



Missed Tesla's 700% Growth? This TSX EV Stock Can Give You Another Chance

Description

When you invest in stocks, you invest in the company's future growth potential. Hence, many value investors look at the fundamental valuation of a company. A company with a high growth rate has a higher valuation. The fundamental valuation drives the stock price in the long term. But it is the investor sentiment that drives the stock price in the short term. The best example of investor sentiment is electric vehicle (EV) company **Tesla** ([NASDAQ:TSLA](#)), which is more volatile than Bitcoin.

Tesla's 700% stock price rally

If you look at Tesla stock, it has more than doubled in the last two months and surged more than 700% in the last 12 months. This boost came after the EV market showed signs of recovery from the pandemic fallout. The EV market is at an inflection point. Wedbush tech analyst Dan Ives expects EVs to account for 10% of total auto sales by 2025 from about 3% today.

Tesla stock is trading at 200 times its forward EPS and 48 times its sales per share. Such valuations make it an expensive stock, with a higher risk of a decline. Tesla stock is riding at the top of the EV wave, but other players will also benefit from the EV inflection. They may not give you as high returns as Tesla, but the returns would outperform the market.

A Canadian EV stock better than Tesla

One such [EV beneficiary](#) is **Magna International** ([TSX:MG](#))([NYSE:MGA](#)). It is the third-largest global automotive supplier and a preferred third-party manufacturer of choice for EV companies. Unlike Tesla, this stock brings a balance between investor sentiment and fundamental valuation.

Magna stock has rallied 38% since November and 166% from its March 2020 low. This stock price rally is being driven by the EV momentum and the recovery in vehicle production. The stock is currently trading at 62 times its EPS and 0.9 times its sales per share. The company has the potential to grow significantly as it taps future automotive trends of electrification, lightweight, autonomy, and smart mobility. This transformation will be led by Magna's new CEO Swamy Kotagiri, who has been with the

company for 21 years in different roles.

Magna has plants in North America, Europe, and China, where it manufactures auto parts and cars like Mercedes and BMW. Magna is now opening up its third-party manufacturer services to EV carmakers. It generally uses its own components and systems in the vehicles it manufactures. This helps Magna increase its sales from one client.

Magna's multifold growth prospects

Magna's business model is an end-to-end platform right from development and supply chain to production. It is now leveraging its business model in EVs. This year

- Magna will form an electric Powertrain joint venture with **LG Electronics**;
- It will manufacture the Arcfox brand through its joint venture with Beijing Electric Vehicle, although volume production will take some years;
- Magna will provide vehicle engineering and manufacturing capabilities to **Fisker**. It will produce the Fisker Ocean electric SUV planned to launch in the fourth quarter of 2022; and
- It will work with **Sony** on its futuristic automotive projects. It is also [rumoured](#) to be involved in **Apple's** car project.

With EVs, Magna is going a step further and investing in its automotive clients, giving it more upside. For instance, Magna invested \$100 million in **Alphabet's** Waymo. It also has warrants to purchase around 6% stake in Fisker.

You saw how Tesla's shares soared on its EV success. If any of the above companies' EV or autonomous car projects succeed, they could see a Tesla-like stock price rally. Having a stake in these companies will give Magna a share in the profits of its clients while limiting its downside to its investment amount.

Book your EV exposure now

Magna's diversified client base and multifold growth prospects make it a low-risk investment. Moreover, its low valuation leaves significant upside potential, as EV production gathers momentum in the coming years. Buy Magna stock now before it rallies further in 2021.

CATEGORY

1. Investing

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1. NASDAQ:TSLA (Tesla Inc.)
2. NYSE:MGA (Magna International Inc.)
3. TSX:MG (Magna International Inc.)

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