Forget Rivian: This Canadian EV Stock Is Cheaper and Safer

Description

Rivian (NASDAQ:RIVN) stock has seen better days. After rallying 70% in the week it went public, RIVN collapsed over the ensuing months. Today, it's down 79% from its all-time high, and 64% from its opening price on the day it went public.

After seeing this dramatic selloff, you might be interested in buying the dip. Rivian stock is certainly in an interesting industry, maybe after all of this selling it's finally a good value?

Honestly, not really. The stock is down but it's still not a great value. RIVN stock still trades at 42 times sales, which means that it would take 42 years for the company's revenue to pay for all of its shares. The company isn't profitable, so we can't speak of a price-to-earnings ratio, but if Rivian were to instantly become profitable in the next quarter, that ratio would be high, too. If you have a 42 price-to-sales ratio and a 50% profit margin (earnings divided by revenue), you get an 84 price-to-earnings ratio.

So, Rivian stock is a dicey proposition. Personally, I won't be investing in it anytime soon. But there other electric vehicle (EV) plays out there worth looking at. If you're willing to look at companies that supply EV parts rather than whole vehicles, you can find some names that still haven't gotten expensive.

Magna International

Magna International (TSX:MG) is a Canadian automotive parts company. It's best known for supplying parts to traditional U.S. automakers, it also has a German division in which it manufactures cars on a contract basis.

Magna's business is not doing overly well right now. Over the last 12 months, its revenue declined 7.5% and its earnings declined 68%. It's much the same picture if you zoom out to a three-year timeframe: over that period, sales have declined 3.8% per year. This certainly isn't a business that's doing great right now, but Magna has one thing going for it: a catalyst.

Until very recently, Magna had only been making parts for gasoline-powered cars. However, it launched an EV parts unit with **LG Electronics** last year called **LG Magna E-Powertrain.** This joint venture is in a growth industry rather than a mature one, so it has the potential to accelerate Magna's core business.

Why it's safer than Rivian

It might seem strange to say that a declining business is "safer" than another, but you need to understand how radically un-safe Rivian is. Apart from its **Amazon** delivery vehicles, Rivian hasn't delivered any cars to customers yet. It has taken pre-orders, but it hasn't delivered on them. This kind of thing is somewhat of a theme in the EV industry: **Tesla, Nokia**, and other EV companies have taken money for cars and not delivered.

Compared to this stuff, Magna is pretty safe. It has a 1.34 price-to-book ratio, which means that if the stock declines 25.4% further, investors who bought after the decline could get their money back in liquidation. Additionally, Magna has a dividend, which yields 3.5%; the company only needs for its earnings to stabilize for this to continue being paid indefinitely.

Warning: "Safer" doesn't mean 100% safe!

As I explained above, Magna International is a safer stock than Rivian. It's far cheaper than Rivian, and if it goes much lower than the level it's at now, it will approach liquidation value. However, it still has 26% further to go before it hits that level, so it may not be the best buy right now. In another few weeks, if the current stock price trajectory continues, it could become a deep-value play.

CATEGORY

1. Investing

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