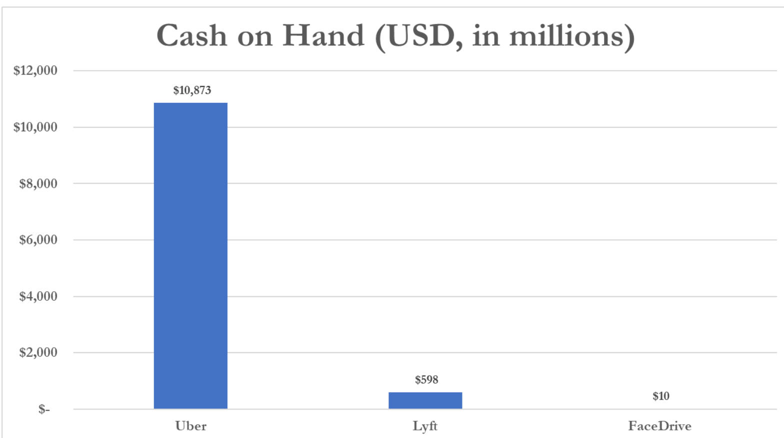

Over the past 4 quarters, Facedrive has burned $5.2 million in operating cash flow while generating only $951 thousand in revenue. In fact, Facedrive cash burn increases alongside revenue every quarter.

Part III: Off-Road—Facedrive's Numerous Business Pivots Suggest a Company Flailing Without Clear Direction after a Lack of Success in Their Core Rideshare Business

Startups that struggle with their original idea will often undergo a "pivot" or a ~~sharp~~significant change in business direction, in an effort to reinvent themselves and find a sustainable niche. Sometimes, when businesses try to opportunistically cash in on trendy PR lingo that has lifted other companies' stock prices, they will engage in *more than one* pivot (see our recent ~~series of reports~~reporting on Ideanomics, for example).

Given its hurdles in ride hailing, we were not surprised to see Facedrive attempt to change course. However, rather than picking one project, the company has launched numerous disparate buzzword-laden projects in the past several months, including:

1. A **COVID-19** contact tracing app that aims to employ **"AI"** (~~Covid~~COVID stocks have surged over the last few months)
2. An Uber **Eats**/Grub Hub clone called Facedrive Foods (GRUB was recently the target of a takeover bidding war).
~~3.1. A trivia app.~~
~~4.~~3. An eCommerce **marketplace** (eCommerce stocks are skyrocketing as lockdown has kept everyone at home)
4. A trivia app.

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Facedrive is single-handedly attempting to succeed in ride share, ESG, COVID-19 tracing, AI, food delivery, and more. The company and its' promoters use terms such as AI, Machine Learning, TaaS (Transportation as a Service), ESG, and EV to describe itself. While the collective endeavors have lent themselves well to numerous buzzword-laden press releases, none of the efforts appear to be succeeding.

Facedrive's Pivot to COVID-19 Contact Tracing App Developer—Emails ~~With~~with Partners Raise Questions About the Company's Claims of Advanced Progress

With COVID-19 lockdowns having a materially negative impact on ride sharing services~~, Facedrive made a hard pivot.~~ (ex. LYFT Q2 consensus revenue estimates were cut 66%), Facedrive made a hard pivot. At first, the company conflated itself with COVID by stating that it will offer discounted rides for healthcare workers and dedicated "COVID-19 Trained" drivers.

On April 20th 2020, the company announced that it had created an app to help with COVID-19 contact tracing. The language of the announcement strongly suggested the app was already developed/created and was approaching a near-term release:

> "Facedrive…is pleased to announce that in collaboration with University of Waterloo, **has developed** (sic) "TraceScan", a digital contact-tracing app designed to support nationwide efforts to slow the spread of COVID-19."
>
> "TraceScan **was created** in an effort to offer ongoing frontline assistance in response to the COVID-19 pandemic"
>
> "The app is expected to release within the next 30 days."

Despite these representations, we reviewed emails with the University of Waterloo professor leading the project ~~that~~which directly contradict Facedrive's statements.

As of May 17th, almost a month after Facedrive's above April 20th announcement, the professor stated that a Memorandum of Understanding (MoU) was in place, but no agreement had been formalized and resources still needed to be allocated to the project. Note that according to Facedrive's April 20th announcement, the "developed" app was set to be released around this time. ~~Instead~~Contrary to these representations, there apparently ~~wasn't~~was not even ~~an~~a final agreement in place to *begin* development.

Despite the apparent lack of an agreement, Facedrive has continued to issue press releases suggesting significant progress.

On May 28th, the company announced that the University of Waterloo was working to enhance the TraceScan platform with AI, which it expected would be ready for testing in 30 to 90 days. Waterloo was also apparently developing Bluetooth-based wearables:

> "Facedrive Health and Waterloo researchers are also developing Bluetooth-based wearables that will improve contact tracing accuracy and real-time monitoring of the recovery progress through measurement of specific vital signs."

Despite this announcement, in late June, emails reviewed with the University of Waterloo showed that the contract appeared to still be unsigned, and that the new focus was on applications for the workplace.

The change of focus to the workplace is likely because Facedrive had been competing for a contract from the government of Canada to be the country's official COVID-19 tracing app. In mid-June, the government announced that it selected its own Federally-backed project for the task, closing the door to a major potential opportunity for Facedrive.

The company continues to tout its app, however. This week, Facedrive announced that its wearables were available on the Microsoft App store "by invitation only". This means that the app is not accessible to the general public, making it very difficult to assess its functionality.

We have reached out to the University of Waterloo professor for an update on the project this week but have not heard back as of this writing.

We have also reached out directly to Facedrive's CEO to ask for clarification on (i) the status of the company's contact tracing app; (ii) whether/where it is actively being used~~; (ii) where it is released~~; (iii) whether the wearables are able to be purchased; (iv) who manufactures the wearables, and; (v) whether a formal contract (not an MoU) is or ever was in place with the University of Waterloo.

We have not heard back as of this writing, but **we hope the CEO provides the market more clarity on what exactly they have developed and when they developed it** – especially given the claims and relatively vague details provided in company press releases.

Facedrive Foods—An Uber Eats/GrubHub Clone with No Credible Shot at Success

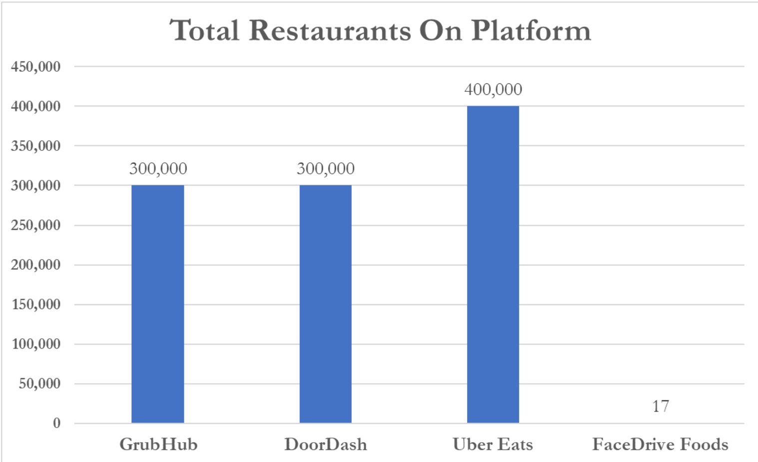
Rather than focusing on tackling just one resource-intensive highly competitive market like ridesharing, Facedrive recently entered a second—food delivery.

Facedrive launched "Facedrive Foods" around May of this year in an attempt to compete with Uber Eats. (Facedrive Foods is alternately referred to as Eats by Facedrive on its website, without clear explanation for the mixed branding).

One of the benefits of having a large, vibrant, user network is ~~that~~the ability to launch new complimentary services ~~can be offered to the existing user base~~. This is probably why Uber launched Uber Eats, which tapped into its large existing network of drivers and users to monetize personal transportation in a different way.

This is also probably why Facedrive, with its lack of an existing significant network, should **not** be launching a food delivery service.

Unsurprisingly, Facedrive Foods/Eats by Facedrive appears to be struggling. ~~We found~~As of this writing, a total of 17 restaurants ~~offered~~are available on its platform. Here is how Facedrive's platform compares to the primary apps in this steeply competitive market:

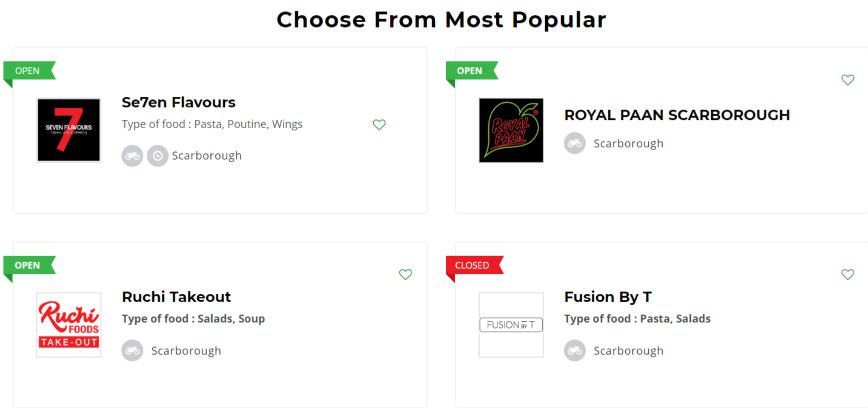


The company has also made a rather big deal out of an acquisition of certain assets of bankrupt Foodora, a failed food delivery service in Canada.

Facedrive has issued multiple announcements about what it termed the "major" acquisition of Foodora assets, which seem to consist ~~mainly~~ of marketing lists purchased from the company out of bankruptcy. Terms of the deal show that Facedrive paid $500,000 for the customer and restaurant lists of the failed company and can now market to them "subject to customer consent and opt in".

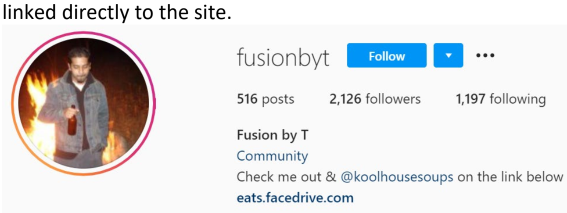
Facedrive Foods—We Called Several of the "Most Popular" Restaurants on the Platform. Two Said They Don't Work with Facedrive Anymore and the 3rd Had a Non-Working Number

We called the first several "most popular" restaurants on the Facedrive Foods page.



Here is what we were found (we have the calls recorded):

1. Se7en Flavours: The phone number from Google and other websites didn't work for us.
2. Royal Paan: The person answering said they use DoorDash, Uber and Skip but not Facedrive.
3. Ruchi Takeout: The person answering checked with co-workers to see if they still work with Facedrive and then replied "No we don't do that anymore, Facedrive."
4. "Fusion by T": We couldn't actually locate a store front for Fusion by T as it appears to be a catering service. We noticed an Instagram account that seemed affiliated with Facedrive as it linked directly to the site.



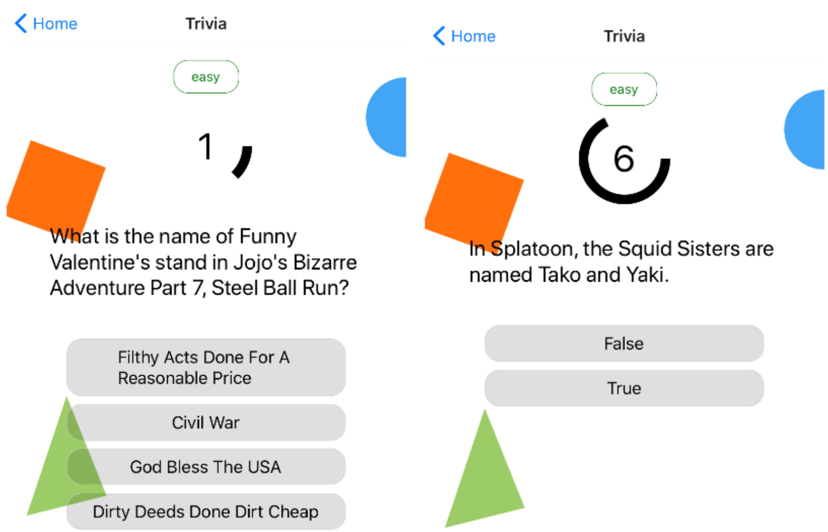
Facedrive's Newly Launched Trivia App Somehow Managed to Rack Up Dozens of 5-Star Reviews Before it Even Launched

On June 17th the company announced the launch of a trivia app in order to "encourage building connections and practice social distancing" during COVID. It is a separate app from Facedrive requiring its own download.

As of this writing, the app had 2 reviews on the Apple App store, and about 150 reviews on Google Play.

About 1/3 of the apps ratings on Google Play were from June 11th—six days before the announced launch of the app. All were 5 stars. ~~On~~Exactly one month later, on July 11th, the app gained another burst of 17 reviews, all but one of which were 4 stars, including reviews from users such as "Justin Bieber" and "Tom Hanks".

We tried the app and found the questions to be fairly unusual:



It is unclear what the monetization plan for the trivia app might be if it ever manages to establish a significant userbase.

Facedrive's New "MarketPlace"—An eCommerce Store That Once Again Seems to Spread the Company Thin, with Little to Show ~~For~~for It

In May 2020 Facedrive launched the "highly anticipated" Facedrive MarketPlace, which seems to largely sell hoodies and hats branded with Facedrive and a brand called "Bel Air" for ~$100. We can't imagine these are hot sellers.

With limited engineering resources, including a historical reliance on outsourced product development, it seems that Facedrive ~~lacks focus~~is spreading its thin resources broadly.

~~Conclusion: A Frothy Market Lifts Many Tides, But We Don't Expect This to Remain One of Them~~

Conclusion: Facedrive Lacks any Real Operations Worth Getting Excited Over. Like All Stock Promotes, Facedrive Will Fall Back to Earth

We do not think Facedrive's core ride hailing business is viable and we find its "marketing" and related party spends to be extraordinary alarming~~.~~ – recall this is the largest payment we have ever seen for stock promotion. We have doubts about the veracity of the company's claims relating to its COVID contact tracing app. Its trivia app, its Uber Eats clone, and its marketplace strike us as ill-conceived side projects~~ that were~~ hastily thrown together for show.

~~With about a year of cash on its books, Facedrive will have some time to attempt other pivots, but we~~We think this "story" stock is heading toward a hard repricing~~.~~ and see full downside.

Disclosure: We are short shares of Facedrive

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