Why E Automotive (TSX:EINC) Stock Dived 12% Today

Description

What happened?

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The shares of **E Automotive** (TSX:EINC) tanked by nearly 12% this morning to around $11.89 per share after posting solid 8% gains on Tuesday. With this, EINC stock is now trading with about 35% year-to-date losses against a nearly 4% rise in the **TSX Composite Index**.

So what?

If you don't know already, E Automotive is a Toronto-based digital platform company providing real-time dealer-to-dealer digital auction services. Last year, the company made nearly 76% of its revenue from its home market, while the remaining 24% came from the United States market.

Yesterday, E Automotive announced its fourth-quarter and full-year 2021 financial results. While it managed to beat Street analysts' revenue estimates, it posted much wider-than-expected adjusted net losses for the year — partly due to the challenging macro environment. Nonetheless, investors largely reacted positively to its higher-than-expected sales, as E Automotive stock climbed to its highest level in nearly three weeks yesterday.

However, EINC stock saw a big selloff earlier today after multiple Street analysts, including from **Canaccord Genuity**, **Laurentian Bank**, and Eight Capital, slashed their target price on the stock.

Now what?

In 2021, E Automotive reported a solid 164% year-over-year jump in its total revenue to US$80 million, beating Street analysts' consensus estimate of around US$75 million. More importantly, the company registered a solid 93% organic growth in vehicles transacted and subscriber adoption. Notably, its marketplace participants also grew positively by 70% from a year ago last year, with nearly 143% more vehicles transacted.

While its wider-than-expected losses in Q4 may temporarily hurt investors' sentiments, its overall organic sales and marketplace participants growth look impressive. Also, its recent launches and acquisition clearly reflect its management's focus on the U.S. market expansion, which could help E Automotive accelerate its sales growth in the coming years. Given these factors, growth investors may consider buying EINC stock on the dip and hold it for the long term. Moreover, its stock price is currently hovering close to $12 per share, far below Street analysts' consensus target price of around $24 per share.

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