Better EV Buy: Tesla vs. GreenPower Motors

Description

The electric vehicle (EV) space is gaining significant traction with the shift towards clean energy accelerating in the last few years. Last year, several EV stocks crushed the broader market and generated massive gains for investors.

While **Tesla's** (NASDAQ:TSLA) shares surged 743% in 2020, **NIO** was up over 1,100%. Canadian EV company **GreenPower Motors** (TSXV:GPV)(NYSE:GP) also rose 1,800% in the last year. The outlook for EV companies remains bullish. We'll compare Tesla with GreenPower Motors to see which is a better buy right now.

Tesla is the most valuable automotive company in the world

Tesla stock is up a monstrous 16,000% in the last 10 years, and the stellar run has meant it is now the most valuable automotive company in the world. With a market cap of US$810 billion, it's trading at a forward price-to-2021-sales multiple of 17.7 and a price-to-earnings multiple of 213.6.

Wall Street expects the EV giant to increase sales by 26.4% to $31.1 billion in 2020 and 47.3% to $45.76 billion in 2021. Comparatively, its earnings per share are forecast to grow by a staggering 5,750% in 2020 and by 71% in 2021.

Tesla sold close to 500,000 vehicles in 2020, and it has multiple secular tailwinds that will drive the company's revenue and earnings higher in the upcoming decade.

In Q1 of 2020, Tesla launched the Model Y SUV, which was six months ahead of the original schedule. It then expanded production capacity at a rapid rate and spent heavily on capital expenditure to construct new factories. This helped it increase vehicle deliveries at a rapid rate, allowing Tesla to end Q3 with a free cash flow of $1.4 billion. In the second half of 2020, its deliveries were up 53% year over year.

We can see why investors, traders, and analysts are excited about Tesla's long-term prospects given the company's leadership position and first-mover advantage. According to penny-stock trader Tim Sykes

, "The world is undergoing a massive shift towards clean energy and while there's literally thousands of companies trying to get a piece of the pie, it's the early established leaders like GreenPower and Tesla that will likely continue to benefit most as they can use their stock and cash to protect their early marketshare lead by acquiring any hot upcoming technologies or companies that could pose a threat."

GreenPower sales might rise by 154% in 2021

GreenPower Motors develops, manufactures, and distributes electric vehicles for commercial markets in North America. Its flagship vehicle is a 19-seater battery-electric bus called the EV Star.

Several public transport agencies in the U.S. and Canada are keen to promote zero-emission EVs via subsidy programs that will drive demand in the near term.

In the March quarter, Bay Street expects GreenPower to increase quarterly sales by 1,180% year over year to $8.24 million. In CY 2021, the sales growth estimate is over 300%. We can see why GreenPower is valued at a market cap to fiscal 2021 sales multiple of 40.1.

The Foolish takeaway

While Tesla is valued at an EV/EBITDA multiple of 87, GreenPower commands a multiple of 244.

GreenPower is trading at a higher valuation compared to Tesla. Further, the latter's strong brand value and huge market presence make it a better buy compared to GreenPower.

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