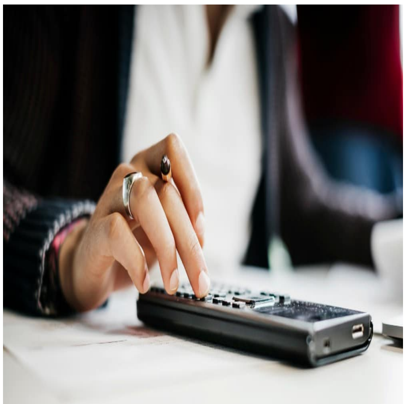

Rivian Stock: Is it a Buy Before Earnings?

Description

Rivian Automotive (NASDAQ:RIVN) is set to release earnings on Dec. 16. The popular electric vehicle (EV) stock has had a massive rally during the last month since its initial public offering (IPO). So, what should investors expect ahead of its earnings report? And is it enough to buy?

What investors should expect

Analysts started to weigh in on Rivian stock ahead of its earnings. The EV company focuses on SUVs and pickup trucks, with **Amazon** having a 20% ownership stake in the company. The IPO led the Rivian to a market cap of US$116 billion. This was double the hoped for US$78 billion, despite the company not raising a dollar in revenue yet. It became the largest American IPO since 2014.

Rivian stated it plans to produce 25,000 vans per year by 2025, with a backlog of its RR1 vehicles by 2023. It currently has a production capacity of 150,000 units each year, with a European plan in the works for 2023. It's this production capacity that investors are excited about, as even **Tesla** only reached it a few years back. Furthermore, its R1 pickup is cheap starting at just US$67,500 compared to other EVs.

That being said, Rivian has stiff competition. Tesla isn't the only major EV maker, and popular doesn't mean long-term growth. Rivian will need to grow its brand awareness outside the stock market if it hopes to create dominance.

And while shares of Rivian climbed 129% after its IPO, shares are back down to a 54% increase since coming on the market as of writing. So, here's the main thing investors will have to watch: will the company actually produce any revenue?

Another option

Rivian remains popular but not so productive … yet. While it certainly has a promising future, the share price may need to relax a bit more before creating a solid growth path. I'd say we need to wait for at least a few earnings reports to figure that out.

Instead, it might be a good idea to look into companies involved with the EV industry. In that case, I would definitely consider **Magna International** (TSX:MG)(NYSE:MGA). Instead of waiting to see how it does, you have decades behind it showing the steady growth.

Granted, Magna is going through its own issues at the moment. Its supply chain for its chips is an issue that's slowed production. However, this will likely create a backlog that will see its revenue increase substantially year over year.

When its production problems subside, you'll be glad to have bought Magna over Rivian at these levels. The EV stock trades at 13.41 times earnings and offers a 2.15% dividend yield. That's in value territory, with a strong dividend to boot. Further, while shares are only slightly higher than where they were a year ago, they've more than doubled in the last five years.

Foolish takeaway

Rivian may be a solid option for future investors, but if you're more risk averse, you may want to take a wait-and-see approach. Magna, however, has years behind it of solid growth both in shares and production. It's one I would choose over Rivian if you're wanting in on the EV industry but with less risk.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

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