Who’s Beating Tumbling Tesla (NASDAQ:TSLA)? The Big Electric Car Stock Question

Description

Elon Musk has been pondering some big changes for his electric vehicle (EV) company of late, and it hasn’t helped its image or its stock. Compounding public relations hiccups and a market that is set to turn bearish on a dime have caused fear in one of the last sections of the auto industry to remain bullish.

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Here’s what’s going on with the famous electric car stock, plus all you need to know about a domestic alternative with much better valuation, far less debt, and a few more perks in the trunk.

Tesla (NASDAQ:TSLA)

Bad PR doesn’t seem to bother Tesla’s CEO, Elon Musk very much, and there’s been plenty this past week. In fact, the general consensus with all things Musk seems to be that they’re a licence to print money. But will it last? Or will stocks like Tesla, discounted by 24% compared to its future cash flow value and yet trading at a horrible P/B ratio of 14.6 times book value, go the way of the dodo? At the time of writing, Tesla is down a massive 8%.

Enormous debt — to the tune of 254.6% of Tesla’s total worth — is not something any investor likes to see, especially in a loss-making company. If you happen to be looking for a dividend, you won’t find one here. Some whispered good news is that Tesla *may* break even this year — and when it does, expect to see the stock shoot up like a SpaceX rocket if it’s still trading publicly.

Magna (TSX:MG)(NYSE:MGA)

Trading at a discount of 30% next to its future cash flow value, Magna is still a favourite EV play, and it remains the same excellent value it’s been all summer. Its fundamentals look good as well, especially a P/B of 1.7 times book — always a good ratio to check out when looking at companies that hold high levels of physical inventory.

An expected annual growth in earnings of 5.6% sounds a little low considering the huge EV market that it’s getting into in China. Debt is low at 37.4% of total value, while a dividend yield of 2.45% is good for an auto stock.

Of course, Magna is not the only alternative electric car stock on the market. But it has other things going for it, notably its exposure to the Chinese market. Partnering with China seems to make a lot of sense in our economy, and the EV market there is likely to be a big, long-term cash cow, with supply riveted by strict quotas to high demand.

The bottom line

Tesla has had its time in the sun. Investing in Magna instead is a great Canadian play with potentially more upside in the long run. Stock market commentators eyeing the trade war as a reason not to invest in China overestimate the life expectancy of the current political climate, and underestimate the huge market for EVs in Asia. Long term, Magna looks like the better stock for domestic investors.

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