



This Electric Vehicle Stock Has Soared Over 100% in 3 Months!

Description

Earlier this summer, I'd discussed why Canadians should get in on stocks that were [connected](#) to the electric vehicle market. McKinsey, the top management consulting firm, recently discussed the slump for electric vehicle sales in the first quarter of 2020. Sales dropped 25% in Q1 2020, coming after a slower sales year in 2019. Still, this market is well positioned for attractive growth in the 2020s. In the article linked above, I'd focused on **Lithium Americas** ([TSX:LAC](#))([NYSE:LAC](#)).

Why Lithium Americas qualifies as an electric vehicle stock

Lithium Americas is a Vancouver-based resource company. Naturally, its focus is on the production and sale of lithium. Miners in this space attracted considerable attention in the latter half of the 2010s due to their connection to the electric vehicle (EV) market. The lithium ion battery is commonly used for portable electronics and electric vehicles, while also gaining traction in military and aerospace applications.

Grand View Research recently projected that the global lithium market would grow at a modest CAGR of 1.9% from 2020 to 2027. The over-saturation of the market caused many lithium-linked stocks to tank in the [final months of the 2010s](#).

Shares of Lithium Americas have surged 102% over the past three months as of close on September 16. The stock is up 24% week over week. What is behind this recent surge?

Lithium Americas has climbed to a 52-week high

The company released its second-quarter 2020 results on August 14. There has not been any substantial movement for Lithium Americas in recent months. At Thacker Pass, the company reported over 15,000 kilograms of high-quality lithium sulphate had been produced at the process testing facility. Its net loss was down marginally from Q2 2019 to \$6 million.

Indeed, the big mover for Lithium Americas has been electric vehicle related. Wood Mackenzie, a

global energy and materials consulting group, recently released a report on the state of the lithium market. It projected that lithium-ion battery production will quadruple by 2030 on the back of electric vehicle supply and demand. The report also pointed out that the world will need nearly 800 kt LCE of additional lithium to come online in the next five years to meet the needs of the battery sector.

Asia is still in a dominant position as far as lithium production is concerned. Meanwhile, the position of the Americas is expected to remain constant over the course of this decade.

Should you buy this electric vehicle stock?

Building on the last point, Lithium Americas does not currently produce lithium at commercial quantities. Lithium prices have remained low, which means that even with high battery demand this is a difficult market for producers. However, the company does have two mining projects under construction. As demand increases, producers will have reason for more excitement as this decade churns forward.

Better yet, Lithium Americas stock last possessed a price-to-earnings ratio of 19. This puts the electric vehicle stock in favourable value territory.

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