



GPV Stock Price Outlook for 2022

Description

For investors looking to derive outsized gains, the electric vehicle sector provides multiple opportunities. While there are several high-profile names in this space that include **Tesla** and, more recently, **Rivian**, one [Canadian EV stock](#) flying under the radar is **GreenPower Motor** ([TSXV:GPV](#))([NASDAQ:GP](#)).

Valued at [a market cap](#) of just \$373 million, GPV stock is down 50% in the last year, grossly underperforming the broader markets. Despite the massive pullback in its stock price, GreenPower has returned close to 500% to investors since its IPO in January 2015.

However, past returns should not matter to future investors, so let's see if GPV stock can stage a comeback in 2022.

The bull case for GPV stock

GreenPower Motor designs, manufactures, and distributes electric-powered vehicles that target the local cargo & delivery market as well verticals including transit, shuttle, and schools. Its flagship vehicle is the EV Star, and in the fiscal year ended in March 2021, the company delivered 74 vehicles, allowing it to generate \$11.9 million in sales with a gross profit of \$3.6 million, indicating a margin of over 30%.

GreenPower is part of a rapidly expanding market. As a report from *Bloomberg NEF* suggests, the number of battery-powered medium- and heavy-duty commercial vehicles sold in the U.S. is forecast to rise from 50,000 in 2025 to almost one million in 2040.

We can see GreenPower is well poised to benefit from this secular growth given it continues to focus on the expansion of manufacturing capabilities.

GreenPower managed to more than double its sales in fiscal 2020 while maintaining a gross margin of over 30%. However, its sales fell year over year in fiscal 2021, as the pandemic impacted EV manufacturers as well as disrupted the global supply chain.

The company's total cash expenditures stood in fiscal Q2 of 2021 stood at \$2.7 million. So, GreenPower should achieve a positive cash flow given its quarterly sales surpass \$9 million and if its gross margin is maintained at 30%. Analysts tracking the stock expect GreenPower sales to more than triple to \$41 million in fiscal 2022 and grow by another 209% to \$126 million in fiscal 2023. This might allow the company to improve its bottom line from a loss of \$0.41 per share in 2022 to earnings of \$0.33 per share in 2023.

What's next for GreenPower investors?

We can see that GPV stock is valued at a forward price-to-2023-sales multiple of less than three and a price-to-earnings multiple of 51, which is reasonable if we account for its growth estimates. GPV began trading on the NASDAQ last August after completing a financing round that totaled \$37 million. It also has an unused operating demand loan for up to \$8 million with **Bank of Montreal**.

GreenPower ended Q2 with \$8 million in cash and \$22.8 million of inventory, providing it with enough liquidity for the near term, considering its burn rates.

GreenPower uses off-the-shelf components and subsystems, which lowers its costs significantly. It has also outsourced the assembly process to contract manufacturers, allowing the company to benefit from an asset-light model and high operating leverage. Further, GreenPower sells buses through Creative Bus Sales, which is the [largest network of bus retailers](#) south of the border.

Analysts tracking GPV stock have a 12-month average price target of \$34, which is 100% higher than its current trading price.

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