



Tesla's (NASDAQ:TSLA) Rally: How to Spot the NEXT Big EV Stock

Description

It's hard not to notice all the gains **Tesla Motors** ([NASDAQ:TSLA](#)) has been making lately. Up 2,342% over the last five years, it has made its founder Elon Musk into the world's wealthiest person. As of this writing, TSLA was down a tad from its all-time high, but the stock's one and five year gains have been impressive.

Nevertheless, it's a good idea to put Tesla's recent gains in perspective. Today, the stock has a \$780 billion market cap, making it one of the most valuable companies in the world. Gains as frothy as those observed in the past are unlikely to continue. As Warren Buffett says, *"Size is the anchor of performance."* The bigger you get, the harder it becomes to outperform.

Still, the electric vehicle (EV) space may yet produce more multi-baggers like TSLA. While Tesla is maturing as a company, the electric car *industry* is still in its infancy. That means that there is plenty of room for new companies to emerge and grow rapidly like Tesla in its early days. In this article, I'll point out some factors to look for in the "next big EV stock."

Look for a company doing something other than batteries

Most likely, the next big EV car stock to soar will be doing something other than battery tech. This is a R&D heavy area of innovation that small companies are unlikely to compete with Tesla on. Tesla already has several massive "giga factories" where it both produces batteries and researches ways to reduce costs. Last year, Tesla announced that it was investing \$12 billion in [battery development](#). It's very unlikely that another EV company will compete effectively in this space. So you should look for EV companies focusing on something else.

Think about software

On the topic of focusing on something else, software would be a great place to start. Electric cars aren't just cars that happen to be electrically powered. Most of the popular ones are billed as "AI-powered" vehicles, with extensive on board software. Companies that make software for electric cars

could stand to benefit immensely from the increased adoption of electric vehicles. One prominent Canadian company doing interesting work in this space is **BlackBerry Inc**, whose QNX software is already running on 175 million cars.

One promising Canadian stock

Another promising Canadian stock in the EV space is **Magna International** ([TSX:MG](#))([NYSE:MGA](#)). It's a car parts company that recently inked a deal with **LG** to produce electric car parts. Among other things, the company [will be developing](#) electric motors, power inverters, and charging systems. These are all critical components of electric cars — and they'll be significantly different from those on gas-powered vehicles. So, this is an area of innovation that the new Magna-LG joint venture could make significant headway in.

Until recently, Magna International hadn't been doing all that well as a company. But its most recent quarter was solid. Despite a 2% revenue decrease, it posted 38% higher EPS year-over-year, and *doubled* its cash from operations. These were encouraging results for a car company in the COVID-19 era. And EV investments could take things to a whole other level.

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