



## Green, but lots of red

**B**attery electric vehicles (BEVs) continue to gain market share globally. In China, BEVs are now consistently more than 20% of overall monthly passenger car sales.

In Norway, more than 80% of car sales year to date are BEVs. In the US, excited Ford fans started taking delivery of their F-150 Lightning pickup trucks (South Africans would call them bakkies) last month. The F-150 BEVs have been so popular that Ford has had to close orders for the rest of 2022. Clearly, the BEV future has arrived.

The surge in interest in BEVs is similar to what happened with the development of the car at the turn of the previous century. According to history.com, almost 500 firms entered the carmaking business in the first decade of the 1900s. By 1929, only 44 were left.

But while technological advancement is great for consumers, it usually doesn't turn out so great for investors in industries where innovations can generally be copied by competitors. Will this time be any different? Let's have a look at some of the players other than Tesla.

### Lucid Motors

Lucid, founded in 2007, is headed by a senior engineer from Tesla. Its first model, the Lucid Air, won the coveted MotorTrend Car of the Year for 2022. With the longest range on a single charge

of any luxury BEV (more than 800km) and accelerating from 0 to 100km/h in less than three seconds, it is a mean machine. Production ramp-up has been slow, with only 485 Lucid Airs delivered since production started in 2021. With prices of the three key battery metals (lithium, nickel and cobalt) spiking recently, Lucid has announced a sharp price increase as of June. This might help it hit breakeven in 2026, but the current cash balance of less than \$6bn might not be sufficient to get there without issuing more equity. The company is backed by Saudi Arabia, which is perhaps why Lucid sports a market capitalisation of \$33bn (more than Hyundai, Kia or Nissan) even though it is still in the starting blocks of mass production.

### Rivian Automotive

Rivian, founded in 2009, has three models: a pickup truck (the R1T), an SUV (the R1S) and an electric delivery vehicle (EDV). It has produced about 5,000 vehicles to date and has a long-term contract with Amazon for the future delivery of 100,000 EDVs. Like all BEV manufacturers, it has had issues with ramping up production and has increased its model prices due to higher input costs. It had a co-development plan with Ford but this ended in November 2021, soon after Rivian listed. Since then, its market capitalisation has skidded from over \$100bn to under \$30bn. With quarterly losses running at about \$1.5bn,

Rivian has enough cash to fund operations for the next three years, but is not expected to reach profitability before 2027 at the earliest. It's going to be a bumpy ride.

### BYD

BYD (short for Build Your Dreams) is China's leading BEV manufacturer, recently reaching monthly sales of more than 100,000 units. Berkshire Hathaway holds a 7.7% stake in the company, worth more than \$8bn, after having invested \$232m in 2008. BYD has expanded its manufacturing operations over the years to include electric cars, buses, trucks, forklifts, bicycles, cell-phone batteries and solar panels. The company is something of an outlier in the BEV industry, since it is already profitable. But with a market capitalisation of \$114bn, it will need to keep up the pace to justify its racy valuation.

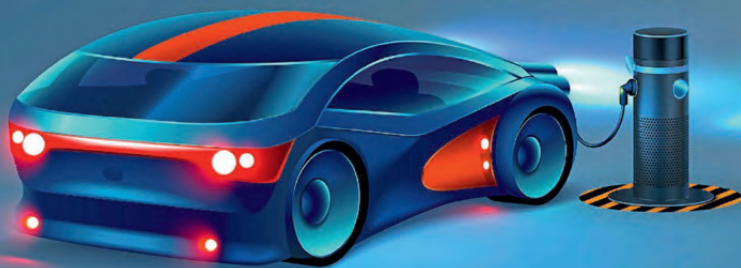
### NIO

Since its inception in 2014, NIO has produced more than 200,000 BEVs. In an industry known for innovation, it might be in pole position. To get around the headache of how long it takes to recharge batteries, NIO has pioneered battery swapping, which takes less than five minutes. It now has almost 1,000 battery swapping stations across China and has opened its first battery swapping station in Norway. The company is also a leader in autonomous driving technology. NIO vehicles include a built-in artificial intelligence dashboard assistant, Nomi – a cute digital dashboard companion. The latest NIO model, the ET7, has received rave reviews. If it can crack the European market and reach breakeven in 2024, NIO's market capitalisation of \$28bn is not as stretched as some of its competitors'.

Other BEV contenders include Li Auto, XPeng, Fisker, Lordstown Motors, Workhorse Group, Canoo, Aways, Arrival and Faraday Future. Some of these will crash and burn, so be careful in selecting a BEV for your investment journey.

Verster is CEO of Protea Capital Management

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