

2 Things That Will Have Rivian Stock Acting Like Meta Shares

By

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Rivian's enterprise value trails behind other EV start-ups Lucid, Polestar, and Fisker.
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Stock in electric truck start-up [Rivian Automotive RIVN -0.81%](#) is trading [terribly](#), off more than 80% from its IPO price of \$78 a share and more than 90% from all time highs. Shares also trade far [worse](#) than stock of other EV start-ups.

It might be time for Rivian (ticker: RIVN) management to do something about that—like take a page out of [Meta](#) Platform's (META) book.

Despite declines, Rivian still has a market capitalization of almost \$12 billion. [Lucid](#) (LCID), [Polestar Automotive](#) (PSNY), and [Fisker](#) (FSR) have market capitalizations of about \$14 billion, \$8 billion, and \$2 billion, respectively.

That is only half the story, though. Rivian has a lot more cash than those EV start-ups. It finished 2022 with \$12 billion on its books. The other three finished 2022 with half that, combined.

Rivian stock traded [below its cash value](#) recently and its enterprise value—which is essentially market cap plus debt minus cash—dipped below \$1 billion, trailing behind the other three start-ups.

The low valuation is despite better sales for Rivian. The EV start-up is expected to generate sales of \$4 billion in 2023. Polestar is expected to generate about \$3.8 billion in 2023 sales. Wall Street projects \$2.1 billion and \$1.3 billion for [Fisker FSR](#) – [4.10%](#) and [Lucid LCID](#) –[0.26%](#) , respectively.

Rivian's situation looks a little odd, enabled by a couple of factors. For starters, the cash and enterprise value observations are only theoretical. Investors can't get the cash out of the company.

The other reason is spending. Rivian spends way more than peers. The company used about \$6.4 billion in cash in 2022 and is expected to use another \$6 billion in 2023. The other three used about \$5.6 billion, combined, in 2022.

A change in spending philosophy could be just what the stock needs to turn sentiment around. Just look at [Meta Platforms](#). In February, CEO Mark Zuckerberg said his company would focus [on efficiency](#) and spend less on new equipment in 2023. Since his comment, Meta stock is up almost 30%, adding roughly \$100 billion in market cap. The [Nasdaq Composite](#)[COMP](#) [+0.16%](#) is down 1% over the same span.

There is a lot of room to improve spending. Morgan Stanley analyst [Adam Jonas](#) recently pointed out that when [Tesla](#) (TSLA) was the size Rivian is at now, it was producing gross profit margins of about 20%. Rivian is expected to produce gross profit margins of negative 50% in 2023. Jonas rates Rivian shares a Buy and has a \$26 price target for the stock.

Spending by Rivian, and Lucid, simply don't compare to [Tesla TSLA](#) [+1.57%](#) when it was ramping up production of its first model. In 2014, Tesla spent roughly \$18,000 in operating expenses per vehicle. The figures for Rivian and Lucid are about \$75,000 and 108,000, respectively.

Polestar looks like the efficiency winner, but it doesn't own its [manufacturing plants](#). It uses capacity from its parent Volvo to manufacture its Polestar 2 EV. It also uses Volvo's dealership network.

Fisker didn't ship vehicles in 2023.

Lucid loses on efficiency partly because its delivery volumes are lower. Rivian spends more money than Lucid, with about \$3.7 billion spent on operating expenses in 2022 compared with \$1.3 billion for Lucid. When Tesla was a similar size it was spending about \$1 billion a year on operating expenses.

If Rivian can convince investors it will be more efficient, the stock could trade more like Lucid or Polestar. Lucid trades for roughly 9.4 times enterprise value to estimated 2023 sales. Polestar trades for about 2.2 times. At an average multiple of about six times estimated 2023 sales, Rivian stock would be worth about \$25 a share, up about 100% from recent levels.

Another thing that Rivian management can do to change sentiment is buy some stock for themselves.

“We find it rather remarkable that we have yet to see a single instance of insiders purchasing stock on the open market,” says Battle Road research analyst Jonathan Rowe. Battle Road rates Rivian shares Hold. The firm doesn’t have a price target for Rivian stock.

Insider buying is another way companies can show they are serious about change and optimistic about the future. Whatever Rivian decides to do, it should do it quickly. Investors can’t take much more pain.

Write to Al Root at allen.root@dowjones.com