Forget Tesla (NASDAQ:TSLA): This Electric Car Stock Is Even Better

Description

Tesla (NASDAQ:TSLA) has made millions of people believers in electric vehicles. Its ability to create beautiful cars that are demanded by the masses is no longer in doubt. While the company has been criticized for its big ideas and overly confident timelines, Tesla has clearly revolutionized the industry.

Investors have also been pleased. Since 2010, the stock price has risen by roughly 2,000%. **Ford**, for comparison, has *lost* 15% of its value over the same period.

Now worth $60 billion, twice as much as Ford, Tesla is no longer the early-stage investment it once was. And while shares could continue higher as the electric vehicle boom continues to unfold, it's unlikely that it will repeat its historical success. After all, another 2,000% rise would value the company at $1.2 trillion, more than both **Amazon.com** and **Microsoft**. Possible? Sure. Likely? No.

If you want to capitalize on the electric vehicle craze, which could last several decades, your best bet *isn't* Tesla. In fact, you can get direct exposure without betting on a single manufacturer. How? By investing in next-gen lithium projects like **Lithium Americas** (TSX:LAC)(NYSE:LAC).

Fueling the future

Lithium is a must-have component for all electric vehicle batteries made today. Without lithium, a fully electric future may not be possible.

As with nearly every renewable energy resource, the cost of electric vehicle grade batteries has dropped tremendously. That's because renewable technologies, like wind, solar, and energy storage batteries, follow Moore's Law (decreasing costs of production), whereas traditional fuel sources like oil and natural gas follow resource economics (increasing costs of production).

In 2010, the average price of a battery pack was $1,000 per kilowatt hour. By 2016, prices had fallen to around $250 per kilowatt hour. Today, it's estimated to be between $100 and $200 per kilowatt hour. That's quite a reduction, but further cost improvements are expected. By 2030, many analysts expect costs to dip below $100 per kilowatt hour.

Falling costs have made electric vehicles cost competitive with internal combustion engines. Every year, the price competitiveness grows. Within a few years, it won't make any sense to purchase a new vehicle that runs off petrol. The economics will make the choice easy.

Even oil cartel OPEC admits that electric vehicle sales will explode over the coming decades. In 2015, OPEC believed there would be 46 million electric vehicles on the road by 2040. The very next year, it was forced to significantly up its forecast to 266 million electric vehicles by 2040. Last year, OPEC revised its forecast upward yet again, predicting 300 million electric vehicles by 2040.

There's now zero doubt there will be hundreds of millions of electric vehicles roaming the world's streets over the coming decades. That should send lithium demand skyrocketing. When Tesla built its first Gigafactory, it doubled lithium demand worldwide. According to *Bloomberg*, "demand for the metal won't slacken anytime soon." Its conclusion is simple: "We're going to need more lithium."

Trading at a discount

Lithium Americas is ready to ramp up huge volumes of lithium production at its mine in Argentina. This mine should produce 40,000 tonnes per year of battery-grade lithium, with an expected life of 40 years. Using a 10% discount rate, the value of this mine is around $1.3 billion.

Lithium Americas owns a 50% stake, so this mine alone should contribute $650 million in value to the company, yet shares trade at a $350 million valuation. Even more puzzling is that the company fully owns a Nevada lithium mine, which could add hundreds of millions of dollars in additional value.

Why the disconnect between theoretical value and trading valuation? Importantly, the Argentina mine has not begun production yet. That's not expected until the start of 2021. Typically, pre-production miners get a heavy discount applied to shares. Yet within 18 months, this discount could be completely erased.

You have to take an early risk, but there could be 50% or more in upside over the next year and a half. Management and directors own 12.2% of the company, so you can bet they're incentivized to get things right.

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