



Tiny EV Stock Enjoys a Warren Buffett Lift: Time to Buy?

Description

GreenPower Motor Company ([TSXV:GPV](#))([NASDAQ:GP](#)) is the latest electric vehicle (EV) manufacturer to forge ties with legendary investor Warren Buffett's companies lately. The tiny EV firm's stock price surged by 8% on Friday as the noise created by news of its latest connection to a **Berkshire Hathaway** business smothered market talk about its revenue miss on Thursday.

GreenPower manufactures zero-emission electric vehicles, and its star product is currently a medium-duty bus called the EV Star. The electric bus is enjoying good market penetration in the United States. Market analysts expect the EV Star bus to drive strong revenue growth for the small cap.

GreenPower strikes a deal with a Warren Buffett firm

Late on Thursday, GreenPower announced entering into an exclusive purchase agreement to supply up to 150 EV Star Cab and Chassis units to Forest River, a subsidiary of Berkshire Hathaway. Legendary investor Warren Buffett, the Oracle of Omaha, is the long-serving CEO of Berkshire Hathaway.

GP will deliver the first six units during the first quarter of this year and will complete the order over the next 36 months at a run rate that will be determined by the third quarter of 2021.

Does the deal matter?

Not only does the latest supply deal with a Warren Buffett firm promise to deliver revenue growth over the next 36 months, but the association with a legendary name in the investment community has some serious benefits for GreenPower's stock.

On one hand, GPV was the subject of a [vicious short-seller attack](#) recently. A short seller report claimed that the company doesn't have manufacturing equipment. The report alleged that GP doesn't manufacture electric vehicles, contrary to claims, but merely imports the stuff from China.

On the other hand, Forest River is a tried and tested leading manufacturer of buses and trucks which generates over US\$5 billion in annual sales. The Warren Buffett company is getting into electric vehicle manufacturing, and such new projects require deep planning and massive due diligence.

We know that Warren Buffett considers seriously the management quality of his companies. One important aspect of management quality is how it conducts due diligence and who it decides to associate with. We can confidently say that Forest River's management team exercised due diligence on its new supplier of critical components on a new product line, and approved a deal.

Therefore, it may be prudent to conclude that GreenPower Motor proved a worthy supplier and partner to a reputable Berkshire Hathaway subsidiary. This is a strong validation tag for the \$800 million small-cap firm's business. It could encourage confidence in other prospective buyers of GPV's offerings.

Time to Buy?

GPV's stock has been flying high after a strong 138% rally over the past three months. Momentum is strong on the EV stock, and investors could harvest some quick returns.

The EV bus manufacturer is expanding its production capacity and could handle larger manufacturing orders. The latest deal is [accretive to revenue growth](#). This should add onto analysts' projected 131% sequential quarterly sales growth to US\$5.5 million by March 31, 2021.

That said, I'm not very much convinced that the latest deal with a Warren Buffett company completely deals away with short-seller warnings that GreenPower's electric busses may fail to obtain the Buy America rating required for buyers to eligibly claim state subsidies on purchases.

Investors should note that Forest River is a buyer for an unfinished product. The client could be looking for workable, good quality, and functional inputs into its manufacturing line. It may therefore not matter much to the buyer if the cab and chassis units were actually imported from a reputable Chinese manufacturer. If the product meets the Berkshire Hathaway subsidiary's standards, then the deal could still go on.

The latest supply deal to a Warren Buffett-linked manufacturer may still fail to strongly rebuff short-seller claims that GPV may fail to capture the U.S. EV bus market due to lower than required American input.

That said, if short-seller claims are true, wouldn't it be cheaper for Forest River to import directly from China? Someone may still point to potentially exclusive distributor agreements between GreenPower and the Chinese though.

Meanwhile, investors aren't complaining. **Tesla**-linked investor exuberance has lifted GreenPower's EV stock too.

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1. Investing

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1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. TSXV:GPV (GreenPower Motor Company Inc.)

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