



Forget Rivian: This EV Stock Could Soar

Description

Rivian ([NASDAQ:RIVN](#)) stock has been on a downward spiral lately. After a very successful IPO that saw it reach a \$150 billion market cap at a \$179 share price, it began selling off, eventually falling as low as \$100. The stock benefited immensely from EV stock hype at the time it went public. Around the same time RIVN listed, **Tesla** hit new highs, and **Lucid Motors** regained its highs from the start of the year. All of this helped Rivian immensely, as the stock went parabolic immediately after its listing.

Later, however, some [unflattering facts about Rivian came to light](#). The company's lack of GAAP revenue became apparent just after its IPO. While the company had pre-orders, the deposits collected on them couldn't be recognized as revenue in the company's financial statements. Related to that inconvenient fact was the company's sizable losses. Exceeding \$1 billion, they were truly large — far greater than Tesla's at the same stage in its history.

All of that helped dim investor sentiment toward Rivian after its listing. Later, a broad market selloff took it even lower. Today, investors seem less enthusiastic about EVs than they were before Rivian's post-IPO fiasco. But there is still one "EV" stock that might be worth considering. Trading a much more modest valuation than Rivian and Tesla, it is one of the few value plays in the EV space.

Magna International

Magna International ([TSX:MG](#))([NYSE:MGA](#)) is probably not the first company that comes to mind when you think about EVs. It is a traditional auto-parts company and contract car manufacturer. For most of its history, Magna has been involved in the oil-powered car industry. But recently, it took a major step toward becoming a player in the EV space. Partnering with a major Korean electronics company, it is now manufacturing electric motors and other crucial EV parts.

How MG is becoming a leading player in the EV revolution

Earlier this year, Magna announced that it had formed a joint venture with **LG Electronics**. The venture would see the two companies work together to make electric motors, power electronics, and

integrated solutions. Much like Magna, the new company would supply these parts to established auto makers. There is significant demand for such parts.

Traditional auto makers like **Ford** are very interested in getting into EVs. Ford actually had a plan to manufacture an electric car with Rivian but later scrapped the idea. Today, Ford plans on making EVs on its own. Lacking expertise in manufacturing key EV components, it will likely have to draw on third party suppliers. LG-Magna could scoop up some business from it, since the two companies involved have expertise in both car parts and electronics.

Since its announcement, LG-Magna has made significant progress. As of December 4, it had

- Launched [a website](#);
- Purchased office space; and
- Announced its lineup of products.

So far, I haven't seen any indication that the new joint venture is actually taking orders. Its website does not have an order page or even a client relations page. It does, however, have the full specifications on all of its products, suggesting that R&D is well underway.

One big downside

Although Magna International does have a very interesting EV project in the works, one significant downside has to be mentioned.

The company's historical performance has *not* been very good. Over the last three years, its growth in revenue, net income, and EPS has been negative. The growth in net income has been negative over a five-year period as well. Traditional car manufacturing is not a growth industry. In fact, the industry in North America is in decline. I feel this should be mentioned, because the EV project with LG — while very exciting in itself — is pretty much the only thing that Magna has going for it. Its financial performance has not been amazing.

CATEGORY

1. Investing
2. Tech Stocks

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2. NYSE:MGA (Magna International Inc.)
3. TSX:MG (Magna International Inc.)

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