



Is Rivian Stock a Buy Right Now?

Description

Shares of electric vehicle manufacturer **Rivian** ([NASDAQ:RIVN](#)) are currently trading 78% below record highs, valuing the company at [a market cap](#) of US\$35 billion. Rivian has grossly underperformed the broader indices since it went public in Q4 of 2021 due to its steep valuation and weakness surrounding the equity market.

Rivian stock plunged by another 25% in March 2022 as the company disclosed it will miss production guidance in 2022. It had initially projected vehicle deliveries at 50,000 units this year. However, in its shareholder letter issued last month, Rivian lowered its production forecast by 50% to 25,000 units due to supply chain issues.

Further, in a filing with the SEC, Rivian outlined risks associated with the Russian invasion of Ukraine and rising commodity prices, which will impact demand as well as manufacturing capabilities.

In order to navigate inflation that has impacted raw material costs, Rivian also announced it will raise prices for vehicles even for pre-orders. However, Rivian acknowledged its mistake and reversed this decision after facing customer backlash.

As of March 1, Rivian had accepted orders for 80,000 vehicles, for which it will have to absorb rising costs, increasing the cash-burn rate, and accelerating the selloff in RIVN stock.

The bull case for Rivian stock

Rivian was one of the hottest IPOs of 2021. At its peak, Rivian was valued at a market cap of US\$140 billion, as it is on track to be one of the fastest-growing stocks on the planet. The company reported sales of US\$55 million in 2021 and analysts [forecast revenue to surge](#) to almost US\$34 billion by 2026.

Rivian is backed by giants such as **Amazon** and **Ford**, which provides it with the financial flexibility required to navigate a challenging macro environment. Amazon has [already placed pre-orders](#) for 100,000 electric delivery vans with Rivian that will be delivered in the upcoming decade.

Rivian's R1T electric pickup truck is also gaining popularity and is well poised to outpace rivals, resulting in a higher market share due to its stylish design and focus on luxury.

In Q1 of 2022, Rivian produced 2,553 vehicles at its Illinois manufacturing facility. The company also delivered 1,227 vehicles in Q1, which suggests it's on track to manufacture 25,000 units this year.

The Foolish takeaway

The key challenge for Rivian will be the ability of its management team to execute its vision. It has already cut manufacturing targets by 50% for 2022, which has left investors fuming. Electric vehicle manufacturers such as Rivian are part of a rapidly expanding addressable market making them attractive to growth investors.

However, automobile manufacturing is a capital-intensive process, which indicates Rivian will remain unprofitable for several quarters. It's imperative for Rivian to increase production significantly in order to offset cash-burn rates.

Wall Street forecasts Rivian to report sales of US\$2.1 billion in 2022, indicating a price-to-forward sales multiple of 17, which is quite steep. There is a good chance for Rivian stock to move lower in 2022 before it regains investor confidence.

However, Rivian remains a top long-term bet, especially if the company can achieve lofty revenue projections.

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