When Electric Cars Explode, These Canadian Stocks Will Catch Fire

Description

Forget about American whispers of auto tariffs — the Chinese electric car industry is about to explode! Finally, a major world player is looking to give the boot to gas-fueled motor vehicles with an electric alternative. These three hot Canadian stocks are going to surge ahead of this paradigm shift in the auto industry, so read on and see which ones to buy now.

Lithium Americas Corp. (TSX:LAC)(NYSE:LAC)

The market for lithium-ion batteries is set to expand rapidly with the production of electric cars. That's good news, then, for Lithium Americas, with its two enormous projects in the U.S. and Argentina. Lithium Americas is particularly attractive right now thanks to its 22.6% expected growth in annual earnings. Besides the fact that lithium is one of the best commodities out there, this stock carries a low debt level, making it a safe (as well as lucrative) place to hide during possible stormy weather.

Wheaton Precious Metals Corp. (TSX:WPM)(NYSE:WPM) is the Canadian cobalt-streaming stock you never knew existed. That's because Wheaton Precious Metals only added cobalt to its asset base last month, up until which time it was famous for streaming gold and silver.

Adding cobalt to its roster creates the chance for investors to buy Wheaton Precious Metals shares as exposure to the Chinese electric car boom. If you like commodities but want to avoid all that messy business of exploration and development that comes with mining, streaming agreements may be the way to go.

Magna International Inc. (TSX:MG)(NYSE:MGA) is a major Canadian maker of auto parts fresh from a deal with **Beijing Electric Vehicle Co.** This new partnership puts Magna right at the forefront of Canadian trade with China, and it nicely sidesteps all those NAFTA woes you've been reading about in the news lately.

Beginning in 2020, Chinese electric cars made in two joint ventures with Magna will roll out of the doors at Beijing Electric Vehicle Co. While this is bound to see stocks in Magna shoot through the roof, smart investors should take the opportunity to get in now.

As a Canadian auto-parts manufacturer, Magna has a few options beyond North America — notably its operations are in markets across Asia, Europe, and South America.

Its multiples are good, which just makes this stock keep looking better and better. Take its P/E for instance, which is a nice and low 9.32 times earnings. It's 1.77 times book, which is a little high but allowable, and it has a low debt-to-equity ratio of 0.3. In short, Magna is healthy, still fairly good value, and a dividend payer to boot, offering a yield of 1.32%.

One more thing: Magna and Beijing Electric Vehicle Co. will have to pump out 180,000 cars per year to meet China's electric and hybrid vehicles quotas, so you can probably take that 6.4% annual growth in earnings and multiply it by any number that pops into your head.

The bottom line

If our cousins to the south decide to go ahead with tariffs on Canadian autos, expect to see that sector trade with alternative counties at an accelerated rate. Investors should take note that China in particular won't be applying the brakes on its drive for electric and hybrid vehicles any time soon. So, if you're looking to switch your investment style up a gear, these three stocks offer you the chance to take the next exit to Capital Gainsville. Cobalt, lithium, or parts — Canada is ready.

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