



Why Rivian (NASDAQ:RIVN) Stock Is Soaring

Description

Rivian ([NASDAQ:RIVN](#)) stock is positively soaring this week. Up 100% from its offering price, it has doubled in just a few days. It's not unheard of for stocks to rise after their listings, but the success of RIVN's initial public offering (IPO) has really been something else. The biggest U.S. IPO since **Meta Platforms**, Rivian has taken the markets by storm.

That's truly remarkable because, at least on paper, Rivian has no revenue. The company is doing pre-orders and collecting \$1,000 deposits, but none of these have been published in any of the company's financial statements yet. Media reports that the company has "no revenue" aren't entirely true, but they aren't that far off the mark either. In this article, I will explore a few reasons why Rivian is soaring, starting with the most obvious.

Comparisons to Tesla

By far the most likely cause of RIVN's soaring stock price is the fact that the company has been [extensively compared](#) to **Tesla** ([NASDAQ:TSLA](#)). Tesla was one of the biggest stock market successes of the last decade, rising 15,985% in 10 years. Those are returns you don't see often. And Rivian is seen as being the next stock to deliver them. RIVN, like TSLA, is involved in building electric vehicles. There are some differences between the products these two companies make, but they're both fundamentally riding the EV trend. So, it's quite likely that investors are buying RIVN hoping that it will become the "next Tesla."

Elon Musk's stock sale

Another factor that may be influencing the bullishness in RIVN stock is Elon Musk's ongoing stock sale. Musk has been selling the stock at a rapid pace, [shedding nearly \\$10 billion worth of Tesla shares](#) in the last few days. This is adding a lot of selling pressure to TSLA stock, sending its price lower. Investors may be choosing to buy RIVN instead of Tesla, which is in a downtrend, at least partially because of Musk's selling.

No revenue? Not really

A final point about Rivian is worth keeping in mind:

The company is in fact generating some revenue.

The media has been reporting that Rivian has "no" revenue, but that's not entirely true. It is true that RIVN hasn't reported any revenue yet, but that's not quite the same as not having any. Rivian is currently in the process of taking pre-orders. In its prospectus, the company claimed that it had 48,000 such orders at the end of June.

Each pre-order brings in a \$1,000 deposit, so that's \$48 million in revenue at least. While it is common to hear it being said that Rivian is an extremely overvalued stock, some of the points used to argue that case reached a bit too far. RIVN definitely has very little revenue compared to its market cap, but it doesn't have "none."

Nevertheless, Rivian is a very risky stock. If you look at the Canadian "EV" stock **Magna International** ([TSX:MG](#))([NYSE:MGA](#)), it's much, much cheaper than Rivian. Magna, which recently launched a Joint Venture to build EV parts, trades at just 14 times earnings, 2.2 times book value, and an extremely low 0.7 times sales. Rivian, if pre-orders are any indication, trades at 2,800 times sales. So RIVN stock is looking pretty bubbly. At least compared to a more traditional auto company like Magna.

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