EV Special - Tesla vs. NIO
Welcome

What was once a figment of Hollywood fantasy is now fast becoming a feature of everyday life. The age of electric vehicles (EVs) has arrived, and is here to stay.

Globally, sales of EVs in 2019, both battery-only and plug-in hybrid, topped 2 million units to represent 2.7% of total vehicle sales—a dramatic percentage increase versus the less-than 0.1% of vehicle sales just 10 years prior.

That said, at less than 3% of global vehicle sales, the industry has a long road ahead of it, if it is to replace the internal combustion engine.

Goldman Sachs expects EVs to account for 18% of global vehicle sales in 2030 and 29% by 2035.

The Europeans have embraced EVs. 56% of new vehicle sales in Norway were electric in 2019, whilst 2 of the top 10 best-selling cars in Holland were EVs.

The UK reported triple-digit growth in EV sales for the year, as a result of consumers becoming more climate change conscious, coupled with government incentives to ‘go green’. The government has proposed a ban on the sale of all polluting vehicles by 2035.

China dominates the EV market, accounting for half of all vehicle sales.

China currently leads in terms of EV penetration as a percentage of new cars sold, at 1.5%. Deloitte forecasts this to grow by 3100% to 48% of new car sales over the next 10 years. Europe is predicted to achieve similarly impressive growth.

The U.S. lags with a forecast of 27% due to drivers benefitting from low gasoline prices, negating the low cost-per-mile running of EVs.

However, the U.S. could still witness growth of 3700% due to a lower starting position of just 0.7% market share, currently.

One supporting factor for the bullish forecasts is the reduction in lithium-ion battery costs which Bloomberg reports has fallen 88% since 2010.

In this report we focus on Tesla, the market leader in EVs, and NIO, a Chinese EV maker often dubbed ‘The Tesla of China’. According to Bank of America, NIO and Tesla account for 90% of premium EV sales in China.

The rise of EVs is certainly not limited to just Tesla and NIO. The rapidly growing market has seen most traditional car manufacturers introduce EV models, including Volkswagen, BMW, Daimler, Ford and General Motors. China also boasts a number of EV makers, notably Li Auto, XPeng and Workhorse which like NIO, have stock listings in the US.

Let that sink in for a moment...

Remember, not all trades prove profitable and we champion the market maxim ‘cut your losses’. Good luck with your investments.
Tesla shares have rallied almost 1,200% in the past 12 months - can you justify buying at these prices?

Only a couple of years back, Tesla was considered by many to be a poorly managed company, run by a mad hatter, which lost $1bn every quarter and delivered more promises than cars.

The company had a small and cult-like following of loyal shareholders and was often dismissed as a legitimate investment case by large swathes of Wall Street analysts.

In recent weeks, the company has been included in the S&P 500, recorded its 6th straight quarterly profit and seen CEO Elon Musk become the world’s richest man after the company shares hit an all-time-high.

The Wall Street analysts have changed their tune. This week, Piper Sandler tipped Tesla shares for a 47% increase in 12 months, having issued a price target of $1,200.

The tough question facing those who ‘didn’t believe’ is ‘should you buy now?’ having missed so much progression and share price appreciation.

Let’s circle back to the statistics quoted in the introduction. EVs represent just 0.7% of new cars sold in the U.S. and Tesla accounts for 80% of these sales. Tesla and NIO combined also account for 90% of premium EV sales in China.

If, as Deloitte suggests, EV sales climb to 27% in the U.S. and 48% in China over the next 10 years, what does that look like for Tesla? Could this be just the beginning of a new journey?
NIO shares have skyrocketed more than 3,000% in 12 months - have you missed the boat electric car?

The Tesla of China some call the Chinese EV maker - no pressure NIO!

Founded in 2014 before making its U.S. stock market debut in 2018, NIO is racing into the EV market and has recently had to increase production to keep pace with demand.

NIO operates at the premium end of the market offering 3 SUV models, a 5, 6 and 7 seater, and an executive saloon.

NIO delivered 17,553 vehicles in the fourth quarter of 2020, representing an increase of 111% versus the same quarter in 2019.

NIO also boasts some novel technology and services. The battery swap subscription service takes place at over 160 stations across China. When power is running low, simply drive your NIO into a swap station and watch robots switch out your depleted battery for a fully charged one in under 3 minutes. On the subject of batteries, NIO claims some vehicle specifications have a Tesla rivalling range of over 620 miles.

NIO is considered to be a market leader when it comes to autonomous driving tech. The system features 33 sensors, 11 cameras, five radars and 12 ultrasonic sensors as well as hardware capable of processing 8 gigabytes of data per second.

Although NIO is experiencing triple-digit sales growth, it is expected to deliver less than 100,000 units in 2021 whilst Tesla is expected to deliver as many as 900,000 vehicles in 2021.

If NIO really is ‘The Tesla of China’ is now the time to buy?
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