

Sandy Munro: Tesla's Price Cuts Will Annihilate EV Competitors

Munro & Associates' cost analysis indicates a huge cost advantage for Tesla.



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By: **Mark Kane**

In one of the latest videos, *Munro Live*'s Sandy Munro and Cory Steuben shared some interesting thoughts about Tesla's most recent price cuts.

As we know, **the price reduction across the board** was so significant that some media even started to call it **a price war or "profits as a weapon."**

We guess that the cause of the price cuts is **highly related to supply and demand**, as **Tesla** needs to secure enough orders for its continuously expanding manufacturing capacity around the world.

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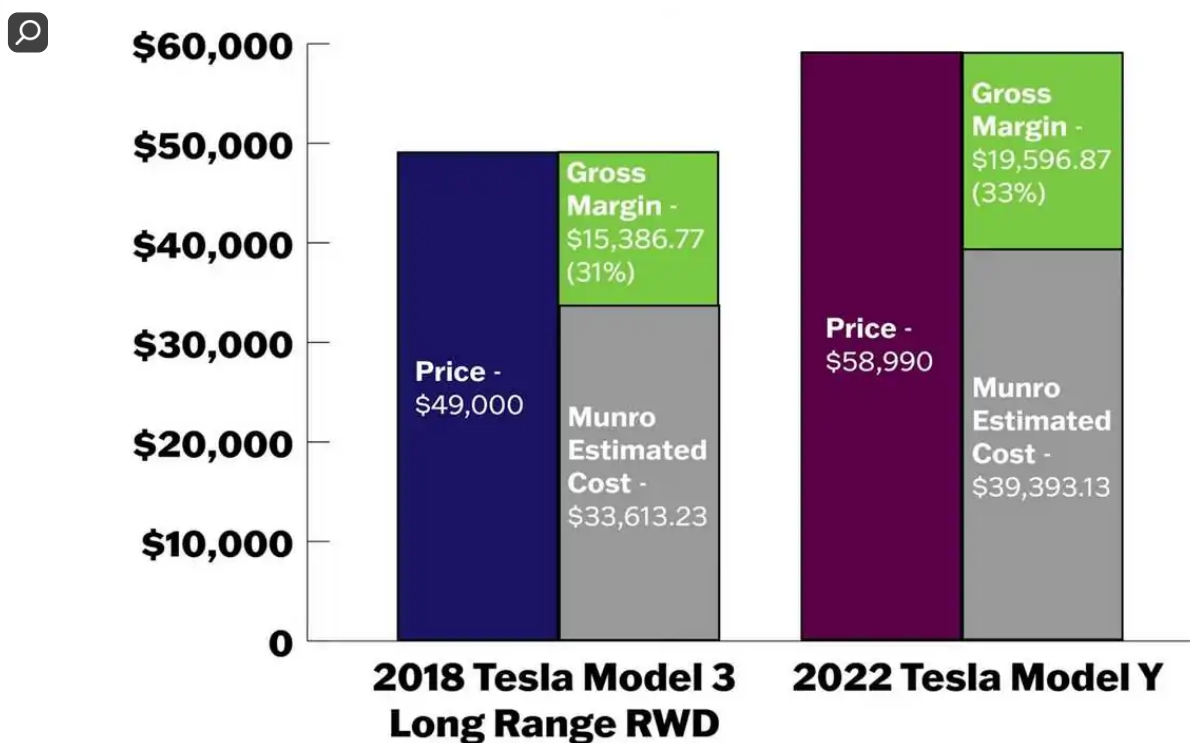
Sandy Munro's view is focused on manufacturing and costs, which gives us the foundation - why Tesla was able to reduce prices quite significantly and whether it's

expected to remain profitable.

According to Munro & Associates' analyses, based on multiple electric vehicle teardowns, Tesla achieved the lowest estimated costs in the EV industry.

Sandy Munro said that even the first conservative estimation indicates over a 30 percent gross margin on a vehicle like the Tesla Model 3 or the Tesla Model Y.

In the case of the 2022 Tesla Model Y, the raw difference between the price (\$58,990) and estimated cost (roughly \$39,393) was almost \$20,000, or 33 percent of the cost. Let's add that it has some reference in the financial reports provided by Tesla (gross margins).



Sandy Munro explains that its detailed analysis includes basically every single part of the car. The company says that it's possible to count everything and estimate the real cost of prices in the industry, which has been Munro's core business for many years.

Tesla was very focused on costs and was able to produce a vehicle cheaper through various measures. Starting from smart ideas, like combining multiple functions into a single system (like the thermal management system), simplifications (replacing a high number of small mechanical parts with megacastings), taking development and production of some systems in-house, increasing scale (the largest all-electric car manufacturer globally) or even changing a business model (no dealership). Those are just some of the things.

Sandy Munro says that Tesla will still be able to profit from selling electric cars, those profits will be higher than in the case of other OEMs and that including everything - specifically the Full-Self Driving tech in the future - the gross margin might even reach 40 percent.

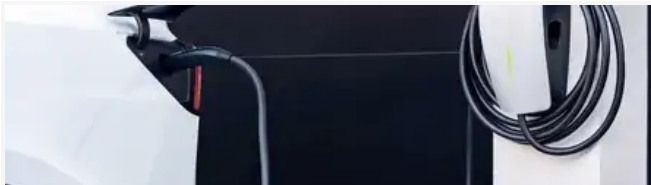
The cost advantage over other carmakers is so high - in Sandy Munro's opinion - that the move to cut prices is expected to eliminate or even annihilate competitors. Tesla cars will be cheaper than other models.

Let's note that today, the Tesla Model Y (LR AWD) starts in the United States from \$52,990 (before incentives), which still would be significantly above the \$39,393 cost figure mentioned in the presentation.

Sandy Munro and Cory Steuben expect that in the case of the upcoming [Tesla Cybertruck](#), the margins might be even higher (margins are usually higher on pickup trucks) - potentially 35-37 percent.

Interestingly, the duo praised Ford for the [Ford F-150 Lightning](#), because it is also expected to be very profitable and the company is now ahead of other OEMs in the all-electric pickup truck segment.

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\$55,990



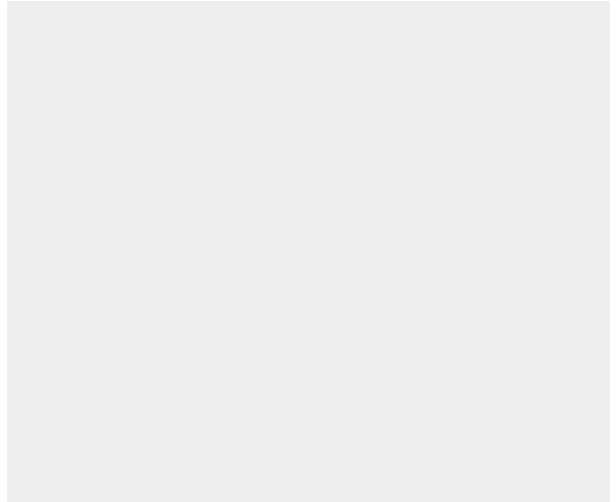
\$39,900



\$39,952



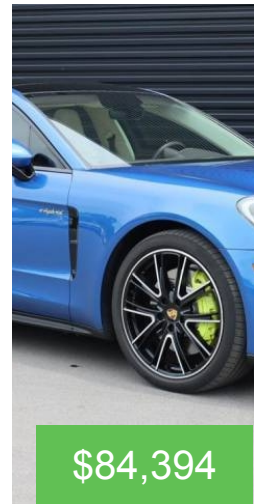
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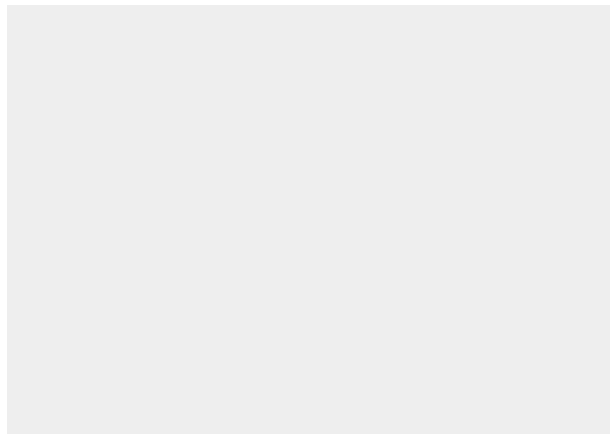
\$59,987

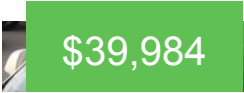
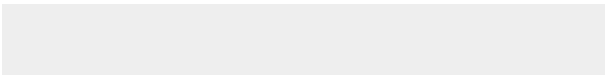


\$30,398



\$84,394





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