Forget Tesla (NASDAQ:TSLA): Canada's EV Stocks Are Better!

Description

Tesla (NASDAQ TSLA) pretty much dominates the headlines. Across the world, Elon Musk's car company is synonymous with electric vehicles (EVs) and the transition of the global auto fleet to cleaner fuels. However, Tesla is losing its dominance in key markets and is facing an intensifying wave of competition.

That's bad news for Tesla shareholders, who've already priced in decades of market dominance. But it could be good news for Canadians investors who can invest in domestic companies that benefit from a more vibrant and competitive EV market.

Here's what you need to know.

Tesla's dominance is slipping

There's no doubt that Tesla sold more EVs over the past five years than any other brand. However, that's because none of its competitors have offered viable alternatives. Established players were unwilling to stomach the unit economics of these electric cars until battery prices fell enough to justify them. Now, prices are lower and EVs are finally commercially viable, which is why major players have started to get serious.

In China, the Wuling Hong Guang Mini EV has been outselling Tesla throughout 2021, mainly because it's cheaper. In Europe, **Volkswagen** and **Renault/ Nissan** have overtaken Tesla in terms of monthly EV shipments. Tesla maintains a lead in the U.S., but **Ford's** recent release of the F150 Lightning and Mustang Mach-E may steal market share. Remember, Ford's F-series is currently the most popular vehicle in America.

China, Europe, and America account for the majority of the global car market. Tesla cannot justify its market valuation (which is larger than all other auto companies combined), unless it *dominates these regions.*

The transition to EVs is underway, but it seems likely the market will be more fragmented and less dominated by a single player in the future. That's good news for a Canadian company.

The winner of the EV battle

The most underrated player in the EV space is **Magna International** (TSX:MG)(NYSE;MGA). All the brands mentioned above source their car parts from Magna. In fact, the company is the leading auto parts supplier in the world. Rumours suggest it could also serve as the contract-manufacturer for a potential **Apple** Car, if it ever comes to fruition.

Magna's position as a key supplier to all brands means it doesn't matter who wins the EV battle, as long as the market expands. EV vehicles require more parts from Magna, and the company suggests these EV parts have higher margins than traditional ones. In other words, Magna is expecting higher sales and better profits in the years ahead.

The company is already handsomely profitable. Magna stock trades at 28 times earnings per share and offers a 1.7% dividend yield. The stock price is up 232% since March 2020. Year to date, Magna stock is up 40%, while Tesla stock is down 18%.

Put simply, a stock doesn't need to be flashy to be profitable for investors.

Bottom line

Tesla's market dominance is slipping. As the battle heats up and the market becomes more diversified, auto supplier Magna International could emerge as the biggest winner.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date
2025/08/22
Date Created
2021/06/03
Author
vraisinghani