



## What's Next for Lithium Americas (TSX:LAC) Stock?

### Description

The entire EV ecosystem has been flying high for the last few years. Be it the car makers, battery companies or the mineral producers that fall at the beginning of the value chain, everybody has seen massive growth.

The exuberance is warranted given the energy transition and huge growth prospects of the EV industry. **Lithium Americas** ([TSX:LAC](#)) ([NYSE:LAC](#)) is one such name. The stock has surged from \$5 levels to \$50 in the last three years, without even having a penny of revenue. Not profits — revenues!

### LAC stock has tanked 45% in the last three months

A \$3.8 billion Lithium Americas is a Canada-based resource company developing lithium carbonate. Lithium carbonate is the foundation for the manufacturing of lithium compounds used in lithium-ion batteries that are then used in smartphones and EVs.

Lithium carbonate and lithium hydroxide prices have soared significantly higher in the last few years, thanks to higher demand from EV manufacturers. Notably, the demand for lithium batteries is expected to increase by 1,200% in the next 20 years from the current levels. And there is a large supply gap against the demand, which will likely push the prices further higher.

### Enter Lithium Americas

Lithium Americas is developing three key lithium assets in Argentina and Nevada. Its Cauchari-Olaroz plant in Argentina is about to start production in the second half of 2022. Thacker Pass plant in Nevada is also targeting a capacity of 40,000 tons per annum. Currently, lithium carbonate is an oligopolistic market globally. Australia tops the lithium production chart while China leads the lithium-ion battery market. It contributes somewhere around 70-80% of the total production.

Lithium Americas does not generate revenues from operations yet. It has relied mainly on debt and equity to fund its operations. While revenues could start coming in from next year, profits will likely take

years. Perhaps, it has a healthy balance sheet with \$293 million in total debt and \$500 million in cash and equivalents.

## Handsome industry growth prospects

According to McKinsey, lithium carbonate [demand](#) will likely surge from 500,000 metric tons in 2021 to three million metric tons in 2030. That represents a handsome growth of 20% CAGR.

Due to the rapid industry [growth potential](#) and huge dominance of China, there has been an encouraging interest in developing new lithium supply chains worldwide. In addition, apart from the traditional brine water evaporation method, new technologically advanced, more efficient methods are also emerging.

The lithium demand will most likely outpace its supply for the foreseeable future. However, the ones with the most technologically sophisticated and with economies of scale will get the larger pie of the market. So, miners with deeper pockets and larger reserves will lead the game.

## Bottom line

Lithium Americas will soon start its commercial production. It is still too soon to tell how the company would play in the long term. It will likely be among the top lithium producers' once it starts operating with full capacity in the next few years.

Like cobalt and nickel have fallen, lithium could also continue its losing spree in the short to medium term, mainly after its steep rise. Thus, LAC stock might mimic the movement largely due to its moderate correlation and inconsequential financials.

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