



Pipe Dreams Are Made of These

As the market continues to rollercoaster, Tesla (TSLA: \$252/share) would love to get off the ride. The company has been in the headlines for all the wrong reasons, and its stock is down 38% year-to-date (YTD) and 48% from its 52-week high. The near halving in stock price might have investors wondering, is now the time to scoop up shares on the cheap?

No. And, we show below, we do not see an honest argument for owning the stock above \$50/share.

As David Trainer discussed in [BYD versus Tesla](#), Tesla lost its first-mover advantage, its profitability and market share are in decline, and there's no straight-faced argument that the company can reverse these trends.

When we think of Tesla and all the promises Elon Musk has made over the years, we cannot help but think of the lyrics for the Eurythmics classic song: Sweet Dreams (Are Made of This).

“Some of them want to use you
Some of them want to get used by you
Some of them want to abuse you
Some of them want to be abused.”

In our opinion, Mr. Musk has used and abused investors to build his unrivaled fortune and influence. The clear-eyed math that drives our Tesla research leads us to the inescapable conclusion that TSLA is worth less than \$50/share or 80%+ below the current price. We welcome your questions and feedback on this unique take. We have no ax to grind here. We'd love nothing more than to fall in line with all the staunch believers in Mr. Musk's ability to change the world. But, math is math. And, the numbers in this report paint a very clear picture. Sell TSLA now.

Whether you think Tesla is just a car company, or a combination of robot, solar, battery, insurance, FSD, space exploration, and satellite companies, its stock is terribly overpriced. For starters, Tesla's current stock price implies that the company will become the world's largest automaker, not just electric vehicle (EV) maker, even as the company is losing market share, seeing revenues flatten, and continually misses its delivery goals.

Below, we address the many reasons why Tesla does not (and hasn't ever) deserve its lofty valuation.

Pipe Dream #1: First Move Advantage Will Last Forever

Market Share Is Declining Rapidly. Tesla's total [vehicle deliveries](#) fell YoY for the first time in 2024, and despite rising deliveries prior to 2024, the company has not been keeping pace with the overall EV market.

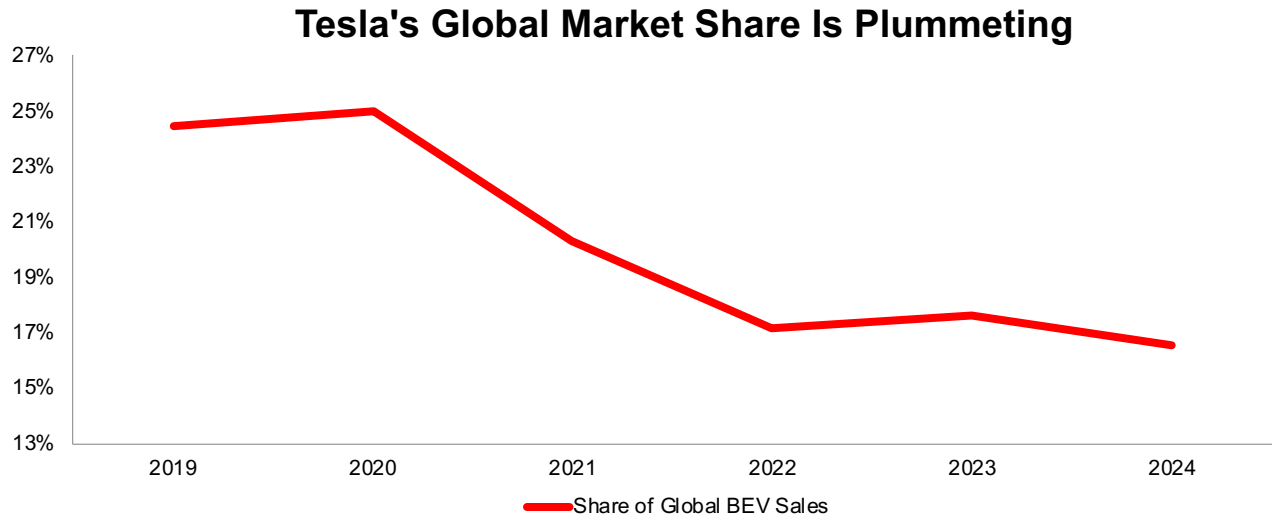
Based on sales data from the International Energy Agency, Tesla's share of [global EV sales](#), which include battery-electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV), fell from 17% in 2019 to 10% in 2024.

For comparison, BYD's share of the global EV sales, including BEV and PHEV, increased from 10% in [2019](#) to 22% in [2024](#), which makes BYD the global leader in EV sales. Wuling had the third highest market share at 4%, and the rest of the main competitors (BMW, Li Auto, Geely, Volkswagen, and more) followed close behind at market shares ranging between 3% and 2%.

As a battery-electric vehicle manufacturer only, we can also compare Tesla's share of the [BEV industry](#). Per Figure 1, Tesla's BEV market share, based on number of vehicles sold, fell from 25% in 2019 to 17% in 2024.



Figure 1: Tesla's Share of Global BEV Sales: 2019 – 2024



Sources: New Constructs, LLC, [Statista](#), and [IEA](#)

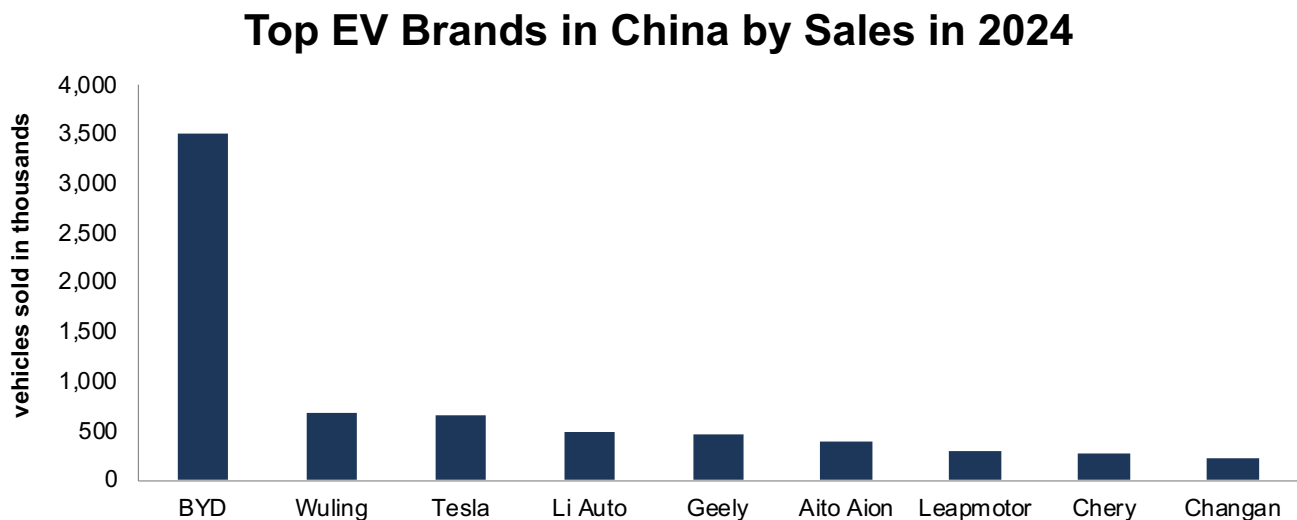
Market Share Losses Are Steepest in the More Mature EV Markets. Tesla has been ceding the most share in more mature EV markets, as multiple competitors (old and new) bring numerous, compelling new models to market.

China is the [largest](#) EV market in the world with 64% of global EV sales in 2024.

BYD is #1 in China by a wide margin. Its sales were 32% of the EV market, while Tesla was just 6% in 2024. Tesla is not even in second place in China. According to [Autovista24](#), BYD's EV sales were 5.2x higher than the second-best EV brand Wuling, and 5.3x higher than Tesla's EV sales in China in 2024.

As David discusses in a recent webinar "BYD vs Tesla", we expect BYD to widen its lead on Tesla as it rolls out new charging technologies and a wider range of EV models to meet many different price points.

Figure 2: Best-Selling EV Brands in China in 2024



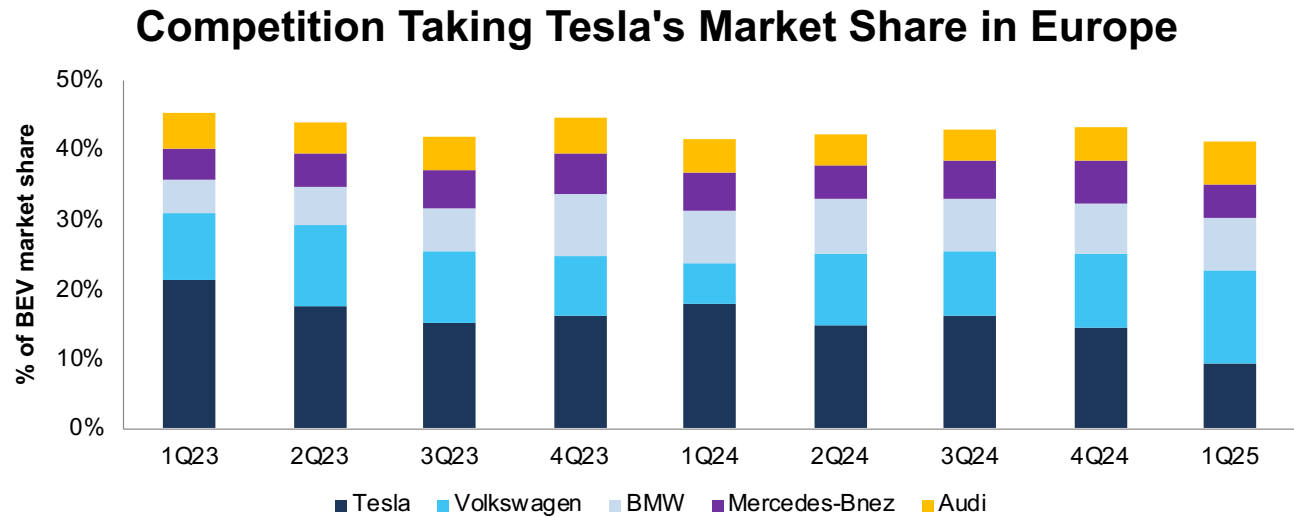
Sources: New Constructs, LLC and [Autovista24](#)

Tesla's market share in Europe is trending down, too. Tesla's European sales [declined](#) 45% in the first two months of 2025, despite overall EV sales in the region rising 37% over the same time.



Tesla's market share in Europe fell from 21% in 1Q23 to 9% in 1Q25 according to [EU-EVs.com](https://eu-evs.com). Volkswagen leads the market with 14% share in 1Q25. See Figure 3. On a monthly basis through February 2025, Tesla's sales in Europe [fell](#) YoY in 10 of the last 12 months.

Figure 3: Europe BEV Market Share: 1Q23 – 1Q25



Sources: New Constructs, LLC and [EU-EVs.com](https://eu-evs.com)

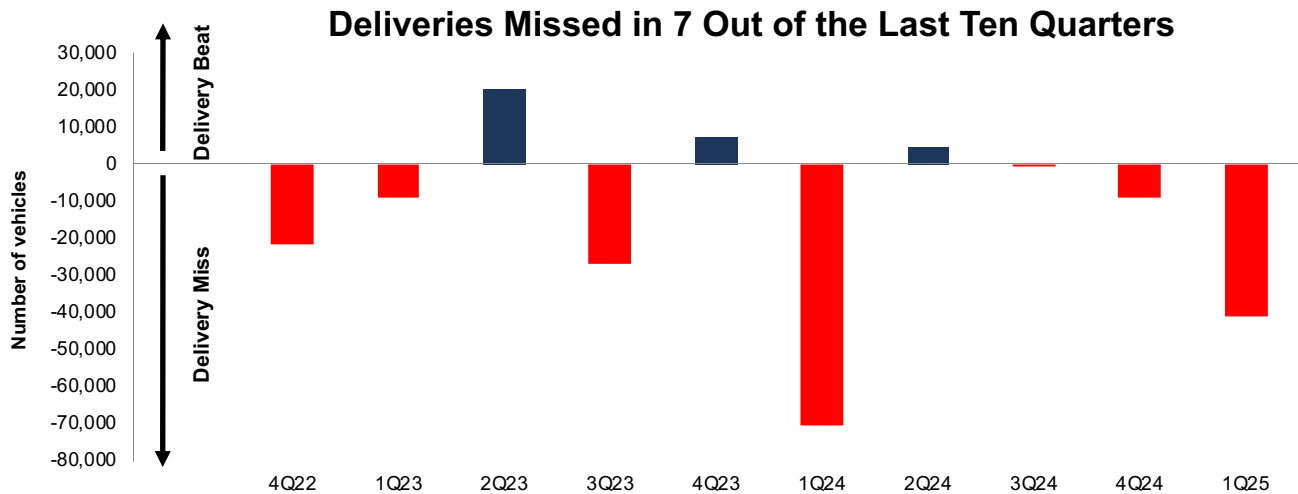
In the U.S. Tesla still enjoys leading market share. However, we're not sure how long that will last given that its market share fell from [82%](#) in the first half of 2020 to [44%](#) in 1Q25.

Around the world, the market share trend is not Tesla's friend. As we stated [long ago](#), competition would erode Tesla's once-leading market share.

While Tesla is counting on its redesigned Model Y to boost sales, we think that goal looks less and less likely to be met due to production pauses at factories around the world.

Can't Regain Market Share with Delivery Misses Piling Up. Not only is Tesla losing market share, but it is increasingly missing consensus estimates for vehicle deliveries. Tesla's deliveries in the first quarter of 2025 missed the [consensus estimate](#) by 12% or 40,909 deliveries, which was one of the largest misses to date.

Longer-term, Tesla has missed the consensus estimates for deliveries in 7 out of the last 10 quarters per Figure 4. Such misses add further evidence to Tesla's ongoing struggles.

**Figure 4: Tesla's Quarterly Delivery Beats & Misses: 4Q22 – 1Q25**

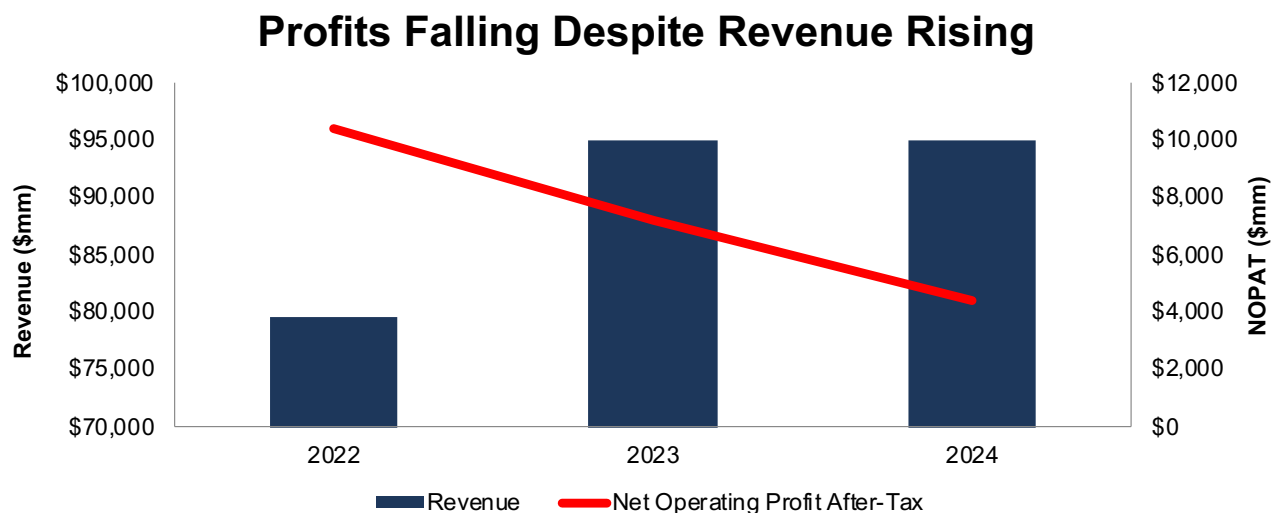
Sources: New Constructs, LLC and CNBC

Pipe Dream #2: Profits to the Moon

Profits Are Headed Down. No doubt, Tesla deserves credit for proving the EV market, but that doesn't mean EVs are a good business. Tesla briefly boasted high margins and soaring sales, but as inevitably happens in free markets, a flood of competition has forced revenue growth and margins down.

Tesla saw impressive revenue growth for many years, but that trend has stopped in its tracks. Total revenues, excluding automotive regulatory credits, were down ever-so-slightly from \$95 billion in 2023 to \$94.9 billion in 2024, while automotive revenue, the large majority of the business (more on that topic below), excluding regulatory credits dropped more precipitously (8%) from \$80.6 billion in 2023 to \$74.3 billion in 2024. Worse yet, Tesla's net operating profit after-tax ([NOPAT](#)) fell 39% from \$7.2 billion to \$4.4 billion over the same time. See Figure 5.

Tesla's NOPAT margin fell from 13% in 2022 to 5% in 2024, while the company's [invested capital turns](#) fell from 2.3 to 1.6 over the same time. Falling NOPAT margins and invested capital turns drive Tesla's ROIC from 30% in 2022 to just 8% in 2024.

Figure 5: Tesla's Revenue and NOPAT: 2022 - 2024

Sources: New Constructs, LLC and company filings



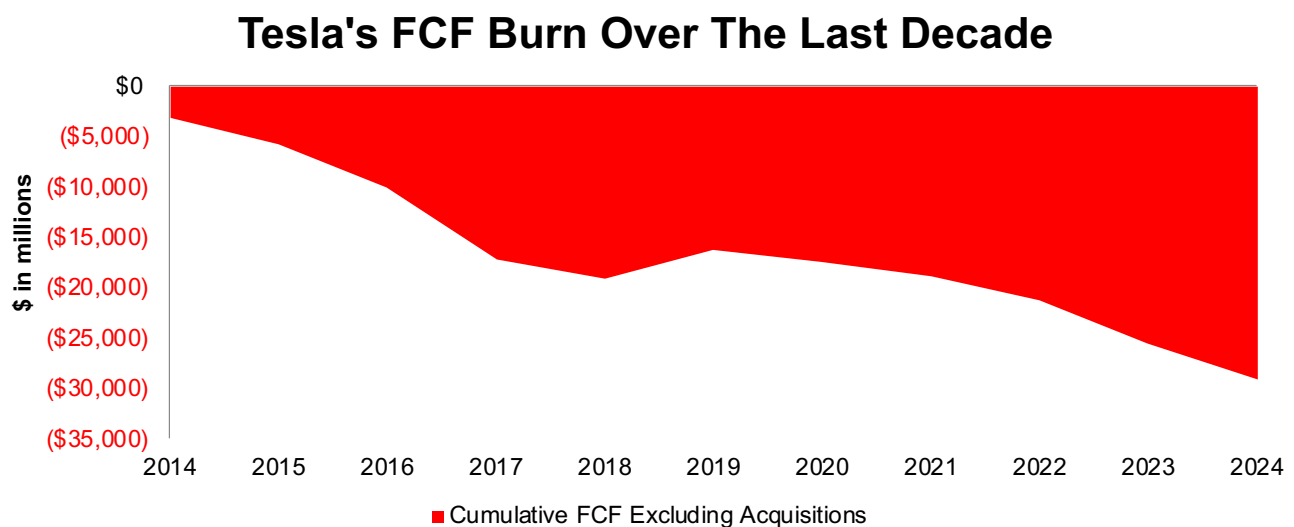
Tesla's declining profitability is a window into the competitive dynamics of the EV industry. When Tesla faced less competition, it earned high margins. As companies entered the market, pricing became more competitive, and consumers had greater choice in EVs, Tesla's profitability declined. For example, Tesla's return on invested capital ([ROIC](#)) was nearly 4 times higher than the average ROIC of its incumbent peers¹ in 2022. However, in 2024, Tesla's 8% ROIC is equal to the average trailing twelve-month ("TTM") ROIC of its incumbent peers.

Still Burning Cash Like There's No Tomorrow. Surprise! Despite showing positive EPS and even a decent ROIC, Tesla has been a major money loser over its life. It doesn't qualify as a Zombie Stock, due to its large cash balance (Mr. Musk is really good at selling stock), but it continues to burn cash at a zombie-like pace.

Tesla's free cash flow ([FCF](#)) has been positive in just one year out of the last 14 years.

Since 2014, Tesla has burned \$29.0 billion, excluding acquisitions. In the last three years alone, the company burned through \$10.2 billion.

Figure 6: Tesla's Free Cash Flow: 2014 – 2024



Sources: New Constructs, LLC and company filings

If Tesla could not sustain positive cash flows in the good times, we're not sure how it ever will, considering the declines in market share, technological advantage and profits.

Pipe Dream #3: Technological Advantages Will Last Forever

No More Range Advantage. Tesla once boasted a large range advantage in the EV market, particularly at a time when consumers weren't sure about the feasibility of EVs as replacement to ICE. That advantage has all but disappeared.

In 2014, Tesla owned the #1 and #2 longest-range EVs in the world and had a big lead of the next closest competitor. Specifically, at #1, the 85 kW-hr version of Model S [reported](#) a range of 265 miles, and, at #2, the 60 kW-hr version of Model S reported a range of 208 miles. The next closest vehicle, the BYD e6, reported a range of just 127 miles. With such a big lead over the competition, we can understand why investors might believe Tesla would retain its range advantage for the foreseeable future.

Fast-forward to 2025, and the range discussion looks a lot different. Car And Driver [tested](#) many popular EVs to determine a real-world range, rather than the range reported in marketing materials. Through this testing, Car and Driver found that four vehicles have longer "real-world" ranges than Tesla's Model S. See Figure 7.

¹ Incumbent peers under coverage include Toyota (TM), General Motors (GM), Ford (F), Stellantis (STLA), Honda (HMC), and Nissan (NSANY).

**Figure 7: Highest Range EV Models in 2025 – Top 5**

EV Brand and Model	Range
Lucid Air	410 Miles
Chevrolet Silverado EV	400 Miles
Mercedes EQS	400 Miles
Mercedes EQS SUV	340 Miles
Tesla Model S	320 Miles

Sources: [Car and Driver](#)

As you move lower down the list, the differences in range get less significant. For example, the Rivian R1T, which ranked 14th in Car and Driver's testing, had a range of 280 miles, or just 40 miles less than Tesla's #5-ranked Model S. In other words, Tesla has fallen behind in range and more firms are catching up to it.

Lagging Behind in Charging Speed. The time it takes to charge an EV is one of the main pain points that make consumers hesitant to purchase an EV. After all, it only takes a few minutes to put gas in a vehicle and be on your way. If EV charging takes 30+ minutes, it's not be as an attractive alternative.

China's BYD, the world's largest EV maker in 2024, recently unveiled new chargers that could erase this concern altogether. BYD's new 1,000 kW chargers can add almost 250 miles of range to an EV in just [5 minutes](#).

Tesla's most powerful charging stations can add 200 miles of range in 15 minutes; so the new BYD charging stations are almost 4 times as fast and make charging time the same as filling up a regular gas car, maybe even faster. BYD [aims](#) to install 500 of these new chargers in April

Tesla is "planning" to roll out 500 kW chargers this year, though these charging stations appear to be just half as powerful as BYD's new chargers.

Autonomous Driving Technology Is Stagnating. Tesla bulls have long maintained the company's autonomous driving technology, Full Self Driving (FSD), will be best-in-class. The company has marketed that its FSD technology will allow all its vehicles to drive autonomously and create a massive robo-taxi ride hailing service that would instantly convert Tesla vehicles into money-making machines that work while their owners sleep. However, real world data would show that Tesla's latest FSD, v13, is nowhere close to being fully autonomous. ~3 months after v13 was released, [data shows](#) the system can go, on average, 495 miles between critical disengagement. Previously, Tesla has stated that it needs to achieve [700,000 miles](#) between critical disengagement to be safer than humans.

While Tesla is struggling to improve its FSD technology, Waymo, a robotaxi company that is now a subsidiary of Alphabet (GOOGL), already has 700+ fully autonomous cars on the road that provide [200,000 rides](#) a week. And, these cars are not just fully autonomous for arguments sake, they actually have no humans behind the wheel.

According to [Guidehouse Insights](#), Tesla ranks [dead last](#) out of the top 20 competitors in autonomous driving technology. The top three companies in the autonomous driving technology race are Waymo, Baidu, and Mobileye. The top 10 are below:

1. Waymo
2. Baidu
3. Mobileye
4. Nvidia
5. Aurora
6. Plus
7. WeRide
8. Zoox
9. Gatik
10. Cruise

As noted in [Electrek](#), Elon Musk has promised unsupervised FSD "by the end of the year" in each of the last six years. Tesla keeps promising, but not delivering.



Robotaxis Must Pass Many Legal Hurdles. Even if the technology was more competitive, Tesla must secure a series of approvals from several state regulators to put robotaxis on the road. The company has received [only the first approval](#) (of many required) for operation in California. Given the issues detailed in the sections before and after this one, we do not think Tesla will have much success in securing the approvals needed to put its robotaxis, in their current state, on the road.

Safety Issues Present Huge Risk to the Stock. The [National Highway Traffic Safety Administration](#) (NHTSA) continues investigations into Tesla's FSD and autopilot features. Most recently, NHTSA opened a safety probe for up to 2.6 million Tesla vehicles in [January 2025](#). [Since 2019](#), Tesla's automated driving features have been linked to over 700 hundred crashes and at least 19 deaths. Tesla's largest ever recall happened at the end of 2023, where the company was forced to recall [2 million](#) vehicles to fix the software related to its Autosteer driver assist feature.

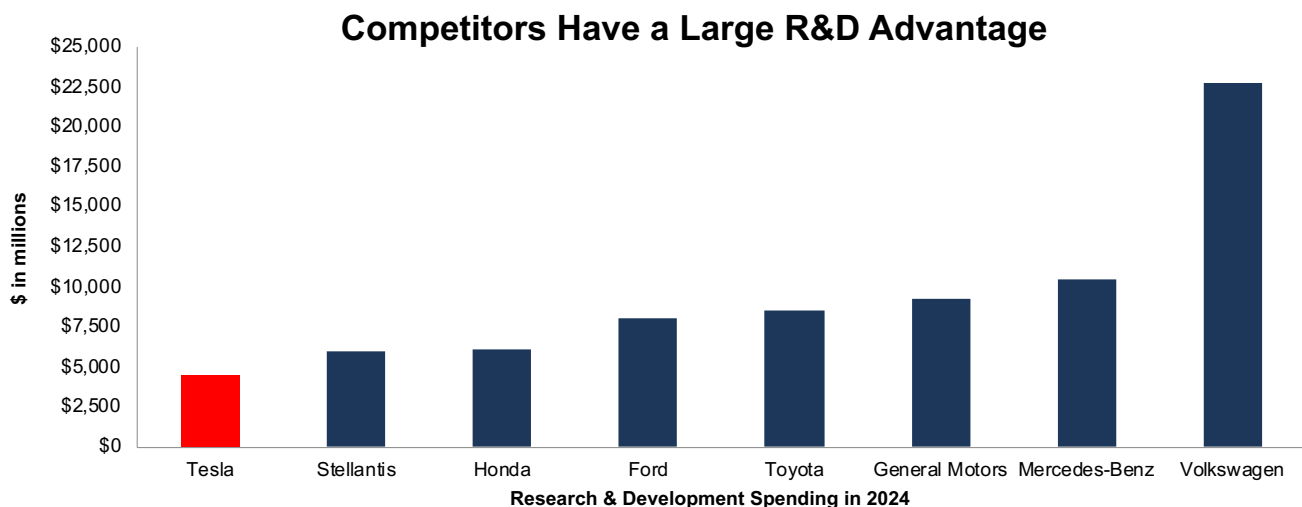
If the NHTSA discovers defects in Autopilot or FSD, Tesla could be on the hook to fund the expenses of a massive recall not to mention the liabilities related to the deaths and injuries from the crashes. Furthermore, any design flaws discovered in the investigation could leave Tesla open to more class action litigation.

Competitors Are Better Equipped to Improve Technology. As Tesla's vehicles fall behind in range, charging speed, and autonomous driving, incumbent auto manufacturers continue to outspend the company in research and development (R&D). Per Figure 8, Tesla's R&D spend in 2024 ranks far behind the likes of Ford (F), Toyota (TM), General Motors (GM), Mercedes-Benz, and Volkswagen.

As has long been the case and a key point in our bear thesis on Tesla, one of the most overlooked advantages for incumbent manufacturers is their profit-generating legacy operations that can fund larger R&D budgets.

While Tesla must continue to simultaneously develop new technology and add production capacity from scratch, incumbents can leverage cash flows from existing profitable operations to build new technologies and leverage existing distribution advantages to sell more EVs, if and when the market is ready.

Figure 8: Tesla's R&D Spend Vs. Major Competitors in 2024



Sources: New Constructs, LLC and company filings.

How could we expect Tesla to regain its first-mover advantages when it is falling behind and its R&D budget is so much lower than its competition?

And, given the major drop in profits and consistently negative free cash flow, we see no reason to believe Tesla will ever have competitive R&D budgets.

Pipe Dream #4: Tesla Is Not a Car Company, Should Be Valued based on Other Businesses

Other Businesses Aren't Material. Bulls have long argued that Tesla is not just an automaker, but it's a technology company with multiple verticals including insurance, solar power, space exploration (Mars anyone?), full self-driving, robotaxis, and, yes, robots. We've [long refuted](#) these pipe dreams. Regardless of the promises of developing multiple non-auto businesses, Tesla's revenues remain heavily concentrated in automobiles.



After a steep decline in 2024, auto revenue was 79% of Tesla's total revenue. In 2023, auto revenue was 85% of total revenue. Energy generation and storage accounted for just 10% of total revenue in 2024. The rest of the company's revenue comes from the "services and other" segment, which includes insurance, non-warranty maintenance and collision, sales of used vehicles, and retail merchandise sales.

Figure 9: Tesla's Segment Revenues as a Percentage of Total Revenue in 2024

Tesla's Business Segments	Segment Revenue as a % of Total Revenue
Automotive	79%
Services and Other	11%
Energy Generation and Storage	10%

Sources: New Constructs, LLC and company filings

Energy Generation and Storage...

Solar Power Segment Is Still Weak. Tesla's energy generation and storage segment includes the design, manufacture, installation, sales and leasing of solar energy generation and energy storage products and related services and sales of solar energy systems incentives.

As of the first half of 2024, 8 of the top 10, including all of the [top 5](#), solar panel manufacturers were Chinese companies. We don't think Tesla has any competitive advantages in the solar power space. It is hard to believe that Tesla will be able to take material market share from the dominant Chinese manufacturers.

Services and Other

Services and other revenue consist of sales of used vehicles, non-warranty maintenance services and collision, part sales, paid supercharging, insurance services revenue and retail merchandise sales.

Insurance Business Is a Nothing Burger. Elon Musk once [claimed](#) that the insurance could be 30-40% of the value of Tesla's car business. Today, it's so small its bundled within the services and other segment. In 2024, Tesla's insurance operations generated upward of \$1 billion (~1% of revenue) in premiums while accumulated [at least](#) \$69 million in underwriting losses.

Robots Are Way Behind the Competition. At its "We, Robot" event in October 2024, the company showcased its autonomous Optimus robots walking around, dancing, mixing drinks, and talking. Sounds impressive. However, the robots were actually [controlled](#) remotely by humans. Not so groundbreaking after all.

Tesla's remote-controlled robots are multiple generations behind the industry leaders, and we do not see reason to expect that to change anytime soon.

For example, Boston Dynamics' humanoid [Atlas robot](#) is already fully autonomous and requires no remote controls or pre scripted movements. [This video](#) from October 2024 shows Atlas successfully moving engine covers between supplier containers and a mobile sequencing dolly after being provided with only a "list of bin locations to move parts between". Atlas showcases dynamic movements as well as fully autonomous operational capabilities.

Boston Dynamics' [Spot robot](#) can fully navigate its way through factory floors, construction sites, research labs, etc. while also monitoring and collecting data. Spot can do all the mentioned functions either by remote control or autonomously following a predefined route.

Boston Dynamics is one of many companies that are way ahead of Tesla in the development of robots.

Cybertruck Is a Money Loser. Tesla's Cybertruck hit the market with lots of fanfare. Mr. Musk was able to secure more than a million reservations to buy the vehicle before one ever hit the road. It quickly became the [best-selling electric pickup truck](#) in the U.S. However, this demand quickly stalled when consumers actually saw what they were getting. Now, Tesla is struggling to sell its inventory.

U.S. Cybertruck sales fell over 32% between January and February 2025. Cox Automotive [estimates](#) that Tesla sold around half the number of Cybertrucks in February 2025 than its best ever month, September 2024. [Estimates](#) put Tesla's inventory of new Cybertrucks at ~2,300 in early April. One would expect with over one million reservations, Tesla would be delivering Cybertrucks as fast as they could build them, not holding increasing numbers in inventory.



In the latest hit to the pent-up demand bull thesis, Tesla is [reportedly](#) trying to boost sales by converting its more expensive foundation series trucks to the base model (which costs \$20,000 less), by having the special badging buffed off.

Early on, Mr. Musk said the Cybertruck might generate positive cash flow within a few years, once volumes reached certain levels. It appears those volumes have not and will not ever be met.

Other Businesses Are More Liabilities Than Assets. Mr. Musk has his hand in many pies outside of Tesla, and some of them appear to be very promising businesses. However, it is important to note that these businesses are not part of Tesla, and they do not contribute to the profits or losses of Tesla.

Many would argue that these other businesses, such as Neuralink, SpaceX, Starlink, xAI, Boring, DOGE, and more do more to hurt Tesla because they take Mr. Musk's valuable attention away from Tesla. Or worse, they compete directly with Tesla not just for Musk's attention but also the attention of key Tesla personnel. For example, in June of 2024, Tesla shareholders [sued](#) CEO Elon Musk for a breach of fiduciary duties based on comments he made about poaching Tesla employees for the xAI and using Tesla resources for his private companies.

The lawsuit remains unresolved. However, it stands as one of many [examples](#) where Mr. Musk's interests are not aligned with those of Tesla shareholders. No matter how talented a CEO might be, if he or she engages in [self-dealing](#) on the regular at the expense of the company he/she runs, we raise a big red flag.

Pipe Dream #5: Tesla's Stock Valuation Makes Sense

Despite the challenges above, Tesla's stock is still priced for extraordinary profit growth, while incumbents are priced for the exact opposite.

While Tesla's market cap is more than double the combined market cap of incumbents, the company's economic book value ([EBV](#)), or no growth value, is -\$11 billion. Meanwhile, each of the other legacy automakers has an EBV that is higher than its current market cap. In other words, the price-to-economic book value (PEBV) ratio of Tesla's competitors ranges from 0.2 to 0.6. In each of these instances, a below 1.0 PEBV ratio implies the market expects profits for these legacy automakers to permanently decline. See Figure 10.

Figure 10: Tesla's Valuation Compared to Incumbent Peers*: TTM

Company	Ticker	Market Cap (\$ billions)	PEBV Ratio
Tesla	TSLA	\$817	-214.3
Toyota	TM	\$235	0.6
Honda	HMC	\$46	0.5
General Motors	GM	\$44	0.3
Ford	F	\$38	0.4
Stellantis	STLA	\$35	0.5
Nissan	NSANY	\$10	0.2

Sources: New Constructs, LLC and company filings.

*As of market close on April 15, 2025.

Current Valuation Implies Tesla Will Own 31%+ of the Global EV Market

Tesla selling 1.8 million cars in 2024 is no small feat. However, that number is minuscule compared to the 22 million to 38 million vehicles [depending on average selling price (ASP) assumptions] that Tesla must sell to justify its very expensive stock price. For reference, Toyota, the world's largest overall (EVs and everything) automaker for the fifth straight year, sold [10.8 million](#) vehicles in 2024. Does anyone believe, after what we covered above, that Tesla will ever sell twice as many cars as Toyota?

To provide the details behind this implied vehicle sales analysis, we show our [reverse discounted cash flow \(DCF\) model](#)'s output so investors can decide for themselves whether or not Tesla's valuation is too high.

Quantifying The Expectations in the Current Share Price. To justify ~\$250/share, our model shows Tesla would need to:



- immediately achieve a 15% net operating profit after-tax ([NOPAT](#)) margin (1.5x Toyota's TTM margin, compared to Tesla's 2024 margin of 5%) and
- grow revenue by 28% compounded annually through 2035.

In this scenario, Tesla would generate \$1.4 trillion in revenue in 2035, which is 1.3x the combined TTM revenues of Toyota, General Motors, Nissan (NSANY), Ford, Honda Motor Corp (HMC), and Stellantis (STLA). [Contact us for the math behind this reverse DCF scenario.](#)

In this scenario, Tesla would generate \$204.5 billion in net operating profit after-tax ([NOPAT](#)) in 2035. At \$204.5 billion, Tesla's NOPAT would be 3.1x all incumbent peers' combined TTM NOPAT and 1.9x Apple's (AAPL) TTM NOPAT, which, at \$109 billion, is the highest of all [companies we cover](#). Additionally, Tesla's ROIC would rise to 331% (nearly 4x Apple's TTM ROIC of 81%) in 2035.

If we assume automotive revenue remains 79% of total revenue as in 2024, then Tesla would generate \$1.1 trillion in automotive revenue in 2035 in this scenario. This revenue figure implies Tesla will sell the following number of vehicles based on these ASP levels:

- 22.4 million vehicles – ASP of \$50k (equal to [average new-vehicle price](#) in Dec 2024)
- 25.9 million vehicles – Tesla's 2024 ASP of \$43k
- 38.2 million vehicles – ASP of \$29k (equal to Toyota in fiscal 2024)

Next, we can analyze implied market share of such sales volume based on the estimated number of new EV sales in 2035, according to data [compiled](#) by Autovista24.

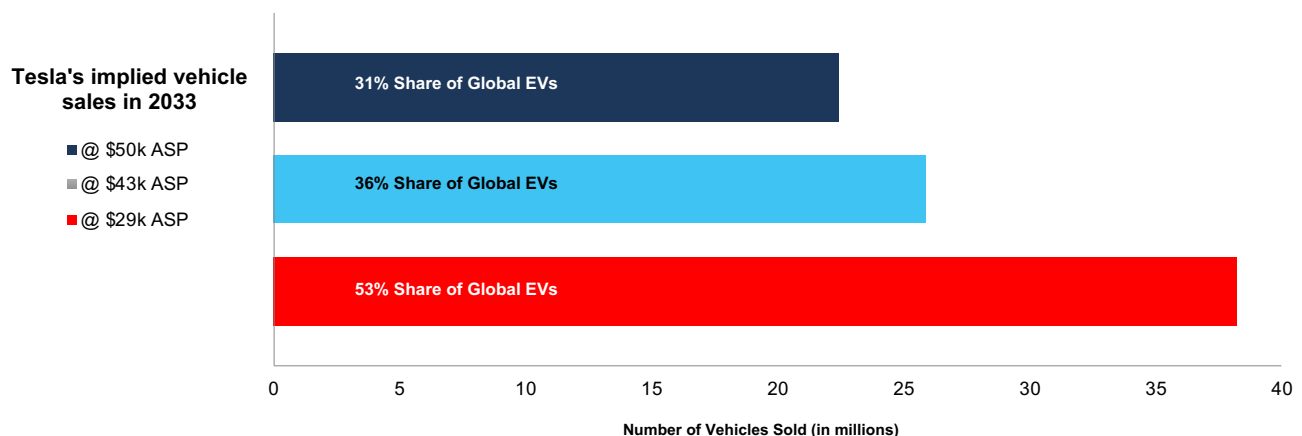
In this scenario, the vehicle sales noted above would represent the following implied market share in 2035:

- 31% for 22.4 million vehicles
- 36% for 25.9 million vehicles
- 53% for 38.2 million vehicles

The likelihood of reaching any of the above-mentioned market share scenarios is extremely unlikely in such a competitive industry. For reference Toyota, the world's largest automaker, held an 11% share of the [global automobile market](#) in 2024.

Figure 11: Tesla's Implied Vehicle Sales in 2035 to Justify \$252/Share

Valuation Implies at Least 31% Share of Global EV Market by 2035



Sources: New Constructs, LLC, company filings, and [Statista](#)

TSLA Has 65%+ Downside Even If the Company is the World's Largest Automaker

If we instead assume, Tesla's:

- NOPAT margin immediately improves to 10% (equal to Toyota's TTM NOPAT margin),
- revenue grows at consensus estimates in 2025 (11%) and 2026 (19%), and
- revenue grows 22% each year thereafter from 2027 to 2035, then



our model shows the stock would be worth just \$87/share today – 65% downside to the current price. In this scenario, Tesla's NOPAT would still grow to \$72.8 billion, which is 16x Tesla's 2024 NOPAT. [Contact us for the math behind this reverse DCF scenario.](#)

At its current ASP, assuming automotive revenue remains 79% of revenue, this scenario implies Tesla will sell 13.8 million vehicles in 2035 at an ASP of \$43k, or 19% of the projected global EV market in 2035. 13.8 million vehicles is nearly 30% higher than the 10.8 million vehicles sold by Toyota, the world's largest overall automaker, in 2024.

TSLA Has 81%+ Even If Tesla Grows Sales Volume by Over 4x

If we estimate more reasonable (but still very optimistic) market share achievements for Tesla, the stock is worth just \$49/share. Here's the math, assuming Tesla's:

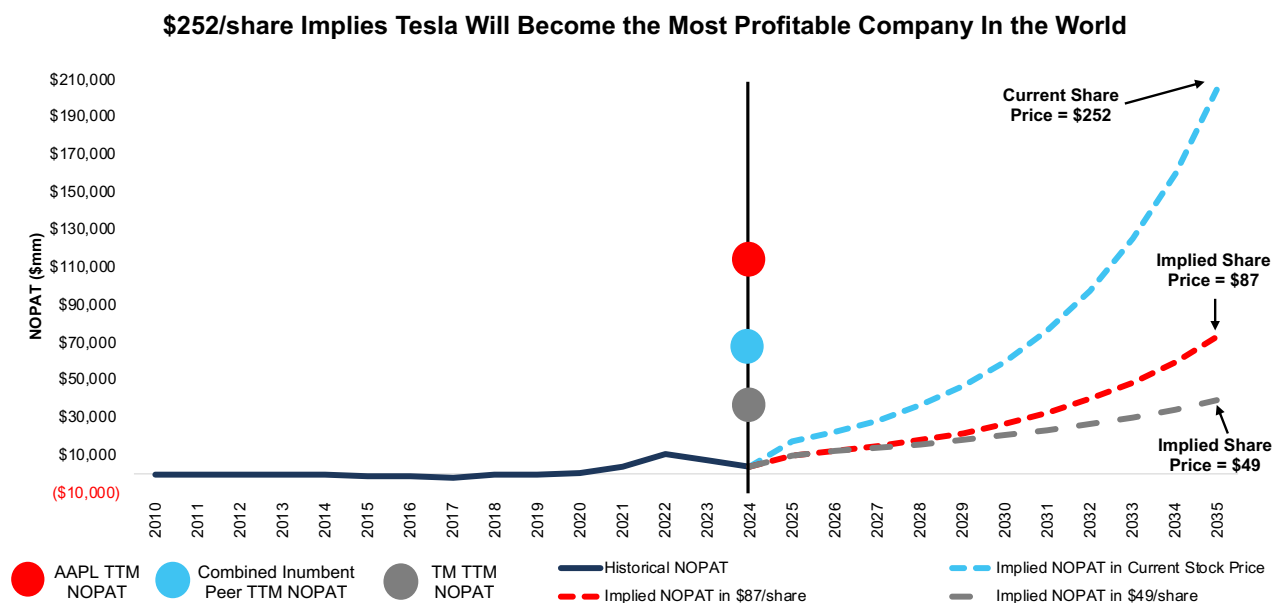
- NOPAT margin immediately improves to 10%,
- revenue grows at consensus estimates in 2025 (11%) and 2026 (19%), and
- revenue grows 14% compounded annually from 2027 to 2035, then

our model shows the stock would be worth just \$49/share today – an 81% downside to the current price. [Contact us for the math behind this reverse DCF scenario.](#)

In this scenario, assuming automotive revenue remains 79% of revenue, Tesla would sell 7.5 million cars (10% of the projected EV market in 2035) in 2035 at an ASP of \$43k. Given the required expansion of plant/manufacturing capabilities and formidable competition, we think Tesla will be lucky to sustain a margin as high as 10% from 2025-2035. If Tesla fails to meet these expectations, then the stock is worth less than \$49/share.

Figure 12 compares the firm's historical NOPAT to the NOPAT implied in the above scenarios to illustrate just how high the expectations baked into Tesla's stock price remain. For additional context, we show Apple's, Toyota's, and the combined incumbent peers' TTM NOPAT.

Figure 12: Tesla's Historical and Implied NOPAT: DCF Valuation Scenarios



Sources: New Constructs, LLC and company filings

Each of the above scenarios assume Tesla grows revenue, NOPAT, and FCF without increasing working capital or fixed assets. This assumption is highly unlikely but allows us to create best-case scenarios that demonstrate the high level of expectations embedded in the current valuation. For reference, Tesla's invested capital has grown 29% compounded annually since 2014. If we assume Tesla's invested capital increases at a similar rate in the DCF scenarios above, the downside risk is even larger.



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Disclosure: David Trainer, Kyle Guske II, and Hakan Salt receive no compensation to write about any specific stock, sector, style, or theme.

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Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

In [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms' data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by S&P Global’s (SPGI) *Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

Ernst & Young features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Harvard Business School. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



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