

Rivian Automotive

Good finish to 2023, tough start to 2024, but still great product– 4Q:23 quick take

Reiterate Rating: BUY | PO: 25.00 USD | Price: 15.39 USD

4Q beat driven by better revenue and fixed cost leverage

Rivian Automotive (RIVN) reported 4Q:23 results with adj. EBITDA of \$(1.10)bn roughly in-line with BofAe at \$(1.15)bn and the Bloomberg consensus at \$(1.05)bn. The relatively good results were driven by stronger than expected revenue and better leverage of fixed cost, which returned a gross profit margin of -46.1% versus BofAe of -53.0%. On a per vehicle basis, 4Q gross profit per vehicle worsened by ~\$13k from 3Q. RIVN's deliveries of 13,972 vehicles in 4Q:23, were down sequentially from 15,564 in 3Q:23, but up 73% YoY from 8,054 in 4Q:22. RIVN produced 17,541 vehicles in the quarter, an 8% QoQ increase from the 16,304 vehicles produced in 3Q:23. On a GAAP basis, RIVN generated \$1.32bn in revenue in 4Q:23 (BofAe \$1.21bn), and operating expenses were \$975mm (BofAe \$951mm). RIVN ended 4Q:23 with \$9.4bn of cash, while cash burn was \$(1.41)bn. Following 4Q:23 reporting and what appears to be a slower volume ramp, we are lowering our forward estimates and PO from \$40 to \$25 (still based on 3x EV/sales on 2025e and supported by our capital induced framework).

Choppy 2024 EBITDA and production outlook

RIVN provided its outlook for 2024. The company expects production to be ~57k units, which suggests deliveries well below our forecast (BofAe 67k). This implies no progress in ramping production in 2024. However, we note that RIVN announced a mid-year production stoppage to implement changes that should improve plant efficiency, increase production rates by 30%, and subsequently lower costs. RIVN is targeting an adjusted EBITDA loss of \$(2.7bn) vs new lowered BofAe at \$(2.8bn). Yet, RIVN still expects modest gross margin in 4Q24 as new engineering design changes are implemented. Capex is guided to \$1.75bn vs. \$1.0bn in 2023, which combined with EBITDA implies cash burn of about \$4.5bn. Management indicated SOP of the R2 platform is late 2026 with its unveil on March 6th. Noticeably, the company stated that the order bank has reduced due to higher deliveries in 2023 versus 2022, and cancellations due to macro and customer factors.

RIVN still in right place/time with right product/strategy

We reiterate our Buy rating on RIVN, which is predicated on our view that the company is one of the most viable among the start-up EV automakers with attractive product, solid long-term strategy, and adequate funding well into 2025.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(6.34)	(4.88)	(4.00)	(1.00)	0
GAAP EPS	(7.40)	(5.74)	(5.02)	(3.48)	(2.20)
EPS Change (YoY)	57.1%	23.0%	18.0%	75.0%	NM
Consensus EPS (Bloomberg)			(3.65)	(2.17)	(1.74)
DPS	0	0	0	0	0
Valuation (Dec)					
EV / EBITDA*	NM	NM	NM	16.6x	6.9x
Free Cash Flow Yield*	-43.3%	-39.8%	-28.5%	-14.9%	-9.1%

* For full definitions of *IQmethod*SM measures, see page 5.

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Timestamp: 22 February 2024 05:00AM EST

22 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	40.00	25.00
2024E Rev (m)	5,935.0	4,874.5
2025E Rev (m)	10,052.2	7,828.7
2026E Rev (m)	16,860.0	13,547.4
2024E EPS	-2.50	-4.00
2025E EPS	-0.40	-1.00
2026E EPS	0.70	0

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Stock Data

Price	15.39 USD
Price Objective	25.00 USD
Date Established	22-Feb-2024
Investment Opinion	C-1-9
52-Week Range	11.68 USD - 28.06 USD
Mkt Val (mn) / Shares Out (mn)	14,821 USD / 963.0
Free Float	81.8%
Average Daily Value (mn)	500.51 USD
BofA Ticker / Exchange	RIVN / NAS
Bloomberg / Reuters	RIVN US / RIVN.OQ
ROE (2024E)	-55.8%
Net Dbt to Eqty (Dec-2023A)	-54.0%
ESGMeter TM	NLA

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

RIVN = Rivian

EV = Electric Vehicles

OEMs = Original Equipment Manufacturers

SOP = Start Of Production

iQprofileSM Rivian Automotive

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-32.9%	-31.6%	-34.7%	-32.0%	-23.9%
Return on Equity	-34.7%	-40.3%	-55.8%	-23.1%	-0.1%
Operating Margin	-413.5%	-129.4%	-106.5%	-45.8%	-18.4%
Free Cash Flow	(6,421)	(5,892)	(4,228)	(2,209)	(1,355)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	2.1x	1.1x	1.3x	1.2x	1.1x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-74.9%	-54.0%	-7.2%	48.2%	83.4%
Interest Cover	NM	-26.1x	-23.6x	-29.2x	-22.6x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	1,658	4,434	4,875	7,829	13,547
% Change	2,914.5%	167.4%	9.9%	60.6%	73.0%
Gross Profit	1,658	4,434	4,875	7,677	13,277
% Change	NM	167.4%	9.9%	57.5%	72.9%
EBITDA	(5,217)	(3,981)	(2,891)	915	2,207
% Change	-87.0%	23.7%	27.4%	NM	141.3%
Net Interest & Other Income	90	302	280	77	(10)
Net Income (Adjusted)	(5,783)	(4,617)	(3,911)	(1,008)	(3)
% Change	-91.9%	20.2%	15.3%	74.2%	99.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(6,770)	(5,438)	(4,911)	(3,508)	(2,503)
Depreciation & Amortization	652	937	1,300	2,000	2,200
Change in Working Capital	(941)	(1,414)	134	(901)	(1,052)
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	2,007	1,049	1,000	2,500	2,500
Capital Expenditure	(1,369)	(1,026)	(1,750)	(2,300)	(2,500)
Free Cash Flow	-6,421	-5,892	-4,228	-2,209	-1,355
% Change	-45.4%	8.2%	28.2%	47.7%	38.6%
Share / Issue Repurchase	102	61	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	11,568	9,368	4,779	2,570	1,215
Trade Receivables	102	161	200	322	557
Other Current Assets	1,460	2,784	2,653	3,410	4,822
Property, Plant & Equipment	3,758	3,874	4,324	4,624	4,924
Other Non-Current Assets	988	591	591	591	591
Total Assets	17,876	16,778	12,547	11,517	12,109
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	2,424	2,487	2,529	2,507	3,101
Long-Term Debt	1,231	4,431	4,431	4,431	4,431
Other Non-Current Liabilities	422	719	719	719	719
Total Liabilities	4,077	7,637	7,679	7,657	8,251
Total Equity	13,798	9,143	4,868	3,861	3,857
Total Equity & Liabilities	17,875	16,780	12,546	11,517	12,109

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Autos/Car Manufacturers

Company Description

Rivian is a new automotive company focused on the design, development, customer experience, sale and service of electric vehicles across the consumer and commercial markets. Its initial consumer vehicles include the R1T pickup and R1S SUV, while its initial commercial vehicle is the EDV, co-developed with key anchor customer Amazon. Rivian's vehicles are complemented by a suite of direct-to-consumer services, including finance, insurance, service, charging, resale, and membership/subscriptions.

Investment Rationale

We have a Buy on RIVN, which is predicated on our view that it is one of the most viable among start-up EV automakers and a relative competitive threat to incumbent OEMs (and possibly to other automotive-related verticals). RIVN also has an interesting / attractive product, relatively competitive technology, and intangible value in the Rivian brand. While we acknowledge the competitive landscape for EVs is fierce, we believe RIVN has more pieces in place and in progress than most EV OEM peers.

Stock Data

Average Daily Volume 32,522,048

Quarterly Earnings Estimates

	2023	2024
Q1	-1.25A	-1.05E
Q2	-1.08A	-1.30E
Q3	-1.18A	-1.00E
Q4	-1.36A	-0.65E

Exhibit 1: RIVN YoY & variance table versus BofAe
RIVN reported 4Q:23 non-GAAP adjusted EBITDA of loss of \$(1.10)bn versus BofAe \$(1.15)bn

	YoY Change			Variance vs BofAe		
	4Q:23	4Q:22	YoY	Actual	BofAe	Δ
Deliveries	13,972	8,054	73%	13,972	13,972	0%
Revenue	\$1,315,000	\$663,000	98%	\$1,315,000	\$1,211,510	9%
Gross Profit	(\$606,000)	(\$1,000,000)	39%	(\$606,000)	(\$642,100)	6%
Operating Income	(\$1,581,000)	(\$1,795,000)	12%	(\$1,581,000)	(\$1,593,136)	1%
Net Income - GAAP	(\$1,521,000)	(\$1,723,000)	12%	(\$1,521,000)	(\$1,522,136)	0%
Continuing Ops EPS - Non-GAAP	(\$1.36)	(\$1.73)	21%	(\$1.36)	(\$1.40)	3%
Adjusted EBITDA	(\$1,096,000)	(\$1,461,000)	25%	(\$1,096,000)	(\$1,150,136)	5%

Source: Company filings, BofA Global Research estimates

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Price objective basis & risk

Rivian Automotive (RIVN)

Our price objective of \$25, based on 3x EV/Sales on our 2025 estimates, implying 0.5x EV/Sales and 3x EV/EBITDA on pro-forma capital-induced 2030 estimates. Our valuation framework for RIVN is relatively consistent with its peer and includes the following steps: 1) What the current stock price affords to RIVN in incremental plants/units. 2) What the incremental units translates into in incremental revenue/profits. 3) What the incremental revenue/profits translates into in terms of multiples on theoretical pro-forma 2030 metrics.

Downside risks: 1) inability to continue to raise low cost capital to fund business ventures, 2) inability to convert pre-orders and orders into unit sales, revenue, and eventually earnings, 3) termination of or amendment to sales and service agreement with anchor customer, 4) direct-to-consumer sales and service model may create challenges for business to scale, 5) inability to reach sustainable positive EBITDA/FCF with investment across numerous business areas.

Upside risks: 1) significant and better than expected customer traction for introduced/unveiled products, 2) successful execution of go-to-market strategy via direct-to-consumer sales and service model, 3) better than expected progress ramp of production and successful build-out of incremental capacity, 4) breakthrough in advanced battery technology to drive ICE/EV parity, 5) incremental government/regulatory support/stimulus for EV market.

Analyst Certification

I, John Murphy, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Automotives Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Adient Plc	ADNT	ADNT US	John Murphy, CFA
	Aptiv PLC	APTIV	APTIV US	John Murphy, CFA
	Asbury Auto	ABG	ABG US	John Murphy, CFA
	AutoNation, Inc.	AN	AN US	John Murphy, CFA
	BorgWarner	BWA	BWA US	John Murphy, CFA
	Ferrari	RACE	RACE US	John Murphy, CFA
	Ferrari NV	XJHKF	RACE IM	John Murphy, CFA
	Ford Motor	F	F US	John Murphy, CFA
	General Motors Company	GM	GM US	John Murphy, CFA
	Group 1 Auto	GPI	GPI US	John Murphy, CFA
	Lear Corp.	LEA	LEA US	John Murphy, CFA
	Lithia Motors A	LAD	LAD US	John Murphy, CFA
	Magna Intl	MGA	MGA US	John Murphy, CFA
	Magna Intl	YMG	MG CN	John Murphy, CFA
	Penske Auto Group	PAG	PAG US	John Murphy, CFA
	Rivian Automotive	RIVN	RIVN US	John Murphy, CFA
	Visteon	VC	VC US	John P. Babcock
NEUTRAL				
	Gentex	GNTX	GNTX US	John Murphy, CFA
	Lucid Group	LCID	LCID US	John Murphy, CFA
	Luminar Technologies	LAZR	LAZR US	John P. Babcock
	Tesla Motors	TSLA	TSLA US	John Murphy, CFA

US - Automotives Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM	American Axle	AXL	AXL US	John Murphy, CFA
	America's Car-Mart, Inc.	CRMT	CRMT US	John Murphy, CFA
	CarMax, Inc.	KMX	KMX US	John Murphy, CFA
	Mobileye	MBLY	MBLY US	John Murphy, CFA
	OPENLANE	KAR	KAR US	John Murphy, CFA
	Sonic Automotive	SAH	SAH US	John Murphy, CFA
RVW	Fisker	FSR	FSR US	John P. Babcock

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
 $\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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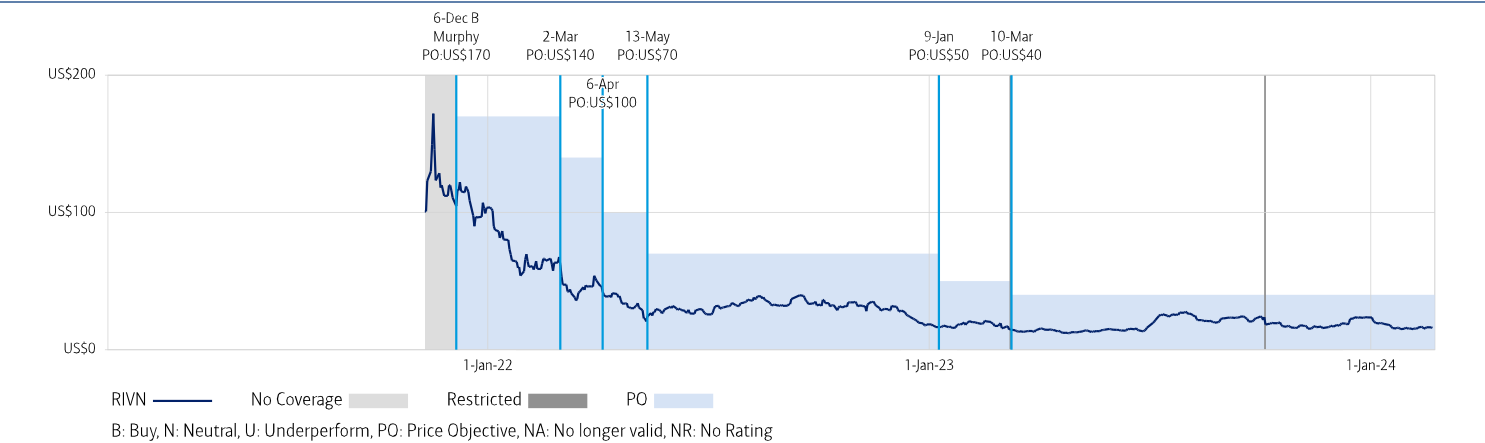
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Rivian Automotive (RIVN) Price Chart



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Equity Investment Rating Distribution: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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