

Top 3 stock picks for 2022's EV Boom

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2021 was a landmark year for electric vehicles (EVs) with global sales likely to end about 100% higher at [around 6.4M](#) plug-in electric car sales in 2021, up from ~3.2M in 2020. Looking ahead to 2022 that number looks likely to reach 10M+ which would be at least a 56% YoY rise. The 2022 number might be even higher if the 100% growth is maintained.

Given the above booming trend here are 3 stocks to consider for 2022 all related to EVs and EV metals. Two are lithium miners and one is an emerging EV company. Given the market will need around 183,000 tonnes of new lithium supply in 2022 (my forecast based on 10M e-cars produced), current high lithium prices should remain strong or even move higher. China lithium carbonate prices are currently at a record level of [CNY 272,500/t](#) (US\$42,873/t).

The next wave of lithium producers are most likely to be:

- 2022 – Argosy Minerals, Ganfeng Lithium/Lithium Americas (Cauchari-Olaroz), Core Lithium.
- 2023 – Sigma Lithium, Sayona Mining/Piedmont Lithium (NAL operations).

Argosy Minerals (ASX: AGY | OTCPK: ARYMF) (“Argosy”)

Argosy is set to start commercial lithium production from mid-2022 which means they will be one of only 3 new lithium producers/projects to come online in 2022. The others have much higher valuations, such as Lithium Americas trading on a market cap of C\$4.43B ([US\\$3.5B](#)) and Core Lithium market cap of [A\\$987M](#) (US\$715M). By comparison Argosy trades on a market cap of [A\\$405M](#)

(US\$293M), which is less than half that of Core Lithium and about 12x less than Lithium Americas.

Argosy currently owns 77.5% of their Rincon Lithium Project, with a [right to move to 90%](#) upon development of a 10,000tpa operation. The Project is spread over [~2,794 hectares](#) on the Salar del Rincon in Salta Province, Argentina. Argosy's pilot plant operated for 2 years and produced battery grade quality (>99.5%) lithium carbonate which was sold to Asian customers. Argosy owns the Project via the Puna Mining JV.

The other shareholder in the [Puna Mining JV](#) includes legendary lithium expert Pablo Alurralde. He is a Chemical Engineer and is a former director of FMC's (now called Livent) Argentina operations where he invented lithium production from brines in Argentina. He was listed as an inventor for the patent presented at US Patents Offices as first inventor for "Production of Lithium Carbonate from concentrated brines on sodium chloride" granted to FMC.

Argosy is fully funded to Stage 1 where they plan to produce 2,000tpa of lithium carbonate starting from mid-2022. That means by mid 2023, all going well and at current China lithium prices, Argosy would be making about US\$64M in sales, or after cash costs Argosy would be making around US\$56M in gross revenue and close to US\$40M of profits (allows for the fact Argosy currently owns 77.5% of their Rincon Lithium Project in Argentina).

The exciting part is that Argosy can potentially fund their planned expansion from 2,000tpa to 12,000tpa (by 2025) requiring US\$141M Capex with a combination of profits (2 years of US\$40M), off-take pre-payments for year 3 (~US\$61M). Or a small equity raise could be used in combination with the pre-payment to raise the final US\$61M. The Company is working on this now and final permitting for the 12,000tpa operation. This would be an

extraordinary achievement to get to 12,000tpa production with no debt and perhaps no further equity raises. Even better is that at 12,000tpa Argosy would then own 90% of the project and at current lithium prices would be achieving sales (less royalties) of ~US\$450M pa (net profits of ~US\$270M pa) by around 2025. Quite amazing for a company that today trades on a market cap of US\$293M and no debt.

The usual risks of mining apply, and lithium prices may fall back if demand was to suddenly weaken significantly.

I forgot to mention that Argosy 100% owns another lithium asset, the Tonopah Lithium Project located near Albemarle's Silver Peak operation in Nevada, USA. This gives Argosy a second option, albeit not until a few years from now and subject to exploration and permitting success etc.

Fisker Inc. (FSR) ("Fisker")

Fisker Inc. was founded by [Henrik Fisker](#), a man with over a decade's experience in electric cars and several decades as a leading car designer. Fisker is headquartered in Los Angeles, California, USA.

Fisker had a very successful 2021 which included agreements with Magna International ([to manufacture the Fisker Ocean](#) electric SUV in Austria), Foxconn ([to make the next Fisker electric cars](#)), CATL ([battery supply deal](#)) and [the raising of US\\$625M](#) via a 2.5%pa Green Convertible Bond offering. All of this has set up Fisker for a winning 2022, boosted by the fact that they are fully funded to production. Fisker will spend 2022 establishing experience centers with production of the Fisker Ocean set to begin on November 17, 2022.

Fisker Ocean reservations stand at [18,600](#) as of November 2, 2021; however, I expect these numbers to more than triple in

2022 as we get closer to production of the Fisker Ocean. Fisker is targeting initial Ocean sales of 8,000 in 2022, 51,000 in 2023 and 175,000 in 2024. Added to that Fisker expects sales from their second vehicle from the Foxconn production [to begin around Q4 2023 and ramp to 250,000 pa.](#)

Fisker trades on a market cap of [US\\$4.67B](#). If Fisker is able to achieve production and sales of around 50,000 electric cars in 2023 and towards 250,000 in 2024 the stock price has potential to move much higher. For some perspective new electric car production startups have the following market caps and 2021 sales:

- XPeng's (XPEV) market cap is [US\\$43B](#) and sold [98,155](#) electric cars in 2021.
- NIO Inc's (NIO) market cap is [US\\$50B](#) and sold [91,429](#) electric cars in 2021.
- Lucid Group's (LCID) market cap is [US\\$62B](#) and is forecast to sell [~22,000](#) electric cars in 2021.
- Rivian Automotive's (RIVN) market cap is [US\\$91B](#) and is forecast to sell [~42,000](#) electric cars in 2021.

Lithium South Development Corp. (TSXV: LIS | OTCQB: LISMF) ("Lithium South")

Lithium South look to be a very well valued lithium junior. Lithium South trades on a market cap of only [C\\$74m](#) (~US\$59M) which is 7x less than their more advanced neighbor peer Galan Lithium (ASX: GLN) on a market cap of [A\\$574M](#) (US\$416M).

Lithium South 100% owns (option to purchase, final payment remaining) the Hombre Muerto North ("HMN") lithium Project, in Argentina. The HMN Project has a [M&I Resource of 571,000t contained LCE](#), with an excellent grade of 756mg/L, and a very low Mg/Li ratio of 2.6:1.

Lithium South is currently about to further drill their claims with a view to grow their resource further. Given that they have only explored one of their 6 claim areas (Tramo) then there is still plenty of potential exploration upside. Lithium South has also completed a PEA on the Tramo claim resulting in an [after-tax NPV8% of US\\$217m and 28% IRR](#), based on 5,000tpa lithium carbonate production over a 30-year mine life. Initial CapEx was US\$93.3m and OpEx was US\$3,112/t lithium carbonate. The PEA was based on a project price assumption of [US\\$12,420/t](#) which is way below the current China lithium carbonate price of [US\\$42,873/t](#).

Lithium South looks to be very well placed to be a winner in 2022, especially if it can grow its resource further as appears to be highly likely. Top class location and resource in the world-renowned Hombre Muerto Salar, Lithium South is a hidden gem and ranks as a top-rated small cap lithium junior in 2022.

Closing remarks

2021 exposed the EV metals supply chain weaknesses and resulted in a huge surge in prices for lithium ([6x higher](#)), cobalt, nickel and NdPr. 2022 should be no different assuming EV sales continue to surge higher.

Odds are good that this will happen in 2022 as we only have to look at the current backlog of electric car orders of over 2-3M (some say Tesla orders [are over 3M](#)). Tesla (TSLA) will bring online two new gigafactories in Texas and Berlin and likely grow their electric car production from 936,000 in 2021 to well over 1.5M in 2022. The Chinese EV OEMs are doing the same and finally the legacy OEMs appear to realize they will be bankrupt before 2030 if they don't rapidly move to EVs.

Happy New Year to all InvestorIntel readers. It certainly looks like 2022 will be another incredible year.

Disclosure: The author is long Argosy Minerals (ASX: AGY), Fisker Inc. (FSR), Lithium South Development Corp. (TSXV: LIS), Tesla (TSLA), XPeng (HK: 9868), Albemarle (ALB), Ganfeng Lithium (SHE: 002460), Lithium Americas (TSX: LAC), Core Lithium (ASX: CX0), Sayona Mining (ASX: SYA), Sigma Lithium (TSXV: SGML) and Galan Lithium (ASX: GLN).