Forget Rivian: This Canadian EV Stock Is a Much Better Buy!

Description

Valued at a market cap of US$128 billion, **Rivian** (NASDAQ:RIVN) has been identified as a **Tesla**-killer by Wall Street. However, Rivian is an early-stage company, while Tesla is the largest electric vehicle company in the world.

Rivian's market cap is also higher than legacy automobile giants such as **General Motors** and **Ford Motor Company**. In 2020, Tesla sold close to 500,000 vehicles, while General Motors and Ford have raked in $131 billion and $134.6 billion in sales in the last four quarters. Meanwhile, Rivian did not sell a single vehicle in 2020.

However, Rivian's partnership with e-commerce giant **Amazon** is the key driver of the former's steep valuation. Rivian has pre-orders to deliver 100,000 electric delivery vans to Amazon, and this collaboration may provide the company with the opportunity to gain significant traction in a rapidly expanding market. Amazon also has more than a 20% stake in Rivian, providing the latter with enough flexibility in terms of liquidity requirements.

According to SEC filings, Rivian has a cash balance of $3.66 billion. But it will have to pump in significant resources to fund expansion plans and boost manufacturing capabilities by raising additional capital. So, investors should brace for multiple rounds of shareholder dilution, making Rivian an extremely overvalued bet in an expensive market.

Why GreenPower Motors is better than Rivian

A Canadian electric vehicle manufacturer, **GreenPower Motors** (TSXV:GPV)(NASDAQ:GP) is valued at a market cap of $400 million. In the fiscal second quarter of 2022, GreenPower reported revenue of $4.4 million and a gross profit of $950,000, indicating a margin of 21.5%.

The company’s gross margin was lower than estimates of 30% “due to the sale of 28 vehicles thatwere previously on lease at a gross margin below 20%, and first-time sales of the two B school buses,and the sale of 10 EV Star Cab and Chassis to an end user.” But the other four vehicles were sold at a margin of more than 30%.

GreenPower expects gross margin to trend above 30% consistently, but it also warned investors the company may experience lower profitability when it makes high-volume sales to a single customer. The majority of GreenPower’s operating expenses that stood at $2.92 million were attributed to product development and to enhance its sales and business infrastructure. Further, GreenPower’s expanding business and geographic footprint have increased costs that include insurance travel, marketing, and professional fees.

In the past year, GreenPower has benefitted from lower interest and accretion expenses, which suggests it has no interest-bearing debt and just a single tranche of warrants remaining, which are owned by insiders.

The company ended Q2 with a working capital of $31.3 million, $8 million in cash, and $22.8 million in inventory. Its inventory includes $8.4 million in finished goods as well as $14.4 million of work in process, representing a pipeline of 330 vehicles in various stages of completion and production.

GreenPower is poised for accelerating growth

While Rivian is yet to report any noteworthy revenue metrics, GreenPower is forecast to increase sales by 237.6% to $40 million in 2022 and by 209% to $124 million in 2023. This will allow the company to improve the bottom line from a loss per share of $0.21 in fiscal 2022 to earnings per share of $0.55 in 2023.

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Date
2025/07/21
Date Created
2021/11/15
Author
araghunath