

DESK NOTE

10.06.2025

Tesla, Inc. (TSLA US) – *Dreams of Robotaxis Can't Disguise Today's Lackluster Performance and Execution Risks*

Conclusive Summary: We recommend **avoiding TSLA at current levels** due to persistent financial underperformance, mounting execution risks, and a valuation that remains disconnected from fundamentals and near-term realities.

Q1 2025 results fell short of expectations, with revenue of \$19.34 billion (down 9.2% YoY) and EPS of \$0.27, both missing consensus estimates, which was attributed to planned global factory upgrades, but management offered no clear timeline for margin recovery. Tesla faces intensifying competition, with **market share losses in China and Europe** as domestic and legacy automakers expand their EV offerings. The **potential rollback of U.S. EV subsidies** under a Trump administration poses additional downside risk. Management continues to emphasize a long-term pivot toward autonomous driving and AI-powered robotics, projecting a robotaxi launch in Austin by June 2025 and thousands of Optimus robots deployed in factories by year-end. In our view, these initiatives remain speculative and uncertain, with regulatory, technological, and scaling challenges still unresolved. Given the current operational headwinds, lack of near-term catalysts, and heightened valuation relative to peers, we believe the stock's risk/reward profile is unfavorable.

Competitive Position: faces competition from legacy automakers, EV startups, energy firms, and tech entrants. It **differentiates itself through deep vertical integration**, designing and producing key components in-house, including batteries and software. Tesla invests heavily in battery tech and full self-driving software. Its **direct-to-consumer sales** model bypasses traditional dealerships, allowing for pricing control and a streamlined customer experience. In energy, Tesla's **integrated ecosystem of solar and storage products**, combined with proprietary software and scalable hardware like the Megapack, positions it uniquely among fragmented competitors. Tesla's brand recently suffered reputational damage due to Elon Musk's (CEO) close relationship with the U.S. president, Donald Trump.

Valuation: Using a combination of optimistic multiple and DCF valuations, **we reach a blended target price (TP) of \$169, representing a -45% downside** from current prices. TSLA is trading 1-2 standard deviations above its 5-year mean multiples (EV/Sales, EV/EBIT, P/FCF, and P/E), demonstrating room for mean reversion. As the stock appears highly overpriced, **we suggest avoiding Tesla stock.**

Ticker: TSLA US

Previous day close price: \$308.58

Price range (52w.): \$167.41- \$488.54

Reason for note: Initiation

Target price: \$169 (-45% Downside)

Recommendation: *Avoid*

Description: Tesla, Inc. is a vertically integrated sustainable energy and transportation company that designs, manufactures, and sells electric vehicles (EVs), energy products, and related services. It generates 49% of its sales from the U.S., 21% from China, and 30% from other countries.

Revenue is attributed to the following segments:

- **Automotive (85% of FY24 Revenue):** Core business includes EV sales and leasing (Model 3, Y, S, X, Cybertruck, Semi), regulatory credit sales, Supercharging, used vehicle sales, in-app software upgrades (e.g., Full Self-Driving), insurance, and services.
- **Energy Generation and Storage (7%):** Revenue from solar products (Solar Roof, retrofit systems), battery storage (Powerwall, Megapack), software, installation services, and energy contracts.
- **Services and Other (8%):** Includes non-warranty repairs, parts, retail merchandise, and ancillary offerings. Tesla sells directly to consumers through online channels and company-owned stores, with growth driven by innovation in battery tech, self-driving software, energy systems, and upcoming services like robotaxis.

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Target Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/Sales	6	106,566	970,820	-23,868	663,266	3,220	\$205.98
EV/EBIT	60	7,932	475,892	-23,868	499,760	3,220	\$155.20
P/FCF	80	4,061			304,594	3,220	\$100.90
P/E	60	2.33			450,693	3,220	\$139.97
Avg. DCF Price							\$187.57
Avg. Multiple & DCF Price							\$169.04

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Quarterly Earnings Preview:

TSLA	Expected Report Date		Next FY End	Preview Date
TESLA INC	7/23/2025 ?		12/31/2025	6/10/2025
Targets	DPRG	169	Street	294.66
Current Price/ Upside	308.58	-45.2%		-4.5%
Quarterly Preview		Last Q Report		
Last Close	Estimate	4/22/2025		
308.58	Q2	2025 Q1		Year Ago
			% Surprise	
Sales, \$ mil.	23,756	19,335	-9.51%	21,301
growth	qoq	22.9%	yoy	11.5%
EBITDA, \$ mil.	3,353	2,065	-11.11%	2,082
growth	qoq	62.4%	yoy	61.0%
Net Income, \$ mil.	1,677	580	-39.69%	1,129
growth	qoq	189.0%	yoy	48.5%
EPS, \$	0.47	0.17	-37.79%	0.34
growth	qoq	179.9%	yoy	40.9%
EPS GAAP, \$	0.36	0.12	-63.08%	0.41
growth	qoq	198.3%	yoy	-12.7%
Valuation	Current	-1STD	Average 2Y	+1STD
EV to Forward 12M Sales	9.11	5.13	7.02	8.90
EV to Forward 12M EBITDA	62.41	31.23	42.71	54.19
Price to Forward 12M EPS	132.07	53.00	79.85	106.70
EV/Sales	Slightly Overpriced			
EV/EBITDA	Overpriced			
PE	Overpriced			
Total Rating on Valuation	Overpriced			

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