Tesla Is Down 62%: Is This Canadian EV Parts Company Better?

Description

Tesla (NASDAQ:TSLA), once one of the most hyped stocks in the world, is down 69% for the year. Thanks to founder Elon Musk's controversial **Twitter** acquisition, investors have lost faith that TSLA stock will rise. In order to pay Twitter's bills, Musk has had to sell copious amounts of Tesla stock. At this point, he has sold at least $23 billion worth of TSLA shares, and the number just keeps growing. After his recent $3.95 billion stock sale, Musk promised that no further sales would be forthcoming, but that hasn't stopped him from in the past. In August, after closing a $6.88 sale, Musk was asked whether he would stop selling, and he said "yes."

> "Yes. In the (hopefully unlikely) event that Twitter forces this deal to close and some equity partners don't come through, it is important to avoid an emergency sale of Tesla stock."
> *Elon Musk*

At this point, Tesla stock is looking pretty risky. It will find a bottom at some point, but as long as Musk keeps on selling, the bottom may be a ways off, which leads naturally to the question: is there a better electric vehicle (EV) stock to bet your money on?

Tesla isn't the only EV company in the world, and some of its competitors are pretty good. In this article I'll be looking at a Canadian company that, while not being a true EV company, does have an interesting business in EV parts.

Magna International

Magna International (TSX:MG) is a Canadian car parts company that recently got into the EV parts business by partnering with the South Korean company LG. The Joint Venture that the companies launched is called **LG Magna E-Powertrain**. It manufactures a variety of electric car parts, including the following:

- Electric motors
- Inverters

- On-board chargers
- Integrated systems

In general, LG-Magna's solutions provide the components that EVs need under the hood, leaving manufacturers free to focus on big-picture design decisions.

Why it could be better than Tesla

Magna International certainly isn't going to grow like Tesla has in recent years, but it might be better in the sense of being safer.

In the investing world, there's a concept known as "margin of safety," which refers to how much a person can potentially lose when they make an investment. If a company owns $1 per share (with no debt), and there's nothing that could cause that $1 to go away, then the investor should theoretically never see their holdings fall below $1. If it were to do so, then we'd have a violation of the law of one price, which says that two identical things should trade for the same price.

Magna International arguably has a margin of safety. It trades at 0.44 times sales and 1.59 times book value. If Magna fell 37%, it would be trading at *exactly* book value. It's already trading for less than a year's worth of sales. Based on what Magna owns and earns, its stock should not go too much lower than its current price. This is simplifying a little, because an increase in debt, or higher interest rates, could cause book value to be reduced. Magna is not really 100% safe. But it does look like it's safer, in valuation terms, than a company like Tesla that trades at 10 times book value.

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2. TSX:MG (Magna International Inc.)

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