Better Buy: Tesla vs. GreenPower

Description

Companies in the electric vehicle space experienced a stellar run in 2020. While the ongoing pandemic decimated multiple sectors, the high-growth EV vertical was relatively immune to COVID-19. In 2020, **Tesla** (NASDAQ:TSLA) stock gained close to 750%, while other EV players such as **NIO** and **GreenPower** (TSXV:GPV)(NYSE:GP) also surged higher by a staggering 1,110% and 1,840%, respectively.

In the first month of 2021, Tesla stock gained 12.5%, while NIO rose 17%. Comparatively, the Canada-based GreenPower took a breather, as shares fell by 1.1% in January 2021. Investors are likely to remain bullish on companies in the EV sector due to a rapidly expanding market and the shift towards clean energy.

Alternatively, Wall Street might be concerned over the steep valuation metrics of EV stocks, which might result in a period of market correction over the next few months.

We'll compare market leader Tesla with Canada-based GreenPower Motors to understand which stock is a better buy right now.

Tesla is the world's highest-valued auto manufacturer

Tesla stock's stupendous run ever since it went public has meant the company is now the most valued auto manufacturer in the world in terms of market cap. Tesla's market cap is US$750 billion, and the company is likely to be the first auto giant to claim a valuation of US$1 trillion.

The last year has been a transformative one for Tesla. The company managed to deliver close to 500,000 vehicles amid COVID-19, despite other global challenges. In 2020, Tesla significantly increased volumes, profitability, and cash flow.

In 2020, Tesla's sales were up 46% year over year at $31.5 billion, up from $24.6 billion in 2019. Its free cash flow almost doubled to $1.9 billion, and Tesla now has sufficient liquidity to fund its product roadmap, capacity expansion plans, and other expenses.

In Q4, Tesla's operating margin stood at 5.4%, while for 2020 this figure rose to 6.3%. Further, in 2021, Tesla has forecast vehicle deliveries to grow by 50% to 750,000.

Tesla is firing on all cylinders, which is reflected in its stock surge and high valuation. Tesla stock is currently trading 10% below its record high giving investors an opportunity to buy a high-quality growth company at a lower multiple.

GreenPower stock is trading 11% below record highs

GreenPower Motors is an EV company that is fast gaining popularity among domestic investors. It develops, distributes, and manufactures EVs for commercial markets in North America. The company's flagship EV is the 19-seater battery-powered bus called the EV Star.

A number of public transport agencies in North America are keen to promote zero-emission vehicles via subsidy programs that will drive demand for GreenPower in the upcoming decade.

In the December quarter, GreenPower produced 95 vehicles, and the company CEO claimed, "During the most recent quarter we continued to ramp production considerably and that trend is expected to continue as we align with an anticipated increase in deliveries in the late spring and summer of 2021."

In the quarter ending in March, analysts expect GreenPower Motors to increase sales by a whopping 1,180% year over year to $8.24 million. In CY 2021, its sales growth is forecast at 300%.

The verdict

Both Tesla and GreenPower are likely to crush broader market returns over the long term. However, Tesla's leadership position, a visionary CEO, and huge market presence make it a better bet right now.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:TSLA (Tesla Inc.)
2. TSXV:GPV (GreenPower Motor Company Inc.)

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