Elon Musk Has Nothing on This Canadian EV Stock That Has Outperformed Tesla Stock!

Description

The electric vehicle (EV) sector is where all the cool kids are investing now. Most investors are aware of the astronomical rise of **Tesla** (NASDAQ:TSLA) in this space. Tesla is a company and a brand that has revolutionized the mass-produced EV business model. Tesla's growth is absolutely incredible, and it appears investors are clamouring for more of this in their portfolios.

This appetite for EV investments has driven shares of the small Canadian EV player **GreenPower Motor** (TSXV:GPV) to all-time highs this year. GreenPower represents perhaps the best example of a momentum stock today that seemingly has no ceiling at the present moment.

Just how good was GreenPower's performance?

Year over year, shares of GreenPower have increased more than 1,600%! You read that right — through a pandemic, this stock was a 16-bagger. Tesla's outstanding performance of more than 750% over this same time frame is nothing to sneeze at. That said, this outperformance warrants a look into GreenPower's business model and growth potential.

The sheer size of Tesla is one factor that has not allowed for the same growth potential. GreenPower is a lesser-known small-cap Canadian company in this space. The company has a market capitalization of less than $1 billion and is listed on the Canadian Venture exchange rather than the TSX.

What does GreenPower do?

Fellow Fool contributor Aditya Raghunath aptly described GreenPower's business model in a recent article. Raghunath wrote: "GreenPower designs, manufactures, and distributes zero-emission EVs that cover the local cargo, delivery market, and school sectors. It has completed the delivery of 68 buses and generated revenue of $13.5 million in fiscal 2020 ended in March." This relatively small amount of revenue and a market cap of nearly $800 million reflects the optimism in this sector. That's a price-to-sales ratio of almost 60. Tesla's price-to-sales ratio is less than 30.

Raghunath continues: "GreenPower is the only publicly traded EV-manufacturer in North America other than Tesla. The company presentation states that the number of battery-powered medium and heavy-duty commercial vehicles sold in the U.S. are expected to grow from 1,600 in 2020 to 50,000 in 2025, and 912,000 in 2040."

Indeed, I think the fact that GreenPower is the only other option for investors today has led to this valuation right now. GreenPower is still a very early-stage company and has lots of time to grow into its valuation. However, investors are paying a very hefty price for these shares right now.

Risks do exist, so trade carefully

The EV sector has turned from red hot to white hot of late. Investors are simply drooling at the returns these stocks have provided. Accordingly, the momentum trade in this sector is alive and well. I think the valuation that GreenPower has garnered of late more than factors in future growth at this point in time. I'd recommend investors looking for EV exposure to do so on the technology or battery supply chain side of the sector. These EV makers are trading at valuation multiples I personally can't fathom.

This is an extremely speculative high-risk, high-reward trade. For conservative, fundamentals-based investors, steer clear of this one. If one has some play money and wants to play the momentum trade, go for it. Just be aware of the downside risks of these stocks before jumping in.

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