



Tesla Stock Is Plunging, But It's Cheaper, Right? Not By This Earnings Metric.

Description

In 2024, Tesla (TSLA) experienced a rather dismal inception, with its value plummeting by over a third. Nonetheless, from a notable measure, Tesla's stock has not significantly depreciated in cost. Frequently, astute investors and seasoned Wall Street financial analysts endorse battered stocks as a good investment, invoking their diminished valuations.

However, owing to weaker than anticipated deliveries and continually diminishing earnings estimates, Tesla's stock has experienced a 34.2% decline this year, making it the poorest performing stock on the S&P 500. This, despite an existing prevalence of price cuts. Consequently, shares are 60.5% below their zenith in late 2021.

The valuation of Tesla's stock can be comprehended vividly through these figures. According to FactSet, analysts have revised their 2024 earnings per share (EPS) expectations to \$2.97 a share, a decline from \$3.79 at the culmination of 2023, \$5.62 at the end of March 2023, and a staggering \$7.07 at the close of 2022. Thus, the current forward price-earnings ratio for Tesla's stock stands elevated at 55.0 as of March 15. Despite being decreased from 65.2 on Feb 29 and 65.5 at the end of the previous year, the ratio is still comparatively higher than the 36.9 recorded on March 31, 2024, and considerably higher than the supremely low 17.4 P-E ratio at the close of 2022.

Concurrent with the trends for 2025, expectations for Tesla's earnings per share for 2025 have been reduced to \$4.06 compared to \$5.27 at the end of last year. With the recent downward estimation, 2025's EPS has now been projected to be lesser than Tesla's peak earnings of \$4.07 in 2022. As a result, the 2025 P-E ratio stands at 40.2, which, though diminished from the 47.5 on Feb. 29 and 47.2 on Dec. 29, is equivalent to the ratio recorded on Sept. 29. It's additionally considerably higher than the 2025 P-E ratio of 29.8 recorded at the conclusion of March 2023 and 15.5 at 2022 end.

To draw additional comparisons, Tesla's valuation is driven by other profitable automakers in the industry. For instance, Toyota Motor (TM) flaunts a forward P-E ratio of 9, while General Motors (GM) emerges with a forward P-E of 4. Among Electric Vehicle (EV) competitors, Li Auto (LI) stands with a forward P-E ratio of 17, and EV behemoth BYD (BYDDF) reveals a forward P-E ratio of 14. Only the luxurious Ferrari (RACE) closely mimics Tesla, with a forward P-E of 50.

Undeniably, optimists rooting for Tesla are not rigidly confined to 2025, with hopes significant on the forthcoming micro EV or even beyond electric vehicles. Notable analysts, such as Adam Jonas from Morgan Stanley, determine the majority of their Tesla stock price targets beyond the realm of electric vehicles and prominently featuring ambitious ventures such as self-driving, robotics, and artificial intelligence. Evidently, a large chunk of Tesla's current market evaluation is a gamble that these high-risk ventures will eventually be fruitful, generating lucrative profits.



However, the realization of these ambitious visions remains uncertain. Regardless of the unfolding scenarios, despite a lackluster year, Tesla's stock continues to command a premium price.

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Vocabulary List:

1. **Dismal** // (adjective): Causing gloom or depression; dreary.
2. **Depreciated** // (verb): To decrease in value.
3. **Astute** // (adjective): Having or showing an ability to accurately assess situations or people.
4. **Endorse** // (verb): To approve support or sustain.
5. **Valuation** // (noun): The process of determining the value of something or someone.
6. **Culmination** // (noun): The highest or climactic point of something.

Vocabulary quizzes

Multiple Choice (Select the Correct answer for each question.)



-
1. Which word means causing gloom or depression?
Option: dismal
Option: zenith
Option: ascend
Option: trifecta
 2. What term refers to the fact of something being widespread or common?
Option: concealed
Option: prevalence
Option: aspirational
Option: reliance
 3. What are profits or incomes gained through business activities called?
Option: ascend
Option: earnings
Option: rigidity
Option: conglomerates
 4. Which term denotes a prolonged public dispute or debate?
Option: endeavor
Option: conversion
Option: controversy
Option: levies
 5. What word means to make less severe serious or painful?
Option: transparency
Option: grounded
Option: mitigate
Option: leveraging
 6. Which term describes something that spreads rapidly and widely on the internet?
Option: targeted
Option: crucial
Option: viral
Option: guarantee
 7. Which word means extremely large or great in size?
Option: trifecta
Option: rigidity
Option: colossal
Option: influx



8. What term refers to the arrival of a large number of people or things?

Option: aspirational

Option: endorse

Option: influx

Option: abysmal

9. What is the reduction in the number or quantity of something?

Option: dismal

Option: depletion

Option: supremely

Option: trifecta

10. Which term means inflexible or not giving way?

Option: vividly

Option: unyielding

Option: reliance

Option: grounded

Gap-Fill (Fill in the blanks with the correct word from the vocabulary list.)

11. The company reached the _____ of success last year.

12. The warranty provides a _____ for the product for two years.

13. The government _____ taxes on imported goods.

14. Many large companies are part of global _____.

15. The brand promotes a(n) _____ lifestyle in its advertisements.

16. The bureaucratic system's _____ prevents quick decision-making.

17. The novel had an _____ plot that captivated readers.

18. She set _____ goals for her career and strived to achieve them.

19. It is _____ to have an emergency fund for unexpected expenses.

20. The article _____ the benefits of regular exercise.



Matching Sentences (Match each definition to the correct word from the vocabulary list.)

21. The earthquake caused a number of casualties.
22. The company became a in the tech industry.
23. She was confident during the presentation.
24. The government promised to increase in its operations.
25. Her hard work and led to her success.
26. The marketing campaign was at young adults.
27. Despite his success he remained and humble.
28. Regular backups are to data security.
29. The app developers focused on strategies for revenue.
30. Their partnership was built on mutual trust and .

Answer

Multiple Choice: 1. dismal 2. prevalence 3. earnings 4. controversy 5. mitigate 6. viral 7. colossal 8. influx 9. depletion 10. unyielding

Gap-Fill: 11. zenith 12. guarantee 13. levies 14. conglomerates 15. aspirational 16. rigidity 17. intriguing 18. lofty 19. prudent 20. extols

Matching sentence: 1. staggering 2. behemoth 3. supremely 4. transparency 5. diligence 6. targeted 7. grounded 8. crucial 9. monetization 10. reliance

CATEGORY

- 1. Business - LEVEL5

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