Is the electric vehicle bubble starting to burst?

The Daily Telegraph, 25 February 2021

Electric car companies have been valued in the billions despite having no profits or even revenues

Lucid Motors, a Silicon Valley company whose luxury electric cars are due to cost as much as $169,000, has not yet sold a single vehicle. Next year, it expects to sell just 20,000 cars, and it does not expect to make a profit until 2024.

But this week, the company announced plans to go public at a $24bn valuation - roughly that of Peugeot. The listing comes through a merger with an already-listed blank cheque company or "SPAC", the biggest deal of its kind.

Despite the deal's size, Lucid's news was met with disappointment. In the weeks since rumours of the Lucid deal had emerged, investors had bid up shares in Churchill Capital IV, the acquisition vehicle merging with Lucid, to astronomical levels, in anticipation of a much higher valuation. Churchill's shares fell by 39pc on Tuesday in response.

Lucid's less-than-forecast valuation may have been an early warning sign that a boom in electric car valuations is coming to an end.

On Tuesday, shares in Tesla, the lodestar of the battery-powered movement, fell for the second-straight day, while Nio, a Chinese rival, dropped too.

Both Tesla and Nio actually make and sell cars, but others whose valuations are built largely on expectations fared even worse. Shares in Fisker, an LA-based electric carmaker whose first car is due to go on sale this year, fell 10pc, and Nikola, an Arizona competitor, fell 6pc.

Fisker and Nikola are among those that, like Lucid, used SPACs to go public at valuations of many billions of dollars. Other examples included electric pickup truck maker Lordstown Motors and charging network ChargePoint. Arrival, a British electric van maker, is set to follow in the coming months as is China's Faraday Future.

Blank cheque firms exploded in popularity last year as the stock market boomed and interest rates plummeted, with investors looking for places to put their cash. Electric vehicle companies became popular targets as investors clamoured to back the renewable car boom.

SPACs are also useful vehicles for electric carmakers since they make it easier to go public based on expectations about their future than the reality of the present.

However, the boom has led to fears of overexuberance. “This looks very much like the frothiest weeks of the dotcom bubble,” says Rob Arnott of asset manager Research Affiliates. Arnott says that like the excesses of the late 20th century internet mania, many publicly-listed electric carmakers have no revenue, let alone profits.

He adds that the combined value of companies that only make electric vehicles reached $976bn earlier this month, within touching distance of the $1.2 trillion combined valuation of traditional automakers. This is despite fully electric vehicles making up an estimated 3pc of global sales last year.

And while there is no doubt that this will change, it is unclear whether the electric vehicle companies that have secured huge valuations will be the ones carrying the electric revolution.

Full story (£)