



Should You Buy RIVN Stock Today?

Description

Shares of **Rivian** ([NASDAQ:RIVN](#)) has been extremely volatile ever since the company was publicly listed on the bourses earlier this month. Rivian's IPO was priced at US\$78, and the stock touched a record high of US\$179.47 before falling back to its current price of US\$128, valuing the company at a market cap of US\$113.6 billion. Let's see if RIVN should command a place in your portfolio.

Rivian is backed by Amazon

Prior to its IPO, Rivian raised capital from several companies, including **Amazon**, **Ford**, and Cox Automotive. Amazon holds a 22% stake in RIVN, and the e-commerce giant has also placed an order for 100,000 EVs from Rivian. Further, Cox Automotive is expected to provide logistics support for Rivian's fleet of electric vehicles.

Rivian [does not generate](#) any meaningful revenue right now, but it is already focused on creating a robust portfolio of electric vehicles. In addition to Amazon's delivery vehicles, Rivian's offerings also include a pick-up truck and a utility vehicle, built on its R1 platform.

The company confirmed it had 55,400 pre-orders from the U.S. and Canada for its pick-up truck and SUV, which suggests Rivian has generated interest beyond Amazon, too.

Rivian raised US\$12 billion in its IPO, and a majority of its proceeds should be used towards enhancing the company's manufacturing capabilities. Right now, its manufacturing plant in Illinois has a production capacity of 150,000 vehicles and can be increased to 200,000 in the next two years.

Is RIVN stock overvalued?

Currently, Rivian's [market cap](#) is about 10% that of **Tesla's**. So, it now needs to generate [one-tenth of Tesla's profits](#) in the near future to command such a steep valuation. If Rivian can successfully ramp up production to 200,000 vehicles by 2023, it will be 10% of Tesla's estimated two million deliveries. But Rivian is selling SUVs and pick-up trucks that have a higher margin compared to cars, making it

fairly valued when we look at Tesla's multiples.

However, there are several issues that might drag Rivian's stock price lower in the future. One is the growing competition in the EV space that will attract legacy players as well. For example, Ford expects to derive 40% of sales from its electric vehicle segment by 2030.

For RIVN stock price to keep moving higher, the company will have to execute its plan flawlessly, keep surpassing Wall Street estimates and projections, and gain significant traction in the markets where it operates.

Including its IPO, Rivian has raised more than US\$22 billion to date, but the company will have to pump in additional funds, given the capital-intensive nature of the auto industry. If it raises equity, current shareholder wealth will be diluted. Alternatively, debt capital will increase leverage and might weaken Rivian's balance sheet, especially if it continues to remain unprofitable. However, Amazon's stake in RIVN will provide the company with much-needed financial flexibility.

The Foolish takeaway

It seems quite clear that RIVN stock is a high-risk, high-reward investment given its multi-billion-dollar market cap. It is a solid bet for investors with a large risk appetite or for those who are extremely bullish on the EV segment.

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Date

2025/06/28

Date Created

2021/11/23

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