



How Tesla Inc Can Boost the Stock Price of Lithium Americas Corp (TSX:LAC)

Description

On March 16, **Tesla Inc** ([NASDAQ:TSLA](#)) took the internet by storm, revealing its long-anticipated Model Y, a fully-electric crossover with up to 300 miles of range. This model, of course, follows the Model 3, which quickly saw more than 250,000 pre-orders.

If you watched the Tesla livestream during which Elon Musk unveiled the Model 3, you would have noted how the company views itself as the saviour of the electric car industry.

Few car manufacturers were even considering electric vehicles five years ago, Musk noted. Today, nearly every global manufacturer is on the path to full electrification.

To capitalize on this opportunity, many investors have bought Tesla shares directly. That leaves dozens of smaller, under-the-radar stocks with just as much exposure to electrification, but without the premium valuation. One such stock is **Lithium Americas Corp** ([TSX:LAC](#))([NYSE:LAC](#)).

Two ways to win

Lithium Americas Corp operates two large lithium mines in the U.S. and Argentina. Lithium is a critical component of the battery technology used in electric vehicles. It's so critical that when Tesla built its first Gigafactory, its output was more than the entirety of existing production worldwide.

If electric vehicles continue to dominate, lithium will almost certainly be a big part of that story. By investing directly in lithium producers, investors can gain ground floor access to the rise of vehicle electrification.

Lithium Americas Corp is a unique blend of risk and reward. Its Argentina mine should start producing in 2020, so investors don't have to worry about years of studies, potential delays, or cost overruns. In total, the mine should produce lithium at around \$2,500 per ton.

With battery-grade lithium currently selling for \$12,000 per ton, this mine alone should generate ample cash flow. Management anticipates generating \$233 million in EBITDA per year from this project.

Assuming a 10% rate of return, the mine is worth around \$800 million, roughly double the current market capitalization.

Investors also receive bonus upside with the company's U.S. assets. Lithium Americas Corp currently owns 100% of this asset located in Nevada. Years remain before production will occur, but the ability to pay for construction using cash flow from its Argentina mine gives the company a huge advantage.

In total, the mine will cost around \$1 billion to develop. The economics, however, are just as attractive as the Argentina project.

Costs are estimated at a similar \$2,500 per ton. Management uses a lower 8% discount rate to account for the mine's stable location in the U.S. Using that required rate of return, the mine could be worth \$2.6 billion.

With a mine life of 46 years, Lithium Americas Corp should continue to benefit for as long as electric vehicles take market share.

Electric upside at a cheaper price

Lithium Americas Corp stock looks like a great way to play the electric vehicle story. The company doesn't need to impress consumers or convince buyers that its products are better than the competition—the company will leave that to the likes of Tesla.

All that needs to happen for this stock to win is the continued electrification of the world's vehicles. If you're bullish on Tesla, you likely already agree that this will happen. In more ways than one, Lithium Americas Corp is a better vehicle to capitalize on that vision.

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1. Investing
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