IPO Alert: This Canadian EV Maker's Stock Tripled Money in 5 Days. Should You Invest?

Description

The shares of **GreenPower Motor** (TSXV:GPV) — the Canadian electric vehicle (EV) maker — continue to rally after it filed its U.S. IPO last week. The company plans to raise up to US$35 million with the IPO.

GreenPower's **TSX Venture Exchange**-listed stock nearly doubled in a single day on Monday and settled at $3.99 per share with 84% gains for the day. GreenPower Motor is a Vancouver-based EV maker founded in 2007. It has a market capitalization of nearly $437 million as of August 24.

In this article, we'll look at GreenPower Motor's recent financials to find out whether its stock could continue rallying even after its U.S. IPO. But first, let's understand why its IPO could be receiving so much attention.

Tesla's extraordinary gains and GreenPower Motor's IPO

At a time when the shares of **Tesla** (NASDAQ:TSLA) — the American electric carmaker — are on fire, GreenPower Motor's U.S. IPO seems to be attracting many big investors' attention. Notably, Tesla stock has risen by about 147% on NASDAQ in the last three months. Tesla posted its all-time intraday high of $2,129 per share yesterday but settled with a 1.8% drop for the day.

Tesla turned negative towards the end of the Monday trading session as a bear analyst gave an extremely low stock price target of $87 per share — hurting investors' sentiments. The bear analyst Gordon Johnson claims that Tesla "is detached from reality."

Solid electric vehicle demand

Nonetheless, no analyst at the moment can deny the immense future growth potential of the EV segment. Despite consistent criticism, rising EV demand and increasing consumer awareness about environmental issues make the future of large EV makers like Tesla bright.

The strong EV demand also could be attracting investors' attention towards other small electric automakers, such as Canada's GreenPower Motor. This could be one of the reasons driving its TSX Venture Exchange-traded stock higher ahead of its U.S. IPO and NASDAQ listing.

Set realistic expectations for GreenPower Motor

GreenPower Motor manufactures and sells battery-powered buses, including cargo and delivery, transit, and school buses.

Before investing your money in auto companies like GreenPower Motor or Tesla, you need to understand that vehicle manufacturing is a capital-intensive industry, unlike tech or e-commerce. Knowing this is important to set realistic expectations from the businesses you're about to invest your money in.

High capital requirements also affect the profitability of electric vehicle-making companies. That's why you shouldn't expect GreenPower Motor to generate very high profit margins and should avoid comparing its profitability with tech and energy companies.

Recent fundamentals

On July 29, GreenPower Motor announced that it received a 100 EV Stars bus order from Canadian vanpooling service provider Green Commuter.

In its fiscal year 2020 (ended in March 2020), GreenPower Motor reported US$24.5 million revenue — more than double as compared to US$13.5 million in fiscal 2019. Its revenue grew by 73% in the previous fiscal year. During its fiscal 2020 earnings event, the company neither gave clear guidance on its profitability expectations nor revealed any particulars of its pipeline. Bay Street analysts expect it to turn profitable in fiscal 2022, though.

Should you buy GreenPower Motor stock?

Considering the expected consistent rise in electric bus demand, active investors may consider buying GreenPower Motor stock on TSX Venture Exchange. Conservative investors should consider buying its stock or IPO investment only if they could hold it for the long term, as I expect its stock to remain highly volatile in the near to medium term.

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