

# Tesla valuation is just smoke and mirrors

Is Elon Musk's Tesla really a car manufacturer or has it become a belief system masquerading as one?



by [Anthony Robinson](#)

**We know that SpaceX's Falcon 9 rockets are blasted into orbit by an explosive mixture of several hundred tonnes of kerosene and liquid oxygen. That literally is rocket science. Much harder to explain is what keeps the value of Elon Musk's electric vehicle maker Tesla at similar astronomic levels. It's a mystery that seasoned financial analysts struggle to explain.**

## Tesla's market valuation

Tesla's \$1.24tn market capitalisation (its current share price multiplied by the number of shares available) makes the company worth **more than the combined value of the next 25** largest global car manufacturers.

Yes, you read that right. Tesla, a business that didn't exist before 2003, is worth over 10 times as much as Mercedes Benz and BMW put together! It's valued, at five times the market cap of Toyota, a company that last year produced nearly 10 million vehicles compared to Tesla's modest 1.79 million, a figure which was 4% down on 2023 anyway. You could buy the entire European car industry for the price of Tesla and still have well north of \$800bn to spare, about the same as Poland's entire GDP. Weird, eh? By operating margin, Tesla comes in at **No 15 globally**, by revenue it's 10th, and by output it doesn't even make the top dozen or so. By any measure it's an average vehicle manufacturer, albeit one that specialises in EVs. But crucially perhaps, it has Musk as CEO (or 'Technoking' as he **prefers to be known**) and largest shareholder.

A *Financial Times* [article last week](#) drew attention to Tesla's announcement of both profits and output falling in 2024, prompting a 9% slump in share price. That 'slump' amounted to \$69bn or roughly the equivalent of *twice* the market value of South Korean car maker Hyundai, as the *FT* pointed out.

## Investors with no interest in earnings

Shareholders are strangely unfazed by Musk's regular failure to meet his own targets, his foray into space exploration, social media, and latterly politics, especially of the extreme right. In fact, his \$270mn investment in Donald Trump's 2024 campaign was rewarded with a **surge in Tesla's share price**. Between Musk endorsing Trump in July and his victory in November, the value of his **20.5% stock holding** virtually doubled to a cool \$250bn.

Musk receives no salary and his huge stake in Tesla has been driven partly by a 2018 remuneration package, agreed when Tesla was worth just \$53bn, based on increases in the company's market capitalisation being achieved. That package is currently **bogged down in the courts** after a judge in Delaware blocked a \$56bn pay day for Musk as "an unfathomable sum" that was unfair to shareholders, although they had agreed to it and still want the money paid.

A **columnist at Bloomberg** recalled that one year ago, Tesla was rated as a 'buy' by many analysts even though it was trading at 57 times forward-adjusted earnings, a huge multiple. "Since then, despite poor financial performance and a shifting strategy, the stock has more than doubled" and is now trading at a heady 140 times earnings, mainly as a result of Musk's association with Trump.

One car industry analyst at Morgan Stanley, who recently cut his forecasts for Tesla's 2025 deliveries, margins, and overall earnings, still sent a 'buy' by signal with a price target at \$430 per share. As I write this, Tesla is trading at \$385 with a market capitalisation of \$1.24tn.

## Is Tesla's share price heading for a correction?

Anyone of a nervous disposition holding recently purchased Tesla shares, assuming such a person exists, might want to consider starting to worry, or look away now.

Tesla sales cratered by **63% in France** last month, 44% in Sweden, and 38% in Norway. Australia saw a drop of 33% in sales to their lowest level in two years. This is seen by many as a direct result of Musk's interference in European politics and his support for neo-fascist parties like the AfD in Germany, where **Tesla sales fell 41%** in 2024, pushing Musk's brand down to third place in EV registrations. Sales of the latest Cybertruck in Q4 2024 have been **described as** 'disastrous'.

In contrast, Tesla's closest rival, the Chinese company BYD, saw a **41% increase in global sales**, stealing Tesla's crown as the world's largest EV maker, a position it is unlikely to relinquish anytime soon.

Despite sales in California **falling by over 11% last year**, the USA remains Tesla's largest market. In which case investors might also question Musk's support for Trump, a climate change sceptic who intends to "drill, baby, drill" and has asked OPEC to cut world oil prices. Cheaper gas isn't likely to help EV sales in middle America.

Additionally, Trump has **revoked Biden's target** that 50% of vehicles sold in the US by 2030 must be EVs and he has also frozen the unspent portion of \$5bn in federal funding for more EV charging stations. The *New York Times* reports that the new president will **end the sale of regulatory credits** that Tesla sells to other car makers to help them meet emissions standards. Last year Tesla made \$692mn in revenue and profit from these credits.

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## Musk becoming a hate figure for the left

If Musk has become unpopular in Europe, he is doing himself no favours in the USA with the nearly half of American consumers who didn't support Trump in November, by taking a personal wrecking ball to federal spending plans. The *New York Times* says Musk is "sweeping through the federal government as a singular force, **creating major upheaval** as he looks to put an ideological stamp on the bureaucracy and rid the system of those who he and the president deride as 'the deep state'".

This is being done apparently without legal authority, which the *New York Times* describes euphemistically as representing "an extraordinary flexing of power by a private individual". Others think serious crimes are being committed.

### POLITICS

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\$47.5bn before its made a single paying passenger journey. The valuation is based, astonishingly, on forecast earnings in 2040. Musk has also announced that Tesla is moving into Robotics and AI, sectors where other companies are already well established.

His preoccupation with posting 24 hours a day on his own social media platform to his 200 million followers, or throwing himself into helping dismantle democracy in America, doesn't appear to dent shareholder faith in Musk. They have, as the Bloomberg columnist said, indefatigable optimism that Musk will somehow turn it all round.

## A huge gamble

Tesla appears to be struggling. The company's main asset is now not much more than a touching faith in Musk, who is **reportedly** "working with a frantic, around-the-clock energy" to slash the federal budget by some \$2tn. He has apparently moved beds into his new HQ a few blocks from the White House, so he and his staff can sleep after working late into the night, a tactic he also used at Twitter/X – and look what happened there.

Musk paid \$44bn for Twitter/X in October 2022 and has since turned it into a megaphone for hate, misinformation and propaganda, succeeding in **reducing its value by nearly 80%**. Trump, like Tesla's credulous investors, is taking what seems an extraordinary gamble on Musk and his well-documented ketamine habit. The president **told reporters** on Sunday:

"He's a big cost-cutter, sometimes we won't agree with it and we'll not go where he wants to go. But I think he's doing a great job. He's a smart guy."

America had better hope so.

## The odd couple – for now

Trump and Musk are rather unlikely bedfellows, sharing only an obsession with money and power. Serious problems are likely to come when the two men have an inevitable falling out and both go nuclear on their respective social media platforms.

The final word must go to Dan McCrum, whose *FT* article I referenced earlier, regarding Tesla's share price: "So, the Trump effect remains in full swing — and few appear keen to interrogate the quality of those earnings while Musk is a prominent colleague of the famously loyal and level-headed President."

Quite. Watch out. The correction, if and when it comes, could be spectacular and brutal.