Is Now the Time to Buy Electric Vehicle Stocks?

Description

Many investors who were once bullish on EV stocks are now wondering if there is still a good way to profit from the massive shift to electrified vehicles.

There is, but not all EV stocks will benefit, and the eventual payoff will take time.

Here are some very valid reasons to be bullish on this market.

Electric vehicles are expected to account for up to 17% of global car sales in 2030, with hybrids accounting for another 20%. The EV industry is forecasted to be worth $1.4 trillion by 2027. According to TrueCar, nearly 60% of Americans said they would consider buying an electric vehicle in the future, a 7% increase from 2021.

Legacy automakers are investing billions of dollars in the EV transition over the next few years.

Yet, fears that some automakers won't profit are fueling disruption in the automotive industry. Instead, investors should focus on the new opportunities that disruption frequently creates.

If you're willing to take a risk, there are at least two EV stocks to consider: **Rivian** (NASDAQ:RIVN) and **Tesla** (NASDAQ:TSLA).

Rivian

If you have a high-risk tolerance, Rivian may be worth considering. This is an all-out bet on electric pickup trucks and SUVs.

Rivian already has a significant vehicle order from a large corporation, standing out from its EV start-up competitors. Indeed, Amazon has already secured an order for 100,000 electric delivery vans from Rivian.

Rivian is also forming significant alliances. It will share a factory in Europe with Mercedes to split the cost of producing electric vans.

Despite some setbacks, Rivian's vehicle production is still on the rise. Production increased 67% in the third quarter (which ended on September 30), and management reiterated its fiscal year 2022 target of delivering 25,000 vehicles.

Furthermore, Rivian has enough cash on hand to continue growing the business. According to management, the company had $13.8 billion in cash, cash equivalents, and restricted cash at the end of the third quarter, enough to keep things running until 2025.

Rivian's stock isn't cheap right now, with a price-to-sales ratio of 25. Though the EV vehicle maker is making significant moves in the electric vehicle market that may pay off in the long run. If you are willing to take a higher risk, opening a small position now may allow you to capitalize on Rivian's enormous potential.

Tesla

Tesla is the market leader in the electric vehicle space, outperforming traditional automakers to become the world's largest producer of electric vehicles. Of course, the company faces risks, including CEO Elon Musk's new focus on Twitter.

Tesla's success with electric vehicles is undeniable. In the third quarter, the company delivered 343,830 vehicles, a 42% increase over the previous quarter. It is on its way to achieving a vehicle production run rate of 2 million in 2022. The company's expanding global network of Gigafactories is accelerating vehicle production. Musk expects his company to produce 20 million vehicles per year by 2030.

Profitability is also improving, with earnings rising 69% to $1.05 billion in the most recent quarter (ended Sept. 30). The net profit margin of about 15% is an impressive achievement for an automaker.

Investors looking for a compelling pure play among EV stocks will be hard-pressed to find a more successful company.

Furthermore, Tesla's stock is costly by any means. The stock is currently trading at 60 times the company's estimated earnings. However, this is significantly lower than the company's previous year's price-to-earnings (P/E) ratio of around 344.

CATEGORY

1. Investing

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2. NASDAQ:TSLA (Tesla Inc.)

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