



Forget Tesla (NASDAQ:TSLA): Buy This Lithium Stock Instead

Description

Tesla ([NASDAQ:TSLA](#)) is dropping like a rock this year. Investor sentiment about tech companies with hyped-up valuations has clearly turned. However, the long-term electrification of our transportation is a trend that I still believe in. I just think there are better options than Tesla.

The future of the auto industry is electric cars, and **Lithium Americas** ([TSX:LAC](#))([NYSE:LAC](#)) is well positioned to be one of the biggest beneficiaries of the inevitable transition. The [stock is up 130%](#) in just the last few months. That's an indication that investors are catching onto this theme. That's why the stock and the lithium mining industry deserve a closer look.

EV gold rush

Investors assume the electrification of the global transport fleet is driven by consumer demand alone. That's not true. I believe some consumers in the developing world simply want the cheapest car while others want the convenience of gas. Despite this, the entire fleet will be pushed to electrify because of government regulations.

Every country, from Canada to India, has set a target date for phasing out the sale of internal-combustion engines. To meet those targets, manufacturers need to start deploying resources now. That's what is driving the rush for electric vehicle parts and commodities.

Lithium is an essential component in EV batteries. In recent years, the price of Lithium has surged to 348,500 Chinese yuan (CA\$68,913) per tonne. These record-breaking prices are excellent for miners like Lithium Americas.

LAC has plenty of reserves and is rapidly expanding its reserves through acquisitions. This puts it in a favourable position to benefit from the EV revolution, regardless of whether Tesla or one of its many rivals wins the race.

Lithium reserves

While LAC's stock has shed about 18% in market value since the start of the year, the selloff had nothing to do with a change in fundamentals. Instead, the selloff was triggered by the company issuing \$400 million to fund the development of the [Thacker Pass](#) Project.

Lithium Americas has secured a federal permit for its development. The project in Nevada is believed to have the largest lithium resource in the United States. In other words, Thacker Pass is at the heart of LAC's long-term growth prospects.

In addition to the Thacker pass Project, Lithium Americas is in the process of completing the acquisition of **Millennial Lithium** for \$400 million. With the acquisition, the company will strengthen its Lithium reserve portfolio with the Pastos Grande's lithium project in Argentina. The project is poised to start production in 2024 with an annual production capacity of 24,000 tonnes of battery-grade lithium.

Growth prospects

LAC is poised to generate significant revenue this year. As the demand for electric cars grows, the company should be able to ramp up production and generate more free cash flow in the future.

Meanwhile, the stock trades at a price-to-earnings multiple of 22. That looks cheap given how well positioned it is to benefit from strong demand for Lithium.

Bottom line

LAC is a critical supplier in the EV gold rush. The company is likely to come out on top, even if Tesla losses its dominance and one of its rivals succeed. This is a safe bet in a long-term trend.

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- Investing
- Metals and Mining Stocks

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