



If You Like Tesla, You'll Love This Stock

Description

Tesla Inc ([NASDAQ:TSLA](#)) is one of the most popular stocks in the world. Lead by visionary Elon Musk, dozens of headlines appear across the internet on a daily basis covering the company's every move.

But if you want to profit from Tesla, *don't* buy Tesla stock. Instead, move down the supply chain and figure out which companies benefit from Tesla's rise. Because these suppliers aren't as popular, you can capture the growth of electric, self-driving cars without paying a steep premium.

I have great news for you. There's a company connected to Tesla that should skyrocket if Tesla achieves mass-scale success. Plus, it's trading at a rock-bottom valuation. Let's dive in.

Dip deeper

If you want to bet on Tesla, buy stock in **Lithium Americas Corp** ([TSX:LAC](#))([NYSE:LAC](#)). The reasoning is simple. Lithium Americas owns and operates two world-class lithium mines. Lithium is a key component of manufacturing batteries that power electric cars like Teslas.

If electric vehicles continue gaining market share, the lithium industry will need to bring on massive volumes of new supply. Few mining companies today are ready, meaning that lithium prices could skyrocket.

In fact, Lithium America's has a leading position to directly supply Tesla's Gigafactory in Nevada. Its Thacker Pass mine is just 200 miles away. As transportation costs are a huge expense when sourcing lithium, don't be surprised if the company become Tesla's dominant supplier.

But take note: the mine isn't in operation yet, and production isn't expected until 2022. While that may seem a ways off, it's the reason shares are priced at a significant discount to their true value. If you're patient there could be massive upside. How much upside? Let's find out.

Ready to roar

Last year, global lithium demand totaled 265,000 tons. By 2025, demand is expected to surpass one million tons, which will likely drive prices above \$12,000 per ton. Today, prices are closer to \$10,000 per ton. Both of Lithium Americas' mines produce at just \$2,500 per ton, meaning that they should prove profitable whatever the pricing environment is.

Assuming an 8% discount rate, the Nevada mine could be worth \$2.6 billion. It has an expected life of more than 40 years. Assuming Lithium Americas needs to partner to afford the \$1 billion development cost, the mine would still be worth \$1.3 billion if each partner retained a 50% interest.

That's nearly triple the current valuation without factoring in the value of the other mine, which is considerably closer to production, which is slated for 2020.

The Argentina mine is worth around \$1 billion in total, assuming an 8% discount rate. This mine is fully funded, with Lithium Americas retaining a 50% interest. Combining the value of both mines produces an asset value of \$1.8 billion. The company has minimal debt, most of which is offset with cash reserves.

Per share, this stock is potentially worth more than \$20. Based on the current share price, there could be 400% in upside. That's just as much potential as Tesla stock, if not more.

CATEGORY

1. Investing
2. Tech Stocks

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