



Tesla, Inc.

TSLA

EQUITY RESEARCH REPORT

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TSLA — Tesla, Inc.

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EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID**
Current Price	€344.11 (USD \$393.45)
Fair Value (Base Case)	€135–160
Margin of Safety	Negative (–54% to –61%)
Target Entry (if watchlist)	€120 or below

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	N/A (pays no dividend)
Expected Price Appreciation (Base)	–6% to –9% CAGR
Total Expected Return (Base)	–7% CAGR
Bear Case Total Return	–18% CAGR
Bull Case Total Return	+11% CAGR
Probability-Weighted Return	–5.5% CAGR

Risk Assessment	Value
Wealth Preservation Score	**31 / 100**
Downside Protection Score	30 / 100
Quality Score	42 / 100
Risk Level	**ELEVATED**
Probability of >50% Loss	~30%
Recession Profile	VULNERABLE

One-Line Thesis:

Tesla trades at roughly 100x earnings on a business whose returns on capital have collapsed below its cost of capital, with no dividend, deteriorating auto economics, and a valuation that prices in autonomy and robotics

revenue that does not yet exist at scale — a profile that fails every core capital-preservation test.

INVESTMENT THESIS

You are being asked to pay a growth-stock multiple for a company whose actual results have gone backward. Tesla delivered two consecutive years of falling vehicle volumes (down 9% in 2025 after a similar 2024 decline), reported 2025 net income of \$3.79 billion on \$94.83 billion of revenue, and now earns a return on invested capital of roughly 3% against a cost of capital near 12.6%. When a business earns less than its cost of capital, it destroys economic value with every dollar it reinvests. Tesla reinvests heavily. The math works against you.

The bull argument rests on things that have not happened: profitable robotaxi operations, mass adoption of Full Self-Driving software at high margins, and Optimus robots generating revenue. Each may eventually arrive. None generates material cash today. Meanwhile the core auto business, which funds everything, has shifted from a high-margin growth engine to a price-competitive commodity manufacturer facing BYD and a wave of Chinese and legacy EV rivals. The company cut prices roughly 20% on some trims in 2023 to defend volume, and 2026 opened with the weakest quarterly deliveries in a year as U.S. incentives faded. Capital preservation requires that you first ask how much you can lose. Here the answer is a lot: a stock at approximately 100x earnings with collapsing returns can lose half its value through multiple compression alone, without any operational catastrophe.

Set against a 4% savings account, this position offers no income, negative probability-weighted expected return, and an unacceptable downside distribution. The balance sheet is genuinely strong — \$44 billion in cash and only \$7.9 billion of debt — so this is not a bankruptcy story. It is a valuation and business-quality story. A fortress balance sheet does not protect you from paying ten times a fair price. The framework's absolute requirements fail on multiple counts, and no upside scenario rescues a position where the base case return is negative and the probability of significant permanent loss exceeds our 10% ceiling.

1. BUSINESS QUALITY ASSESSMENT

Tesla is an understandable business at its core: it makes and sells electric vehicles, energy storage, and charging infrastructure, and sells software features on top. The sector is not in secular decline; electrification is a multi-decade tailwind. But the automotive industry is **highly cyclical and capital-intensive**, which under our framework demands both a fortress balance sheet and a valuation discount. Tesla has the first and none of the second.

Sector classification: Highly cyclical (autos). Requires exceptional balance sheet AND valuation discount to proceed. The balance sheet qualifies; the valuation disqualifies.

The strategic pivot toward AI, robotaxi, and Optimus moves the company from an understandable manufacturer toward a speculative technology bet. The largest single 2026 capex destination is AI compute — over \$10 billion already sunk into a Texas training center. You cannot underwrite the downside of a business whose value increasingly depends on unproven, unmonetized initiatives.

2. FINANCIAL FORTRESS ANALYSIS

This is Tesla's strongest area, and it is not enough to save the thesis.

Metric	Value	Threshold	Assessment
Cash & investments (2025)	\$44.06B	—	Excellent
Total debt (2024)	\$7.91B	—	Very low
Debt-to-Equity	~0.10–0.15x	<0.5x	Fortress
Cash as % of debt	>500%	>20%	Excellent
Operating cash flow (2025)	\$14.75B	—	Positive
FCF (2024)	~\$3.58B	Positive 4/5 yrs	Positive
FCF (2023)	~\$4.36B	—	Positive
Interest coverage	>20x	>5x	Fortress
Current ratio	~1.7x (est.)	>1.5x	Adequate

Stress test (revenue –30% for 2 years): Tesla remains solvent with ease given \$44B cash and minimal debt. No dividend to cut. No dilutive raise needed. The company survives any recession.

Solvency Assessment: FORTRESS

The problem is not survival. It is that a fortress balance sheet earning 3% ROIC still destroys value. Strong liquidity protects against bankruptcy, not against a 50% price decline driven by earnings and multiple compression.

3. DIVIDEND ANALYSIS

Tesla pays **no dividend**. For a wealth-preservation mandate, this removes the income cushion that provides return regardless of price direction. Every euro of your return must come from price appreciation, which the base case projects as negative.

Dividend Sustainability: N/A (no dividend)

Under our income-reliability scoring, Tesla forfeits the entire 30-point Income Reliability block.

4. VALUATION ANALYSIS

Metric	Approx. Current	Assessment
P/E (trailing)	~100x+ (implied by \$393 price, ~\$1.05–1.1x 2025 EPS)	Extreme
Independent 2026 analysis P/E	~383x (cited)	Extreme

Metric	Approx. Current	Assessment
P/B	~17.7x (cited)	Extreme
Net margin	~4%	Weak for the multiple
ROIC	~2.95%	Below WACC (~12.6%)

Earnings math: 2025 net income was \$3.79 billion. Against Tesla's share count (~3.5 billion+), diluted EPS is roughly \$1.05–1.10. At \$393.45, that implies a trailing P/E near 100x on a shrinking-revenue, shrinking-profit business.

Margin of safety calculation: Applying even a generous 30x multiple to \$1.10 normalized EPS yields a fair value near \$33/share. To justify \$393, you must assume either a 10x earnings increase or that autonomy/robotics revenue arrives massively and at high margin. Using a still-optimistic \$4 forward EPS (a near-quadrupling) at 35x gives ~\$140. The margin of safety is deeply negative under any grounded assumption.

Valuation: EXPENSIVE | Margin of Safety: –54% to –61%

Under our framework, trading >40% above historical fair multiples triggers AVOID regardless of quality. Tesla clears that bar by a wide margin.

5. SCENARIO ANALYSIS (10-Year, Total Return)

BEAR CASE (30% weight): Robotaxi/Optimus fail to monetize meaningfully; auto remains commodity-margin; multiple compresses toward auto-industry norms (15–25x). Price re-rates to €90–120.

- Total Return CAGR: **–18%**

BASE CASE (45% weight): Modest volume recovery, low-cost model ramps at thin margin, some FSD software revenue, multiple compresses to ~40–50x on modestly higher earnings. Price drifts to €150–200.

- Total Return CAGR: **–7%**

BULL CASE (25% weight): Robotaxi scales, FSD becomes a high-margin recurring revenue stream, Optimus reaches commercial deployment, earnings multiply. Price reaches €700–900.

- Total Return CAGR: **+11%**

Scenario	Price Target (EUR)	Total CAGR	Weight	Contribution
Bear	€105	–18%	30%	–5.4%
Base	€175	–7%	45%	–3.2%
Bull	€800	+11%	25%	+2.8%
Expected		**–5.5%**		

Critical framework test: Bear case total return is deeply negative (–18%). Base case total return is negative (–7%), failing the ≥7% hurdle. Both absolute requirements fail.

6. RISK ASSESSMENT

Downside Protection Analysis

- Historical max drawdown: Tesla has fallen >60% multiple times (2022, and prior episodes).
- Bear case decline from current: ~-69%.
- Probability of permanent >50% loss (not recovered in 5 years): estimated ~30% — three times our 10% ceiling.

Key Risks

- **Valuation risk (primary):** ~100x earnings on falling profits. Multiple compression alone can halve the price.
- **Deteriorating returns:** ROIC ~3% vs. WACC ~12.6%; value destruction on reinvested capital.
- **Competition:** BYD surpassed Ford in global sales; Chinese OEMs undercut on price; legacy makers rolling out EV platforms.
- **Demand/incentive fade:** Weakest quarterly deliveries in a year to open 2026; U.S. tax credits repealed/restricted per 2025 10-K.
- **Strategic pivot risk:** Value increasingly rests on unmonetized robotaxi/Optimus bets with heavy sunk capex.
- **Regulatory/litigation:** Securities class actions disclosed; Autopilot/FSD scrutiny; 37 zero-day vulnerabilities demonstrated at Pwn2Own Automotive 2026.
- **Key-man risk:** Extreme dependence on Elon Musk, ~19.9% beneficial ownership, complex compensation (423.7M-share 2025 award tied to aggressive milestones).
- **Tariff exposure:** 2025 10-K flags tariffs hitting energy storage disproportionately.

Risk Level: ELEVATED

7. MANAGEMENT & GOVERNANCE

Musk's execution record on manufacturing scale-up is strong — Tesla grew from a niche maker to 1.66 million units in 2025. Capital allocation has been growth-oriented, self-funded from operating cash, with no dividends or meaningful buybacks.

Governance raises preservation concerns. A 2025 performance award of up to 423.7 million shares creates substantial dilution potential. A 96 million-share interim grant was forfeited in April 2026 after the Delaware Supreme Court reinstated the 2018 award (303.96 million shares at \$23.34). Ownership concentration near 19.9% and the CEO's multi-company commitments introduce control and key-man risk atypical for a preservation holding.

Management Quality: GOOD (execution) / CONCERNING (governance & alignment complexity)

Capital Allocation Track Record: ACCEPTABLE — heavy reinvestment now earning sub-WACC returns undermines the record.

8. PEER COMPARISON

Dimension	Tesla	Legacy Autos (Toyota/BMW)	BYD	Best for Preservation
Debt/Equity	~0.1x	Higher	Moderate	Tesla
P/E	~100x	6–10x	~20x	Legacy
Dividend Yield	0%	3–5%	Low	Legacy
ROIC	~3%	Variable	Improving	Neither strong
Net margin	~4%	5–8%	Rising	Legacy/BYD
Volume trend	Declining	Stable	Rising	BYD

Tesla wins on balance sheet, loses decisively on valuation and income. For a preservation mandate, legacy automakers at 6–10x P/E with 3–5% dividends offer far better downside math despite weaker growth narratives.

9. KEY METRICS SUMMARY

Metric	Value
Revenue 2025	\$94.83B (–2.9% YoY)
Net income 2025	\$3.79B (–\$3.30B YoY)
Cash & investments	\$44.06B
Total debt	\$7.91B
Operating cash flow 2025	\$14.75B
FCF 2024	~\$3.58B
ROIC	~2.95% vs WACC ~12.6%
P/E	~100x
Dividend	None

10. MONITORING CHECKLIST

Item	Trigger
Valuation	Re-review only below €120 (≈25–30x realistic EPS)
ROIC	Sustained recovery above 10%
Robotaxi	Actual profitable, at-scale commercial operations
FSD software	Proven recurring high-margin revenue in reported segments
Deliveries	Return to sustained double-digit volume growth

Item	Trigger
Margins	Auto gross margin recovery above 25%

11. MARKET EXPECTATIONS & CONSENSUS

The current price implies expectations far beyond the fundamentals. At ~100x trailing earnings on declining revenue, the market is pricing an implied earnings CAGR well into double digits sustained for a decade, driven by autonomy and robotics rather than autos.

- **Consensus Bull Case:** Robotaxi network + FSD subscriptions + Optimus transform Tesla into a high-margin AI/platform company; earnings multiply severalfold.
- **Consensus Bear Case:** Tesla remains a competitive but commodity-margin automaker; the multiple collapses toward auto-industry norms.
- **What would validate the bull case:** Commercial, profitable robotaxi operations at scale; reported high-margin software revenue; Optimus commercial deployment.
- **What would disappoint:** Continued volume declines, further price cuts, robotaxi delays, margin compression.

Forward Valuation (note: live deep_dive_metrics were not supplied in the research package; figures below are derived from provided financials and cited third-party analysis and should be treated as estimates):

Metric	Value	Assessment
Trailing P/E	~100x	Extreme
Cited P/E (2026 analysis)	~383x	Extreme
P/B	~17.7x	Extreme
Beta	>2.0 (historically)	Highly cyclical/high-volatility

12. KEY BUSINESS DRIVERS

Driver 1: Auto gross margin

- Why it matters: Determines whether the core business funds the AI pivot or drains cash.
- Current level: Q1 2026 total gross margin 21.1%.
- Bull threshold: Sustained >25%.
- Bear threshold: <18%.
- Next data point: Next quarterly 10-Q / earnings.

Driver 2: Vehicle deliveries (YoY)

- Why it matters: Volume trend signals demand strength and factory utilization.

- Current level: Down 9% in 2025; weakest quarter in a year to open 2026.
- Bull threshold: Return to >10% growth.
- Bear threshold: Continued declines.
- Next data point: Quarterly delivery release.

Driver 3: Robotaxi/FSD monetization

- Why it matters: The entire premium multiple rests on this becoming real, high-margin revenue.
- Current level: Not yet material at scale.
- Bull threshold: Reported profitable robotaxi operations + recurring FSD revenue.
- Bear threshold: Continued delays with rising capex.
- Next data point: Management guidance / segment disclosure.

Driver 4: ROIC vs WACC

- Why it matters: Below-WACC returns mean reinvestment destroys value.
- Current level: ~2.95% vs ~12.6%.
- Bull threshold: ROIC above 10%.
- Bear threshold: Stays below 5%.
- Next data point: Annual 10-K.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
BYD	1211.HK	Competitive share, leads pricing pressure	Pressure for TSLA if BYD share gains acco
Lithium / battery metals	Lithium carbonate index	Input cost, correlates with EV margin	Downish if costs spike
ARK Innovation / high-multiple growth	ARKK	Correlates with speculative-growth sentiment	Downish for TSLA if ARKK breaks down
US 10-year yield	US10Y	Inverse to long-duration growth multiples	Downish for TSLA if yields rise sharply

Monitoring rule: If BYD's global share continues rising while TSLA deliveries fall for a third consecutive year, the commodity-automaker bear case is confirming — no entry consideration until price reflects it.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Tesla fails multiple absolute requirements of the Wealth Preservation Framework:

- Bear case total return: -18% (requirement: ≥0%) — **FAIL**
- Base case total return: -7% (requirement: ≥7%) — **FAIL**
- Probability of >50% permanent loss: ~30% (requirement: <10%) — **FAIL**
- Dividend income cushion: none — no downside protection from yield

- WP Score: 31 (requirement: ≥ 65) — **FAIL**

The balance sheet is a genuine fortress and the company faces no solvency risk. That is the only test it passes. A preservation investor does not buy a business at 100x earnings that earns 3% on capital, pays no dividend, and depends on unproven robotics revenue to justify its price. The downside is severe and quantifiable; the upside requires a leap of faith. This is precisely the asymmetric-against-the-investor profile the framework exists to reject.

What would change this assessment: A price below €120 combined with either a demonstrated auto-margin recovery above 25% or proven, profitable robotaxi/FSD revenue at scale.

ANALYST NOTES

Key Assumptions:

- 2025 diluted EPS estimated at ~\$1.05–1.10 from reported \$3.79B net income and share count.
- ROIC (~2.95%) and WACC (~12.6%) taken from cited independent 2026 analysis.
- Normalized fair-value multiple of 30–50x applied to conservative forward earnings.

Limitations:

- Live deep_dive_metrics (forward P/E, PEG, EV/EBITDA, beta, analyst targets, short float) were not present in the research package; forward-valuation figures are estimates derived from provided data and cited third-party sources, not fabricated live feeds.
- 2025 full-year audited detail is partial; some margin and EPS figures are derived.
- Robotaxi/Optimus outcomes are inherently unmodelable with precision; scenario weights reflect judgment.

Confidence Level: HIGH — The AVOID conclusion does not depend on precise inputs. Even generous assumptions (quadrupling EPS, 40x multiple) leave the current price ~50%+ above fair value with no income cushion. The valuation and negative expected-return conclusions hold across a wide range of assumptions.

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

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