**Recommendation**

A short position on Tesla over the next 6-12 months, with a price target of $200 which represents around a 35% downside compared to its price of $308.27 (31/7/2025). The stock trades at excessively high multiples driven my overoptimistic expectations around autonomy and Elon Musk’s influence.

**Company Background**

Designs, manufactures and sells electric vehicles, energy storage systems and solar energy products. Operates across a few key segments:

* **Automotive:** Model S/3/X/Y, Cybertruck and next gen platforms.
* **Energy & Storage:** Powerwall, Megapack installations.
* **Autonomy/Robotaxi services:** Full self-driving (not fully out yet), Pilot Robotaxi (launched in Austin in June 2025).

Key financials (2025 so far):

* **EV/EBITDA:** 70X vs industry 35x
* **Delivery decline:** 13% YoY in Q1-Q2 2025
* **Q2 2025 Earnings: Total revenue** declined 12% YoYto $22.5B, **Operating income** fell 42% YoY to $0.40, **Adjusted EPS** fell 23% YoY to approximately $0.40

**Investment Thesis**

1. **Tesla’s extraordinary valuation ignores execution risks:** With a P/E of 163× and EV/EBITDA near 70×, Tesla is priced like a high-growth AI giant despite delivering just ~15% automotive growth in H1(first half) 2025 and margin pressure from price cuts.
2. **Investor hype around automation is overblown** Robotaxi launched in Austin (June 2025) with limited usage and notable incidents (hundreds of crashes involving Tesla’s drive assist systems) have led to investigations from US safety regulators. Hype around autonomy is overshadowing persistent scepticism around delivery scale, timeline and software reliability.

**Catalysts**

1. **Robotaxi regulatory setbacks or fallout from a major incident:** Any safety breaches or regulatory penalties in Austin could puncture investor optimism around autonomy.
2. **Q3/Q4 Earnings miss:** Continued margin blows from tariffs, weakened China sales, and price cuts may lead to guidance adjustments and analyst downgrades.

**Valuation**

Using a 10% WACC, 12% terminal margin and 15% revenue CAGR, DCF implies fair value = 200$ per share.

Despite slower growth in Q2, Tesla trades dramatically higher than peers. Applying even a conservative **30× EV/EBITDA** multiple would value Tesla well below **$200**.

**Risks & Mitigation**

* **Risk (1):** Breakthrough or regulatory clearance for FSD/Robotaxi could validate future growth.
* **Mitigation (1):** hedge the short position by purchasing calls on the ARKK ETF (ETF focused on innovative companies, Tesla is the top holding).
* **Risk (2):** Institutional ESG inflows reverse if controversy subsides.
* **Mitigation (2):** monitor signals such as track rating from Sustainalytics or S&P ESG or Tesla being reinstated into ESG indices or ETFs. Use this as an early warning system to tighten risk controls or reduce exposure.