



## Why Rivian (NASDAQ:RIVN) Stock Fell 25%

### Description

**Rivian** ([NASDAQ:RIVN](#)) stock fell 25% last week after briefly going as high as \$172. The stock closed the week Friday at \$128.60 for a 25.23% decline. The price action appears to have been due to a slew of negative publicity. Immediately after RIVN's listing, media began reporting that it had no revenue. Shortly afterward, it came out that a van the company had developed for **Amazon** had less range than advertised.

These stories all came together to dramatically dampen investor sentiment toward RIVN, which, just days prior, had the biggest IPO of the decade. On top of that, another story dropped on Friday, reporting that **Ford** had scrapped its plans to collaborate with RIVN on vehicle production. That story came too late to influence last week's price action but may have an effect this week.

### No revenue

By far the most publicized negative news story about Rivian last week was the [claim that it had no revenue](#). Rivian is collecting \$1,000 deposits on vehicles, but those deposits can't be recognized as revenue until the company delivers. So, RIVN is collecting cash but can't report any revenue.

This is a stark contrast to an established auto industry player like **Magna International** ([TSX:MG](#))([NYSE:MGA](#)). Magna, a Canadian car company, had the following figures for the trailing 12-month period:

- \$37 billion in revenue
- \$5 billion in gross profit
- \$2.4 billion in operating income
- \$1.8 billion in net income

So, we've got a company doing billions in profit here. Yet Magna's market cap — \$32 billion — is nowhere near Rivian's. Unless RIVN can start actually delivering on its pre-orders soon, then its valuation seems hard to justify.

## Amazon van disappoints

Another major story that negatively impacted Rivian last week was the Amazon van fiasco. According to *Automotive News*, Rivian's van was supposed to have a range of 120-150 miles. However, a study found that the van [chewed through battery 40% faster than expected](#) if the temperature conditions were not ideal. That didn't stop Amazon from pre-ordering 100,000 of Rivian's vehicles. But the negative publicity remained.

## Ford deal falls apart

Last but not least, we have the collapse of Rivian's joint-venture (JV) deal with Ford.

Rivian had plans last year to jointly develop an electric Lincoln with Ford. Those plans were scrapped, but the two companies remained in principle committed to joint vehicle development. On Friday, even that portion of their collaboration was nixed. So, now Rivian is without a major partner it had been banking on. For the time being, Ford retains its sizable investment in RIVN (about 12%). But operational cooperation between the two companies appears to be over.

What does all this add up to?

It adds up to an overhyped company that predictably couldn't live up to the huge expectations people had for it. Perhaps eventually Rivian will make good on its pre-orders and eventually be worth *something*. But for now, it does not appear to be worth the hundreds of billions it was valued at last Wednesday.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NASDAQ:RIVN (Rivian Automotive, 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

### PP NOTIFY USER

1. andrewbutton
2. kduncombe

---

**Category**

1. Investing

**Date**

2025/08/12

**Date Created**

2021/11/22

**Author**

andrewbutton

default watermark

default watermark