3 Direct Routes to Immediate Electric Vehicle Exposure

Description

While focusing on mining stocks that supply the electric vehicle (EV) industry makes a lot of logical sense, the fact is that at some point, EV makers are going to have to find alternative fuel sources. While there is certainly still upside to be squeezed from bottle-necked metal supplies, let's focus here on long-term investments such as the vehicle manufacturers themselves, starting with a TSX index front-runner.

The Canadian choice

After making a deal last year with **Beijing Electric Vehicle** to supply the Chinese market with EVs, **Magna International** (TSX:MG)(NYSE:MGA) is the premier TSX index stock in this space. Down 3.38% in the last five days, it may seem out of favour at the moment, and with Magna International insiders having only sold shares over the last few months, a peer-conscious investor may be put off.

However, from a dividend yield of 3.06% to a 21% past-year ROE to attractive valuation (see a P/E of 7.2 times earnings and P/B of 1.5 times book), there are a few solid reasons for a TSX index investor to buy shares in Magna International.

The obvious American option

It seems that **Tesla** (NASDAQ:TSLA) isn't going anywhere any time soon; indeed, this stock remains popular whatever the news headlines throw at it. Up 1.21% at the time of writing, EV fans can't get enough of this seemingly gravity-defying auto stock. In term of its future performance, a three-year ROE of 24.6% is significant for the NASDAQ, while a 52.3% expected annual growth in earnings augurs good things.

Tesla's significant one-year past earnings growth of 50.2% rescues its negative five-year average, though a high level of debt at 219% of net worth mars its balance sheet, and a high P/B of 9.1 times book will have low-risk value investors looking elsewhere for a less exciting ticker.

The OG American EV pick

If they prefer to opt for the classic EV progenitor, investors may wish to side-step PR-weighted Tesla for the steady-rolling **General Motors** (NYSE:GM). Go back and look at the General Motors EV1, which, from 1996 to 1999, was the first modern mass-produced EV from a big-name auto manufacturer, and you'll see that this is the EV's spiritual birthplace, and a fitting choice of investment in this burgeoning field.

General Motors's past-year earnings growth far exceeds its five-year average, with a high 2305.4% beating an overall 1.5%. It's a fairly good quality stock, with a past-year ROE of 19%, though its balance sheet could look better, weighed down as it is with a debt level of 245.3% of net worth. It's surprisingly good value for money, trading at a 44% discount against the future cash flow value and with a low P/E of 6.5 times earnings and P/B of 1.3 times book.

The bottom line

While Magna International's projected drop of 3.8% in earnings is the lowest on the list, its one- and five-year past earnings-growth rates of 4.6% and 6.8%, respectively, are positive, and its balance sheet is adequate. However, while General Motors doesn't touch Tesla's outlook, its dividend yield of 4.14% and 6.9% expected annual growth in earnings give Magna International a run for its money.

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2. NYSE:GM (General Motors Company)
3. NYSE:MGA (Magna International Inc.)
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