Most EV Stocks Are Moonshots: Here's a Safer Road for Your Money

Description

Electric vehicle (EV) stocks have been among the most popular categories of stocks in the last decade. **Tesla** has risen more than 10,000% in 10 years, and it has lifted many other EV stocks up with it.

There's just one small problem: the rest of the EV space hasn't done anywhere near as well as Tesla has.

Most big EV companies went bust in the 2020/2021 tech bubble and did not come out with much to show for it. Why did they do so poorly? It's actually quite simple.

Most EV stocks aren't profitable

If you look at the EV stock, **Rivian** (NASDAQ:RIVN), you will see that it hasn't been doing so well this year. Below is a chart of Rivian stock — it's down a lot.

Now, why is this happening?

Well, as it turns out, Rivian isn't actually making any money. In its most recent quarter, RIVN did $364 million in sales, but it ran a $1.7 billion net loss on those sales. In other words, it was unprofitable; it lost money.

Now, you might be wondering where all those millions went. If a company loses more than it takes in, it has to come up with the cash to pay those expenses somewhere, right? Yes, it does. Rivian is paying the expenses from the money it made by selling stock to investors. And, unfortunately, the cash pile it raised selling stock has shrunk by over $3 billion since the start of the year. So, Rivian is in a very precarious financial situation.

Dividend stocks are tried and true

As I showed above, Rivian is losing money at a rapid pace. If you're interested, you could scour the internet looking for other EVs that are in better financial shape. They do exist: Tesla and **BYD** are both real companies. However, such examples are few and far between.

If you're looking for a dependable alternative to EV stocks — or whatever other "hot" stock category everybody is losing money on — you could consider dividend stocks. Dividend stocks have outperformed the market this year, and they may continue to do so. If a stock pays a dividend consistently over many decades, it's likely that it's a decent business, because you can't just make dividends appear out of thin air. You can borrow to pay dividends for a year or two, but that party ends quickly. To pay dividends over the long term, a stock needs to have a real business underlying it.

Take **Royal Bank of Canada** (TSX:RY) for example. It's a dividend stock that's been paying dividends for over 100 years! Royal Bank was founded in 1864, and it has been paying dividends ever since then.

It's been raising them, too; over the last five years, RY has raised its dividend payout by 6.3% per year, or 35% cumulative. So, we've got +100 years of dividends and a solid track record of dividend growth. There is no question: Royal Bank of Canada is a real business. In the stock market, that's a surprisingly big advantage.

Ultimately, any group of people can list on the stock market if they can get enough buyers, it doesn't necessarily mean they're running a business. Some stocks — known as SPACs, or special purpose acquisition companies–don't even *pretend* to have businesses underlying them! If a stock pays a dividend for 100 years straight, you know it's the real thing, as you can't fake your way to that kind of track record.

This doesn't mean that dividend-growth stocks will necessarily make you money, but by buying them, you do exclude the very worst stocks from your portfolio.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:RIVN (Rivian Automotive, Inc.)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:RY (Royal Bank of Canada)

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