Tesla Inc. Just Created a Buying Opportunity, and it’s Not What You Think

Description

As tech investors flock towards growth opportunities provided by companies such as **Tesla Inc.** (NASDAQ:TSLA), the focus is typically centred on how such companies are making the world a better place (and they are). With the company’s recent announcement of its entry into the large semi truck segment, analysts and investors analyzing the impact have focused on what this move will mean for Tesla and Tesla shareholders only.

The trucking industry, however, is one place investors are more likely to profit from this announcement than in purchasing shares of the EV maker. American trucking company **J.B. Hunt Transport Services Inc.** (NASDAQ:JBHT) announced its preliminary intention to add Tesla trucks to its fleet, boosting shares of Tesla 0.8% higher and experiencing a drop of 1.5% following the announcement.

In my opinion, the announcement should have rendered the opposite result, providing a buying opportunity for value investors looking for long-term margin expansion in an industry that remains relatively undervalued compared to the broader market.

Canadian trucking companies such as **TFI International Inc.** (TSX:TFII) and **Mullen Group Ltd.** (TSX:MTL) would be key beneficiaries of the US$0.40-0.60 cost per mile listed in the specifications announced by Tesla. Sporting a range of 300-500 miles (480-800 kilometres) and torque and acceleration numbers that put diesel engines to shame, anticipating an industry-wide movement toward EV trucks may not be so far-fetched after all.

Lower costs per mile make trucking attractive again

As a transportation method, trucking is often seen as the “last leg” option for companies looking to transport goods long distances due to the higher costs per mile over the low-cost rail method, which has prevailed for over a century. While EV semi trucks may make trucks more competitive in the near term, expectations that innovation can potentially bring trucks closer to (or even cheaper than) rail is a scenario that may be closer to reality than many think should fuel prices continue to rise.

Bottom line

Looking for specific sectors that are likely to experience earnings growth at a faster pace than the broader market can be a difficult thing to do. With game-changing catalysts for industries such as the trucking sector, like electric semi trucks, come specific risks, such as the prioritization of the semi program over arguably higher-priority products, such as the Model 3. That said, the potential upside from increased long-term operating margins amid a sustained rally in fuel prices should have analysts giddy.

Before the party starts, it might be time to back up the truck and load up on transportation companies, given their position as the clear beneficiary of Tesla’s innovation in a sector which has seen few catalysts in recent decades. Both TFI and Mullen remain solid long-term options for investors willing to buy and hold for the better part of the coming decade, given their heavy exposure to the trucking industry — just be wary of downside risks relating to oil exposure and other operating segments.

Stay Foolish, my friends.

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2. NASDAQ:TSLA (Tesla Inc.)
3. TSX:MTL (Mullen Group Ltd.)
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Date
2025/07/19
Date Created
2017/11/20
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