2 Top Canadian Stocks to Play the Electric Vehicle Space

Description

The EV (electric vehicle) boom is coming, but are you invested? Below you will find two of the best Canadian stocks (and two American ones for comparison) to give domestic investors both an indirect and a direct route to EV exposure. Let's take their market fundamentals for a test drive and decide which stocks should be parked in a portfolio and which should be left on the forecourt.

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

EVs run on batteries, and those batteries are made functional, by and large, by lithium, so it makes sense that investing in a lithium miner would be a good way to invest indirectly in the EV boom. As such, it makes for a compelling EV proxy — though Lithium Americas is, of course, a sound play on the TSX index for upside in and of itself.

Though a negative five-year average earnings rate of growth might put off investors looking for a strong track record, Lithium Americas's 20.5% one-year growth rate shows that this stock is on the up. This is backed up by a very encouraging 18.36% gain in its share price over a five-day period last week

With more shares bought by Lithium Americas insiders than sold over the last three months, a peachy balance sheet typified by low debt at 11.5% of net worth, and a 42.7% expected annual earnings growth rate, Lithium Americas is looking solid.

Magna International (TSX:MG)(NYSE:MGA) is the Canadian auto parts company to get invested in if EVs are your thing. A **Beijing Electric Vehicle Co.** partnership starting in 2020 will see Sino-Canadian electric cars produced from twin joint ventures, ready for a burgeoning market. A solid stock with a good track record (its one-year past earnings growth of 13.9% exceeds its five-year average of 7.6%), Magna International comes with a dividend yield of 2.5%.

Decently valued with a P/E of 7.7 times earnings and P/B of 1.6 times book, Magna International's past-year ROE of 21% shows that efficient use was made of shareholder input. A drop of 5% in annual growth in earnings is expected but may be mitigated by its position in the global EV space.

How are American competitors navigating the markets?

Trading with similar market fundamentals to Magna International, **General Motors** (NYSE:GM) looks good today with a P/E of seven times earnings and P/B of 1.4 times book. Its significantly high one-year past earnings growth outperformed the U.S. auto industry average as well as its own five-year average of 1.5%. While its dividend yield of 3.84% looks attractive, a high debt level of 245.3% of net worth is a worry, and its outlook (see a 6.9% expected annual growth in earnings) is not significantly positive.

Meanwhile, down 2.73% in the last five days, **Tesla** (NASDAQ:TSLA) is bumping along with a one-year past earnings growth of 50.2% finally beating a negative five-year average rate of -41.4%. Tesla's outlook is better than General Motors's with an expected 52% expected annual growth in earnings. While Tesla carries less debt (currently at 219% of net worth), it's less attractively valued, with a P/B of 10.2 times book.

The bottom line

Dividend-free Tesla is a straight-up capital gains play, and while its share price continues to oscillate, it offers upside potential to any investor with the guts to buy in. General Motors offers a far more relaxed investment, while its Canadian counterpart Magna International represents a solid dividend-paying play. For an indirect capital gains pick from the TSX index, Lithium Americas is a strong choice for high growth.

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2. NYSE:GM (General Motors Company)
3. NYSE:LAC (Lithium Americas Corp.)
4. NYSE:MGA (Magna International Inc.)
5. TSX:LAC (Lithium Americas Corp.)
6. TSX:MG (Magna International Inc.)

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