



Tesla, Inc.

TSLA

EQUITY RESEARCH REPORT

May 04, 2026

TSLA — Tesla, Inc.

Report Date: May 4, 2026

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID**
Current Price	\$390.82
Fair Value (Base Case)	\$165.00
Margin of Safety	-57.8% (overvalued)
Target Entry (if HOLD)	\$140.00

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	N/A
Expected Price Appreciation	-3% to -5% CAGR
Total Expected Return (Base)	-4.0% CAGR
Bear Case Total Return	-12.0% CAGR
Bull Case Total Return	+6.0% CAGR
Probability-Weighted Return	-3.5% CAGR

Risk Assessment	Value
Wealth Preservation Score	28 / 100
Downside Protection Score	25 / 100
Quality Score	42 / 100
Risk Level	ELEVATED
Probability of >50% Loss	~40%
Recession Profile	VULNERABLE

One-Line Thesis:

Tesla trades at 187-381x trailing earnings on deteriorating fundamentals, with the stock priced for autonomy and robotaxi outcomes that no preservation-oriented capital allocator should underwrite at this multiple.

INVESTMENT THESIS

You are being asked to pay \$390.82 for a share of a company earning roughly \$1.20-\$3.85 per year, depending on which trailing measure you accept. The cheapest version of that math gives you a 100x P/E. Tesla's automotive business — still 80%+ of revenue — saw deliveries decline 2% in 2024, gross margins compress from 25.6% in 2022 to 17.9% in 2024, and net income fall 17.6% year-over-year. Revenue grew 0.9% in 2024. This is not a growth company at the operational level right now; it is a stagnating automaker priced as a software-and-robotics platform.

The bull case for owning Tesla today rests on three bets: Full Self-Driving achieves true autonomy and gets monetized at scale, the robotaxi network launches and captures meaningful share of mobility, and energy storage continues compounding above 40% annually. Each bet may pay off. None can be quantified with the rigor a preservation mandate requires. Analyst projections cited in the data show negative free cash flow expected in 2026 and 2027 as capex stays elevated for AI and robotics, with FCF only turning positive in 2028. You are paying a 210x P/FCF multiple for a company expected to burn cash for the next two years.

The downside is not theoretical. AlphaSpread's mean-reversion analysis to a 5-year average EV/EBIT of 115x implies a fair value of \$167 — a 57% decline. Reversion to the 3-year average gives \$135. Reversion to industry average gives \$35. Even granting Tesla a permanent premium for its software and energy ecosystem, the valuation gap to peers (Toyota at 11x P/E, BYD at 35x) is too wide to call this a wealth preservation candidate. Add Elon Musk's documented key-person risk, the 2024 dilution from \$3 billion in stock-based compensation, and the absence of any dividend cushion, and you have a position where the bear case is severe and the base case does not clear our 7% hurdle. **Exit triggers if you already own this:** price below \$300 with no fundamental improvement, FSD/Robotaxi commercial timeline slipping again, automotive gross margin below 15%, any Musk-related governance event triggering a leadership question.

1. BUSINESS QUALITY ASSESSMENT

Tesla operates a vertically integrated EV manufacturer with a growing energy storage business and an expanding software-and-services layer. The Supercharger network is genuine infrastructure with network effects. The brand commands real pricing power in the premium EV segment. Energy storage grew roughly 50% in 2024 to approximately \$10 billion in revenue and is the highest-quality growth engine in the company.

The automotive business is the problem. Volume fell 2% in 2024 to 1.79 million units. Price cuts to defend share against BYD and other Chinese OEMs compressed gross margins by 700 basis points over two years. The company is now competing with manufacturers that have lower cost structures, faster product cycles, and home-market regulatory advantages.

Moat Assessment:

- Primary Moat: Charging network + brand + software stack (Medium-High durability)
- Threat Assessment: ELEVATED — Chinese OEMs are closing the technology gap; legacy automakers have caught up on EV economics
- Moat Preservation Confidence: MEDIUM

The moat is real but narrowing in the core automotive segment. The energy and software moats are widening. Net effect: mixed.

2. FINANCIAL FORTRESS ANALYSIS

Metric	2024 Value	Threshold	Pass/Fail
Debt-to-Equity	~0.10x	<1.0x	PASS
Interest Coverage	>20x	>5x	PASS
Current Ratio	~1.7x	>1.5x	PASS
FCF Positive (5 of 5 years)	Yes	4 of 5	PASS
FCF Trend	Declining	Stable/Growing	FAIL
Cash position	Strong	>20% of debt	PASS

The balance sheet itself is strong. Net cash, low leverage, ample liquidity. However, the trajectory matters more than the snapshot. FCF declined from \$8.5B in 2021 to \$6.3B in 2024, and analyst projections point to negative FCF in 2026-2027 due to capex on AI infrastructure and robotics. The "fortress" rating applies to today's balance sheet but not to the forward two-year capital intensity.

Solvency Assessment: ADEQUATE (would be FORTRESS on snapshot alone, downgraded for forward capex profile)

Stress Test: A 30% revenue decline for two years would still leave Tesla solvent given its cash position, but would crush margins to negative territory and likely require curtailment of growth capex. No dividend to cut.

3. DIVIDEND ANALYSIS

Tesla pays no dividend. For a wealth preservation portfolio, this removes the income cushion entirely. Total return depends 100% on multiple compression or expansion plus earnings trajectory. Given current multiples sit at the high end of historical ranges, multiple expansion is unlikely; multiple compression is the base case.

Dividend Sustainability: N/A

4. VALUATION ANALYSIS

Metric	Current	5Y Avg	vs. History	Assessment
P/E (TTM)	187-381x	224x	At/above	EXPENSIVE
Forward P/E	~180x	~120x	+50%	EXPENSIVE

Metric	Current	5Y Avg	vs. History	Assessment
EV/EBITDA	79-130x	~60x	+50-100%	EXPENSIVE
EV/EBIT	270x	115x	+135%	EXPENSIVE
P/FCF	210x	~90x	+130%	EXPENSIVE
P/B	17.5x	~15x	Above	EXPENSIVE

Every multiple sits above its 5-year average. The 5-year average itself reflects the post-2020 mania period; comparison to 10-year averages would show even greater distortion.

Peer Comparison:

- Tesla: 187-381x P/E
- Toyota: 11x
- BYD: 35x
- Hyundai: 15x
- Sector average: ~19x

Even granting Tesla a 5x premium to the sector for software optionality, fair P/E sits around 95x — implying \$100-150 per share against current \$390.82.

Margin of Safety Calculation:

Using normalized 2024 EPS of \$3.85 and a generous 50x P/E (still 2.5x peer average):

Fair Value = \$192.50

Current Price = \$390.82

Margin of Safety = -50.7% (overvalued)

Valuation Verdict: EXPENSIVE

5. SCENARIO ANALYSIS

BEAR CASE (30% probability):

- Auto deliveries decline 5-10% annually for two years on Chinese competition
- Gross margins compress to 14%
- FSD/Robotaxi monetization disappoints
- Multiple compresses to industry-adjusted 40x P/E
- 5-Year Price Target: \$180
- Total Return CAGR: **-13.6%**

BASE CASE (50% probability):

- Auto deliveries flat to +3% annually
- Energy storage grows 30%+
- Margins recover modestly to 19%

- FSD generates incremental revenue but no robotaxi at scale
- Multiple compresses to 80x P/E (still rich vs. peers)
- 5-Year Price Target: \$320
- Total Return CAGR: **-3.9%**

BULL CASE (20% probability):

- Robotaxi launches successfully in 2027-2028
- FSD subscription revenue scales
- Energy doubles
- Multiple holds at 150x
- 5-Year Price Target: \$550
- Total Return CAGR: **+7.1%**

Probability-Weighted Expected Return: -3.5% CAGR

This fails the hurdle by roughly 10 full percentage points. Even the bull case barely clears the inflation + 4% threshold.

6. RISK ASSESSMENT

Capital at Risk:

- Bear case price decline from \$390.82 to \$180: -54%
- Probability of >50% permanent loss: ~40%
- This single metric disqualifies Tesla from the wealth preservation mandate

Key Risks:

1. **Valuation reversion** — The largest risk; multiples compressing to historical or peer norms causes 50%+ decline regardless of operational performance
2. **Key-person risk** — Musk's departure or incapacitation removes much of the optionality premium overnight; no succession framework disclosed
3. **Chinese competition** — BYD and others closing technology gap with structural cost advantages
4. **FSD/Autonomy timeline** — Repeatedly missed; current valuation requires success
5. **Capex burden** — Forward FCF expected negative in 2026-2027
6. **Dilution** — \$3B in 2024 stock-based compensation continues
7. **Regulatory** — Autopilot scrutiny, NHTSA actions, potential mandated recalls

Recession Profile: VULNERABLE — Premium-priced discretionary product, no dividend cushion, high-multiple stock with maximum drawdown risk in any risk-off environment.

7. MANAGEMENT & GOVERNANCE

Elon Musk has built an extraordinary company. He has also publicly attacked regulators, divided his attention across multiple ventures, made compensation demands the courts have repeatedly questioned, and created a governance structure where the company's optionality is inseparable from his personal involvement.

For a wealth preservation portfolio, you need predictable execution and aligned governance. Tesla offers visionary execution and concentrated key-person dependency. These are not the same thing.

Capital Allocation Track Record:

- No buybacks, no dividends
- Heavy reinvestment into Gigafactories (track record: positive)
- AI/robotics capex (track record: unproven)
- Stock-based compensation as percentage of net income: ~24% in 2024 (concerning)

Management Quality: GOOD operational, CONCERNING governance

Capital Allocation: ACCEPTABLE for growth investor, POOR for preservation investor

8. PEER COMPARISON

Dimension	Tesla	Toyota	BYD	Best for Preservation
D/E	0.10x	0.55x	0.45x	Tesla
P/E	187-381x	11x	35x	Toyota
Dividend Yield	0%	~2.5%	~1.0%	Toyota
5Y Dilution	~3%/yr	<0.5%	~1%	Toyota
Valuation vs. History	Above	At	Above	Toyota
Recession Resilience	Vulnerable	Resilient	Sensitive	Toyota

Tesla wins on balance sheet leverage. It loses on every metric a preservation investor cares about: yield, valuation, dilution, and downside protection.

9. KEY METRICS SUMMARY

Score Component	Value	Max
Balance Sheet Fortress	32	40
Income Reliability	0	30
Capital Efficiency	7	15
Valuation	0	15
Total Quality Score	**39**	**100**

WP Score Component	Weight	Score
Downside Protection	45%	25
Return Adequacy	30%	20
Quality	25%	39
Composite WP Score		**28**

A score of 28 sits well below the 65 threshold required for a buy and below the 50 threshold for any consideration. Tesla fails three absolute requirements: bear case total return is negative, base case fails the 7% hurdle, and probability of >50% permanent loss exceeds 10%.

10. MONITORING CHECKLIST

Trigger	Threshold	Action
Price decline	Below \$200	Re-evaluate with updated fundamentals
Price decline	Below \$140	Initial position consideration if quality intact
Auto gross margin	Below 15%	Avoid further; thesis deteriorating
FSD/Robotaxi commercial launch	Confirmed scaled revenue	Re-rate quality score
FCF	Two consecutive negative quarters	Avoid; capital discipline failure
Musk departure or major distraction	Any material event	Immediate re-evaluation
Multiple compression	EV/EBIT below 80x	Begin watchlist tracking
Dilution	Annual share count growth >3%	Quality downgrade

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Tesla at \$390.82 fails the wealth preservation mandate on every dimension that matters. The base case total return is negative. The bear case implies losses exceeding 50%. The valuation requires aggressive assumptions about autonomy and robotaxi outcomes that cannot be quantified. There is no dividend to anchor returns. The probability of permanent capital impairment exceeds our 10% threshold by a wide margin.

A 4% high-yield savings account beats the probability-weighted expected return of this position by approximately 7.5 percentage points annually, with zero risk of permanent loss. That is not a comparison Tesla can win at this price.

If you already own Tesla and have substantial unrealized gains, the tax-adjusted decision differs. For new capital allocation, this is not a candidate.

What would change the assessment: A price below \$140 (implying ~36x base-case earnings), confirmed and scaled robotaxi revenue, automotive gross margin recovery above 22%, and a credible succession plan addressing key-person risk.

ANALYST NOTES

Key Assumptions:

- Trailing EPS range of \$1.20-\$3.85 reflects different normalization methodologies in source data; bear analysis uses lower end
- Peer multiples assumed to be reasonable proxies for normalized auto industry valuation
- Robotaxi probability of commercial scale within 5 years estimated at 20% based on historical FSD timeline slippage
- 5-year horizon used for scenario analysis vs. 10-year framework default given valuation reversion expected on shorter timeframe

Limitations:

- Source data shows valuation multiples ranging widely depending on which EPS figure is used; this introduces meaningful uncertainty in absolute valuation
- Q1 2026 earnings beat (EPS \$0.41) noted but full-year 2025 financials not detailed in source data
- Energy storage margins not separately disclosed; segment quality assessment partially inferred
- Insider transaction data not available in source materials

Confidence Level: HIGH — The valuation case for AVOID does not depend on precise estimates. Even using the most generous interpretation of every input, Tesla trades at multiples that cannot be reconciled with a wealth preservation mandate.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

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