Is Rivian Stock a Bargain for Under $20?

Auto stock Rivian Automotive (RIVN) has recently gained traction. However, the company missed its 2022 production estimates and also announced layoffs. So, let’s find out if RIVN is a bargain for under $20.

Auto stock Rivian Automotive, Inc. (RIVN) missed its vehicle production target for 2022. It produced 24,337 vehicles, down 2.7% from its established target of 25,000. Moreover, the company revoked its plan to make electric vans in Europe with Mercedes-Benz only three months post-agreement.

In addition, RIVN’s CEO RJ Scaringe recently declared the company’s decision to lay off 6% of its workforce to conserve cash. Amid this rough patch, RIVN has lost 71.7% over the past year to close the last trading session at $19.71. It has lost 43.4% over the past three months. However, the stock has gained 7% over the past month.

While its forward Price/Book of 1.25x is 58.7% lower than the industry average of 3.04x, its forward Price/Sales of 10.41x compares with the industry average of 0.97x. Moreover, its forward EV/Sales of 3.81x is 205.1% higher than the industry average of 1.25x.

Here is what could shape RIVN’s performance in the near term:

Increasing Losses and Declining Cash Balance

RIVN’s loss from operations came in at $1.77 billion for the third quarter that ended September 30, 2022, up 128.6% year-over-year. Its adjusted net loss increased 85.2% year-over-year to $1.44 billion.

Moreover, its cash and cash equivalents came in at $13.27

billion for the period ended September 30, 2022, compared to $18.13 billion for the period ended December 31, 2021.

Weak EPS Estimates

RIVN's EPS is expected to decrease 10.5% year-over-year to negative $1.58 for the quarter ending March 2023. Its EPS is estimated to remain negative in 2023. In addition, its EPS is expected to fall 31.7% per annum for the next five years.

Poor Profitability

RIVN's trailing-12-month gross profit margin of negative 238.89% is lower than the industry average of 35.41%. Its trailing-12-month ROCE, ROTC, and ROTA of negative 127.71%, 38.22%, and 39.37% compare with the industry averages of 13.00%, 6.38%, and 4.55%, respectively.

POWR Ratings Reflect Bleak Prospects

RIVN has an overall rating of F, equating to a Strong Sell in our proprietary POWR Ratings system. The POWR Ratings are calculated by considering 118 different factors, with each factor weighted to an optimal degree.

Our proprietary rating system also evaluates each stock based on eight distinct categories. RIVN has an F grade for Quality, consistent with its negative profitability margins.

It also has an F grade for Stability, in sync with its 24-month beta of 2.32.

In the 62-stock Auto & Vehicle Manufacturers industry, RIVN is ranked #53. Click here for the additional POWR Ratings for RIVN (Growth, Value, Momentum, and Sentiment).

View all the top stocks in the Auto & Vehicle Manufacturers industry here.

Bottom Line

RIVN’s bottom line is in the red, and its declining cash balance is concerning. Moreover, the stock possesses negative profitability margins. Considering RIVN’s weak fundamentals, it does not look like a bargain at its current prices. Therefore, RIVN might be best avoided now.

How Does Rivian Automotive, Inc. (RIVN) Stack up Against Its Peers?

While RIVN has an overall POWR Rating of F, one might consider looking at its industry peers, Volkswagen AG (VWAGY), Bayerische Motoren Werke Aktiengesellschaft (BMWYY), and Isuzu Motors Limited (ISUZY), which have an overall A (Strong Buy) rating.

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3 Stocks To DOUBLE This Year

RIVN shares were trading at $20.91 per share on Thursday morning, up $1.20 (+6.09%). Year-to-date, RIVN has gained 13.46%, versus a 7.99% rise in the benchmark S&P 500 index

during the same period.

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Riddhima is a financial journalist with a passion for analyzing financial instruments. With a master’s degree in economics, she helps investors make informed investment decisions through her insightful commentaries.

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