

# INVESTOR'S BUSINESS DAILY®

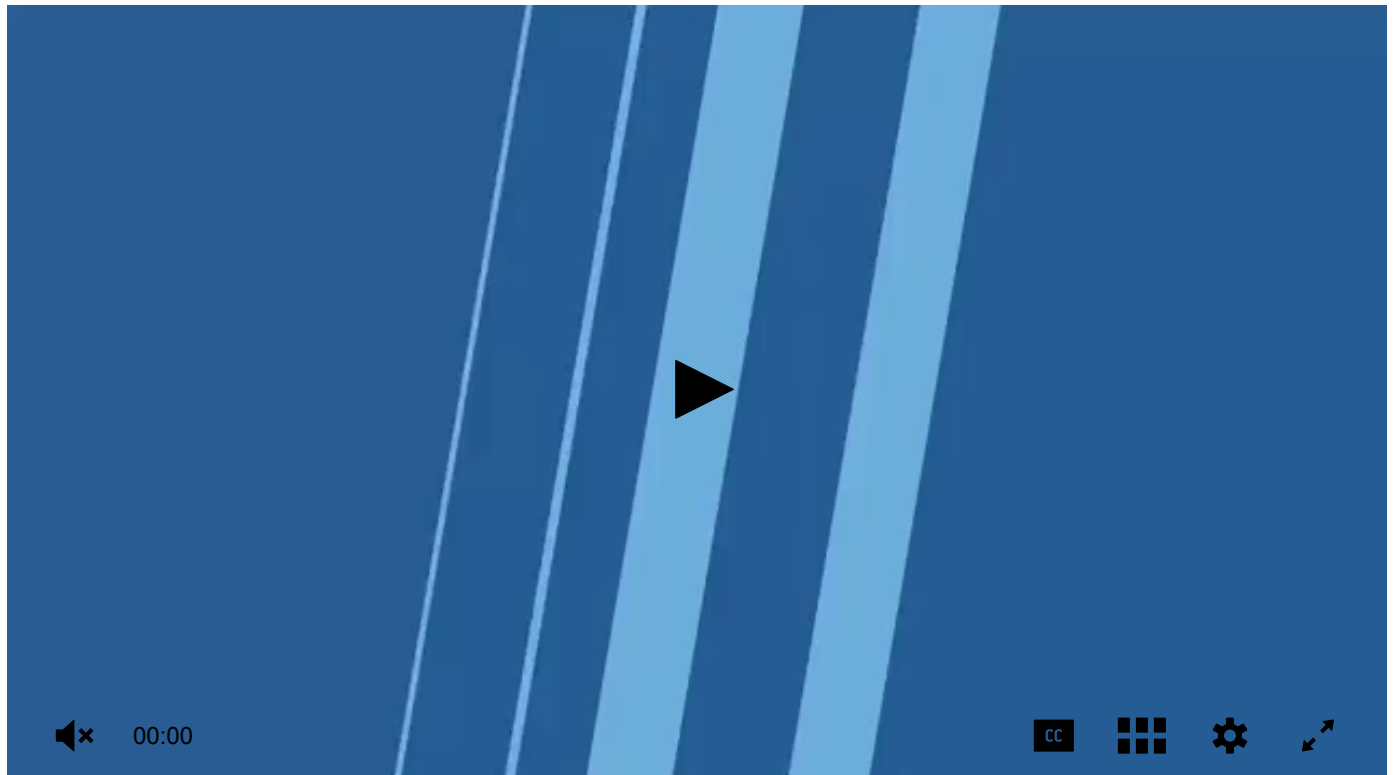
## NEWS

### Is Tesla Stock A Buy Or A Sell With California's Attorney General Investigating The EV Giant?



KIT NORTON | 11:05 AM ET 07/27/2023

**T**esla (TSLA) stock appears to be pulling back after second-quarter financials on July 19, as investor concerns over falling gross margins seems to be outweighing the global EV giant's earnings and revenue-beating numbers.



Meanwhile, California's attorney general is investigating Tesla, seeking information from customers and former employees regarding Autopilot safety and false advertising complaints, CNBC reported Wednesday.

This comes after Tesla reported Q2 profits growing 20% to 91 cents per share while revenue increased 47% to \$24.93 billion. Analysts expected profits to edge up around 4% to 80 cents per share with revenue totaling \$24.22 billion, up 43% compared with last year.

Tesla's total gross profit grew 7% to \$4.53 billion in the second quarter. Meanwhile, total gross margins came in at 18.2%, down from 19.3% in Q1 and a decline of 682 basis points vs. last year. Auto gross margins, excluding regulatory credits and leases, came in at 18.1%, down from 18.3% in Q1.

That is below the 20% gross margin "floor" Tesla previously targeted. Ahead of earnings, a slew of analysts rang warning bells on gross margins.

"The short-term variances in gross margins and profitability really are minor relative to the long term picture," Chief Executive Elon Musk **told investors during the Q2 earnings call.**

"Autonomy will make all of these numbers look silly," he added.

## **Stock Falls After Earnings**

However on July 20, TSLA tumbled 9.7% to 262.90, falling below the 21-day line but only giving up July gains.

Ahead of earnings, Wood sold tranches of her firm's Tesla stock holdings in consecutive sessions, **unloading more than 73,000 shares** before the EV giant reported second-quarter financials.

Morgan Stanley analyst Adam Jonas on July 24 wrote he expects Tesla's full-year auto gross margins to remain below 20% until 2025.

Cathie Wood sold another 20,700 shares of Tesla stock on July 25 for around \$5.49 million, based on the closing price of 265.28.

## Tesla Stock And Musk

There is never a dull moment for Tesla and Musk, with the two inextricably linked. Since **Musk took over Twitter** on Oct. 28, purchasing the social media platform for \$44 billion, **some longtime Tesla stock bulls** have worried Musk's focus on Twitter, along with negative attention, is weighing down Tesla stock.

Musk appeared to lessen those fears when he hired Linda Yaccarino, NBCUniversal's advertising chief, as the new CEO for X Corp., formerly known as Twitter. The Tesla chief added Yaccarino will focus on business operations while he will work on product design and new technology.

Wedbush analyst Daniel Ives wrote the news ends some of the "distraction risk around the Tesla story."

With TSLA shares pulling back after earnings, the top question for investors is always, when is it a good time to buy or sell Tesla stock.

Tesla and Musk are betting big on the Cybertruck and autonomous vehicle technology, along with a possible tailwind from the Inflation Reduction Act (IRA).

## Tesla A Monster Stock Over Much Of Its History

Almost single-handedly, Musk has turned the auto industry on its head, essentially forcing it to get aboard the electric-vehicle train.

It's a reason why Tesla has been a monster stock over much of its history, especially during its stratospheric run from mid-2019 to late 2021. The stock hit a bear market low of 101.84 on Jan. 6, but roared back until Q1 earnings.

On April 19, Tesla reported a **big first-quarter earnings decline** while revenue missed views. Profit margins for the global EV giant also fell below 20% as the company executed an aggressive price-slashing strategy in the first part of 2023.

Tesla reported revenue increasing 24% to \$23.33 billion with EPS of 85 cents, a 20% decline compared to 2022.

The EV company's total gross profit came in at \$4.5 billion, with Tesla's profit gross margin at 19.3%, down from 23.8% in Q4 and 29.1% a year earlier.

## Tesla's Global Price Cutting Strategy

Tesla has slashed prices worldwide multiple times in 2023, starting in January and continuing into April. The only exception is China, where Tesla cut prices significantly in late October before the reductions in early January.

On April 14, Tesla reduced prices in several European markets. Tesla also dropped the price of its electric vehicles in Israel and Singapore in order to increase demand, expanding a worldwide discount push that began in China in January.

The global EV maker also significantly reduced prices in the U.S. and Europe on Jan. 13, then reduced European prices again in early March.

In Germany, Tesla lowered the price of its Model 3 and Model Y vehicles by between 4.5% and 9.8%, while it cut prices of the Model 3 and Model Y vehicles in Singapore between 4.3% and 5%.

However, more recently **Tesla raised** Model S and Model X vehicle prices in China by around \$2,750. That follows a \$290 price hike in China on the Model 3 and Model Y. The global EV giant also increased prices on its two popular vehicles in other markets including the U.S.

## Tesla Stock: Betting On Autonomous Vehicles And The Cybertruck

Musk has long touted Tesla's Full Self-Driving (FSD) technology and the potential value it brings to the brand.

The Tesla CEO told investors during the Q1 earnings call the "value of a car that is autonomous is enormous."

Musk also stressed that improvements in the FSD beta are "really quite dramatic."

"The trend is very clearly toward full autonomy, and I hesitate to say this, but I think we'll do it this year," Musk said, referring to self-driving vehicles.

Meanwhile, Musk has confirmed that a Cybertruck delivery event will take place later in 2023.

Tesla reported in its Q2 financials the Cybertruck "remains on track to begin initial production later this year at Gigafactory Texas." However, the EV giant added it is "testing Cybertruck vehicles around the world for final certification and validation."

"We can't wait to start delivering it later this year," Musk told investors Wednesday, referring to the Cybertruck.

On July 15, Tesla tweeted a photo of the first Tesla Cybertruck made at its Austin plant. Tesla stock responded jumping 3.2%.

The company also said it continues to "make progress" on its next generation platform. Since the Tesla investor day in early March, the company has remained mostly silent on its **next generation vehicle**, to be produced at its new plant in Mexico. At the annual shareholder meeting, Tesla unveiled a vehicle silhouette.

## **The Long-Awaited Semi Hauler Unveiled**

In early December, Tesla **unveiled its long-awaited Semi**, an 18-wheel, long-haul electric freight truck, five years after it was first announced. However, in March, **Tesla ordered a voluntary recall** of 35 Semi trucks due to a parking brake issue.

Tesla began delivering its long-haul Semi trucks to **PepsiCo (PEP)** in December. Further, Musk has indicated there are plans to build out a charging network for long-haul trucks.

Musk did not specify how much the eighteen-wheeler costs. The Semi is capable of traveling an estimated 500 miles per charge. It can accelerate from zero to 60 in 20 seconds, Tesla says. The company expects to ramp production over the next year and aims to deliver 50,000 units in 2024.

Before the recall, PepsiCo planned to deploy 36 Tesla Semi trucks, with 15 in Modesto and 21 in Sacramento.

Pepsi placed its order for 100 EVs when the Semi was first announced in 2017.

Tesla is currently under investigation by National Highway Traffic Safety Administration over possible seat belt failures. Regulators are also probing the EV giant over steering-wheel issues and driver-assistance concerns.

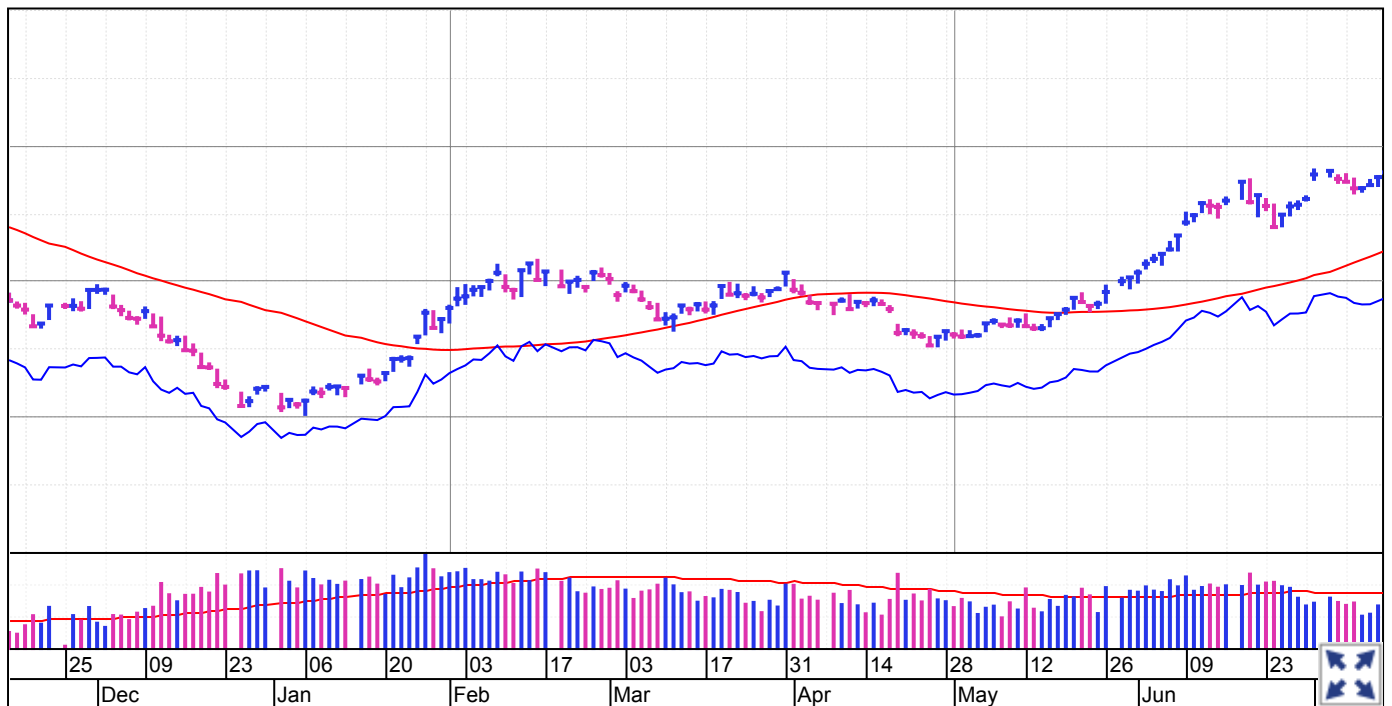
## Is Tesla Stock A Buy?

TSLA stock is greatly extended from a **cup base** with a **207.79 buy point**. Shares have climbed 118% so far in 2023, according to **Leaderboard analysis**. After the pullback on Q2 earnings, TSLA is up around 3% in July.

Now Tesla is working on a deeper cup base going back to September 2022 with a **313.80 buy point**.

### Tesla (TSLA)

\$251.41 2.45 ↓ 0.97%



08/07/2023 (Market Close)

Technically, Tesla now has a handle on a weekly chart, offering 299.29 buy point. But a slightly deeper pullback or pause could create a meaningful handle. That handle could end up developing into a new base with the broader consolidation.

An extended handle or new base would offer more time for moving averages to catch up to the TSLA stock price.

Tesla stock ranks third in IBD's **automaker industry group**. It has a **98 Composite Rating** out of 99. Tesla has a **95 Relative Strength Rating** and its **EPS Rating** is 94 out of 99.

The market status is showing a "confirmed uptrend." However, Tesla stock is greatly extended from a cup base and TSLA is not a buy right now.

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