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Buy Tesla

Tom Gardner | January 2, 2020 | [Buy Recommendation](#)

CURRENT PRICE: [TSLA](#) \$ 1006.50 ↑ \$ 12.18 (1.2%) Close: 1006.50, Bid: 1006.45, Ask: 1006.55, Volume: 10,000,000

Tesla ([NASDAQ: TSLA](#)) is probably the most controversial stock on the public markets. That's true here at The Motley Fool, too — its doubters include some very intelligent analysts whose opinions I respect.

Yet I've been a believer since I first recommended the electric vehicle pioneer to *Stock Advisor* members back in 2012. Sure, it helps that Tesla has outperformed the S&P 500 by *a thousand* percentage points for Fools who bought then. But I've held my ground through the most difficult times Tesla faced. And even when its valuation began to seem a little surreal, I've never thought of selling.

To invest in Tesla, you have to be able to separate vision and strategy from hype and noise. That's hard to do — especially with a lightning-rod CEO in Elon Musk — but it's the most important ability an investor can have. So what can we observe about Tesla today? I'm more confident than ever it has already won the race to become a true next-generation car company. And I think it's still just getting started as it looks to become a multi-category disruptor in energy and technology.

What Tesla Has Done

To appreciate where Tesla is, you have to remember where it's been.

In 2006, Musk set forth a simple but ambitious master plan. First, build a sports car. Then, take the money from that to build an affordable car. Next, take *that* money and build an *even more affordable* car. Along the way, come up with options for zero-emission electric power generation.

Tesla has already accomplished the key points of Musk's master plan. In 2008, just five years after the company's founding, the Tesla Roadster entered production. It could go almost 250 miles on a charge, and its performance showed that electric vehicles could stand up to their gas-powered rivals. By 2012, the Model S luxury sedan had shown that Tesla could

TESLA IN 1 MINUTE

What It Does

Tesla is a leader in high-performance electric-powered vehicles, with cars already available at a variety of price points and future plans to offer electric pickup trucks and semi-tractor-trailers. It also offers energy generation and storage systems.

Why You Should Buy

- Tesla has disrupted the way consumers see the auto industry, with customers loyal to the brand and extensive competitive advantages in battery technology, its Supercharger network, autonomous driving, and artificial intelligence.
- Founder Elon Musk is widely regarded by many successful tech entrepreneurs as the smartest, most visionary person they've ever met.
- Tesla has the potential to become one of the largest companies in the world in a decade, with its broader advances in technology and energy going well beyond the automotive industry.

Buyer's Guide

- **Industry:** Automobile Manufacturers
- **Size:** Large Cap
- **Region:** U.S.
- **Dec. 31 Price:** \$418.33
- **Allocation:** We don't recommend buying too much of any stock. Many Fools choose to fill out their positions

I think Musk could transform Tesla and what it does in the same kind of way Jeff Bezos did with **Amazon.com** ([NASDAQ: AMZN](#)). To pigeonhole Musk within the electric vehicle niche would be like saying Bezos could never go beyond Amazon's bookselling business.

Tesla's biggest competitive advantage is a loyal base of customers and followers. They want creative products like the recently announced Cybertruck, whose distinctive look makes it stand out and accentuates the Tesla brand. But they want the company to succeed in its broader mission to improve the environment. That creates buy-in among customers that can last a lifetime — something rival automakers can only wish they had.

Risks and When We'd Sell

- I still think the biggest risk for Tesla is that something could happen to Musk. That may be a bigger risk for the world at large — as Tesla puts more energy into execution, that reduces the key-person risk a bit. Nevertheless, losing Musk's vision and passion would be a blow.
- China is one of Tesla's biggest potential markets, and the building of Tesla's Shanghai-based factory will help meet rising demand at lower costs. Yet if political issues between the U.S. and China become problematic, Tesla could find it difficult to do business there.
- Tesla is a constant target of attacks, and while some of the criticisms against Musk are valid, many of them come from competitors that have a lot to lose if the CEO is successful. Tesla's stock has responded negatively to such attacks in the past, so investors have to be comfortable with volatility if they want to invest in Tesla.

The Foolish Bottom Line

I'm not saying that Tesla is perfect, and I'm not a fan of Musk's sometimes tediously careless tweets. Yet Tesla is making one of the boldest attempts in history to disrupt industries that the world desperately needs to have disrupted. In a portfolio of 25 or more stocks, Tesla deserves a position. So let the battles around Tesla rage — and buckle up for a long drive.

Dan Caplinger contributed to this report.

TOM CALLED IT AGAIN: Do you agree that Tesla will beat the market over the next 3-5 years?
(After voting, buy shares to invest right away or add TSLA to your Favorites for alerts later.)

NOT SURE

NO

YES

Ready to follow our recommendation?

✓ TSLA is a Favorite

Remove from Favorites

Buy TSLA

John Mackey, CEO of Whole Foods Market, an Amazon subsidiary, is a member of The Motley Fool's board of directors. Suzanne Frey, an executive at Alphabet, is a member of The Motley Fool's board of directors. [Dan Caplinger](#) owns shares of Alphabet (A shares). [David Gardner](#) owns shares of Alphabet (A shares), Alphabet (C shares), Amazon, and Tesla. [Tom Gardner](#) owns

shares of *Alphabet (A shares), Alphabet (C shares), and Tesla. The Motley Fool owns shares of Alphabet (A shares), Alphabet (C shares), Amazon, and Tesla. The Motley Fool has a [disclosure policy](#).*

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