Forget Tesla and Buy This Lithium Stock Right Now!

Description

After a stellar run in the last two years, shares of electric vehicle giant **Tesla** (NASDAQ:TSLA) are trading 21% below all-time highs, valuing the company at US$1 trillion by market cap. Despite the ongoing pullback, Tesla has returned an astonishing 20,330% to investors since its IPO in July 2010.

Tesla still enjoys a first-mover advantage, which allowed it to become the largest electric vehicle manufacturer in the world. The company has increased sales from US$21.46 billion in 2018 to US$53.82 billion in 2021. Comparatively, its operating income for 2021 stood at US$6.5 billion compared to an operating loss of US$252 million in 2018.

We can see Tesla's stellar revenue growth and accelerated improvements in profit margins have driven stock prices higher.

In the recent Tesla Cyber Rodeo event, CEO Elon Musk claimed that around two-thirds of EVs sold in the United States are manufactured by Tesla. The company continues to expand its manufacturing capabilities to meet customer demand. It already has six factories and is scheduled to announce two other facilities this year.

Further, Tesla will begin manufacturing the Cybertruck, the Roadster, and Tesla Semi next year while ramping up production of the Model Y to 500,000 units per year. Musk also disclosed Tesla is working on a robo-taxi vehicle.

The bear case for Tesla stock

While Tesla is well poised to benefit from multiple secular tailwinds, there are near-term concerns surrounding the electric vehicle sector. One, Tesla continues to trade at a premium given its estimated to report sales of US$83.85 billion in 2022, indicating a steep price-to-sales multiple of almost 12.

The triple whammy of interest rate hikes, higher inflation numbers, and rising commodity prices is likely to impact TSLA stock in 2022. The borrowing costs for Tesla will increase due to higher interest rates while inflation is likely to hit consumer demand. Additionally, the ongoing war between Ukraine and

Russia has driven commodity prices, including nickel, higher. Last month, the London Metal Exchange suspended nickel trading, as contract prices more than doubled to US$100,000 per tonne.

Russia is one of the world's largest suppliers of nickel and is facing multiple sanctions from the U.S. and European Union. The rise in nickel prices might increase input costs for EVs by US$1,000 in the U.S.

In an inflationary environment, it makes sense to bet on companies that mine metals such as lithium, another component used in the manufacturing of EVs.

Lithium Americas stock is up 115% in the last year

Valued at a market cap of US$4.1 billion, **Lithium Americas** (TSX:LAC)(NYSE:LAC) is a pre-revenue company. However, its revenue is estimated to surge from US$47 million in 2022 to US$240 million in 2023. The exponential growth in the top line will allow Lithium Americas to improve profit margins, as it's expected to report earnings of US$0.5 per share in 2023 compared to a loss of US$0.32 per share in 2021.

Lithium Americas will benefit from the rise in lithium prices that have soared by 1,600% since the start of 2021. The company has extraction sites in Argentina and its Thacker Pass lithium project has one of the largest known lithium deposits globally.

Lithium Americas stock has gained 115% in the last 12 months and is still trading at a discount of 30% to consensus price target estimates. Comparatively, Tesla is trading close to its average 12-month price target.

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araghunath