

Tesla, Inc. (NASDAQ: TSLA)

Equity Research & Investment Analysis | Prepared 10 August 2026 | Reference price \$328.58 (close, 7 August 2026)

Price (7 Aug close)	Market cap	Forward P/E	Trailing P/E	Net cash	Beta
\$328.58	\$1.30T	170x	341x	\$27.4B	1.83

Scope and limitations. This is not personalised financial or investment advice, and the author is not a licensed financial adviser. Figures are as of the close on 7 August 2026 unless stated otherwise; Tesla's second-quarter results are as reported on 22 July 2026. Technical indicators are computed from a 100-session daily series, which cannot produce a 200-day moving average; that line is marked not computed rather than estimated. Tesla is a high-beta stock (1.83) whose valuation rests on unproven future businesses, and informed professionals hold price targets on it spanning roughly \$130 to \$600. This report reaches a negative conclusion on a company that has repeatedly defeated valuation-based scepticism; read the reasoning and disagree with it where you think it is wrong. Verify anything decision-critical against a live quote and Tesla's own filings before acting.

Executive Summary

The previous report on Tesla, published on 15 July at roughly \$395, rated the stock Hold and framed it explicitly as “avoid for new money”. It set out four conditions that would make Tesla attractive to buy and four that would move the rating toward Avoid, then flagged the 22 July second-quarter release as the near-term event that would settle several of them. That release has happened, and it went the wrong way.

Two of the four Avoid conditions fired. The first was a print showing the record delivery quarter had been bought with severe margin erosion; automotive gross margin came in at 16.9%, or 16.3% excluding regulatory credits, GAAP operating income fell 57% year on year to \$398 million, and operating margin collapsed to 1.4% from 4.1% a year earlier and 4.2% in the first quarter. Free cash flow turned negative at –\$1.09 billion against +\$1.44 billion in the first quarter, as capital expenditure rose 142% to \$5.8 billion. Adjusted earnings per share of \$0.33 missed the roughly \$0.53 consensus by about 38%. The second condition was robotaxi timeline slippage; on the same call management moved to a markedly more guarded tone on the rollout, having previously described the network's expansion as “hyper-exponential”. Revenue was the one bright spot, rising about 26% to \$28.24 billion and beating estimates comfortably. Demand is not the problem.

The stock fell about 15% on 23 July, its worst day since March 2025, and at \$328.58 now sits 16.7% below the price at which the previous report declined to buy it. That price is inside the \$290–345 band the previous report named as the zone where Tesla would become interesting, which on its face argues for an upgrade rather than a downgrade. This report concludes the opposite, and the reason is the central argument that follows.

The price fell but the valuation barely did. The \$290–345 band was defined on price, and price turned out to be the wrong variable. Forward earnings estimates were cut alongside the shares, so the multiple travelled far less than the quote. Applying today's forward earnings estimate of roughly \$1.93 a share to the July price of \$394.46 gives 204x; the multiple today is 170x, against the 175–200x the previous report quoted on the then-current estimates. A 16.7% fall in the share price bought somewhere between 3% and 15% of genuine multiple compression. The autonomy optimism embedded in the price is very nearly what it was three weeks ago, while the evidence supporting that optimism got weaker on three separate axes: vehicle gross margin, cash generation, and the robotaxi timeline.

The rating therefore moves from **Hold** to **Avoid**. This is a downgrade on evidence that the previous report itself nominated in advance, not a reaction to a falling price. Tesla remains a financially unbreakable company with \$27.4 billion of net cash, a strong brand, 25% delivery growth and a genuinely large option on autonomy and robotics. But at 170x forward earnings, with the operating business now generating a 1.4% margin and consuming rather than producing cash, and with the autonomy timeline slipping again, the price still assumes an outcome the company is further from demonstrating than it was a month ago. The probability-weighted fair value derived in Section 13 is \$333.85, or 1.6% above the current price.

1. The Previous Report's Own Tests, Applied

The most useful thing the 15 July report did was commit in advance to what would change its mind in each direction. Those commitments are now checkable, and checking them is the honest way to decide whether the rating should move.

Condition for buying, named 15 July	Status	What actually happened
A meaningfully lower entry price, toward the \$290–345 zone	Met on price only	The shares are \$328.58, inside the band. But the band was a proxy for “less autonomy optimism embedded”, and on that measure it fails: the forward multiple is 170x against the 175–200x quoted in July, because estimates fell with the price. Section 8 sets out the arithmetic.
Concrete, scaled robotaxi proof points: the unsupervised fleet growing from roughly 20 vehicles into the thousands with a strong safety record in diverse conditions	Not met	Cumulative paid robotaxi miles have reached 2.5 million, of which 380,000 were driven without an in-vehicle safety monitor. That is real progress and should be credited. But service remains confined to a handful of Texas and Florida metros, frequently in outlying areas, and management's tone on the rollout turned notably guarded.
Evidence FSD or robotaxi is becoming financially material, with an autonomy revenue line moving the profit and loss	Not met	Autonomy is still not a reported segment and did not move the second-quarter numbers. The line that did move was capital expenditure, up 142% to \$5.8bn.
Sustained auto margin recovery confirmed at the 22 July print	Failed	The opposite occurred. Automotive gross margin of 16.9% (16.3% ex-credits) and an operating margin of 1.4% reversed the recovery the first quarter had suggested.

Condition for downgrading, named 15 July	Status	What actually happened
A 22 July print showing the delivery record was bought with severe margin erosion	Fired	Operating income –57% year on year to \$398m, operating margin 1.4% against 4.1% a year earlier, automotive gross margin 16.3% ex-credits, adjusted EPS missing consensus by roughly 38%, and free cash flow of –\$1.09bn. This is the condition as written.
Robotaxi timeline slippage or a serious safety incident undermining the autonomy thesis	Fired	No safety incident, but clear slippage. Having guided a year ago to availability for half the US population by end-2025 at a “hyper-exponential” rate, management fielded questions on a slower-than-expected rollout in a visibly more cautious register.
Waymo or a Chinese rival decisively winning major robotaxi markets before Tesla scales	Not yet	Not decided. Waymo retains a far larger commercial driverless footprint, but nothing in the last month settled the race. Tesla's 380,000 monitor-free miles are the first meaningful counter-evidence in a while.
A material Musk, governance or brand shock	Not triggered	No new shock. Musk's attention is now also divided by a newly public SpaceX, which is a background consideration rather than an event.

Two Avoid conditions met in full, one buying condition met only in appearance, two clearly failed, and one buying condition failed outright. A framework that produces that pattern and then leaves the rating unchanged is not a framework; it is a preference. The rating moves.

2. Business and Industry Position

The structure of the business is unchanged and this section is deliberately short. Tesla sells electric vehicles (the great majority of revenue, dominated by Model 3 and Model Y, with Cybertruck, Semi and Cybercab at lower volume), energy generation and storage through Megapack and Powerwall, and a fast-growing services line covering Supercharging, insurance, used vehicles and service. Autonomy and artificial intelligence — full self-driving software, the robotaxi network, the Optimus humanoid robot and in-house AI silicon — is not yet a reported segment and is not yet financially material, and yet is where essentially the entire market capitalisation above a normal automotive multiple resides.

That asymmetry is the whole investment question, and this quarter sharpened it rather than resolving it. The vehicle business demonstrated that demand is genuinely strong: 480,126 deliveries, up about 25%, with revenue up 26% to \$28.24 billion. It simultaneously demonstrated that this demand is being bought at a materially worse price, with automotive gross margin at 16.3% excluding regulatory credits. Energy storage deployed 13.5 GWh in the quarter against 8.8 GWh in the first, and remains the most underrated part of the business. Meanwhile the autonomy layer, which carries the valuation, advanced in miles but retreated in stated timeline.

The industry backdrop has not improved. Global EV competition remains intense and price-led, with BYD and the Chinese manufacturers competing aggressively on both cost and, increasingly, driver-assistance features. US demand has been structurally weaker since the federal EV tax credit was removed in late 2025, which is precisely the environment in which volume records get bought with discounting and financing incentives. The second-quarter margin print is the arithmetic consequence.

3. Financial Analysis: The Second Quarter

Q2 2026 metric	Reported	Assessment
Revenue	\$28.24bn, +26% y/y	A clear beat against roughly \$25.7–26.4bn expected, and the strongest growth in several years. Demand is not the issue.
Deliveries	480,126, +25% y/y	A record, roughly 74,000 above consensus, and confirmation that the European and volume recovery is real.
Automotive gross margin	16.9% (16.3% ex-credits)	The problem. Volume was bought with price. This reverses the margin-recovery narrative that supported the first-quarter print.
GAAP operating income	\$398m, –57% y/y	The single most damaging number in the release. Operating profitability has been more than halved while revenue grew a quarter.
Operating margin	1.4%	Against 4.1% a year earlier and 4.2% in Q1. At this level the automotive business is barely profitable on operations.
GAAP net income	\$1.11bn, –5% y/y	Held up far better than operating income, for reasons that matter — see the note below.
Adjusted EPS	\$0.33 vs ~\$0.53 expected	A miss of roughly 38%, which is large even by the standards of a company with volatile quarterly earnings.
Free cash flow	–\$1.09bn	Negative, against +\$1.44bn in Q1. Tesla consumed cash this quarter.
Capital expenditure	\$5.8bn, +142% y/y	The direct cause of the negative free cash flow, spent on AI compute, robotics and chip capability.
Energy storage deployed	13.5 GWh	Up sharply from 8.8 GWh in Q1. The healthiest operating line in the business and still under-discussed.
Cash / debt / net cash	\$43.52bn / \$16.08bn / \$27.44bn	Unquestionably strong. But see Section 8 on why a fortress balance sheet is nearly irrelevant at this valuation.

A note on the gap between operating income and net income. GAAP operating income was \$398 million while GAAP net income was \$1.11 billion. By the author's calculation the difference of roughly \$712 million — about 64% of reported net income — arrived below the operating line, principally interest and investment income on a cash balance of \$43.5 billion. That is a legitimate source of profit and it is not a one-off, but it is not operating performance, and it should not be counted toward a thesis about the earnings power of a vehicle, energy and autonomy business. On operations alone Tesla earned \$398 million in a quarter against a \$1.30 trillion market capitalisation. This figure is derived, not company-reported, and the inputs are shown here so it can be checked.

The bull rebuttal deserves stating fairly, because it is not weak. Every element of the deterioration is voluntary. Tesla is choosing to price aggressively to hold volume in a hostile pricing environment, and choosing to spend \$5.8 billion a

quarter building the compute, robotics and silicon capability that the autonomy thesis requires. A company with \$27.4 billion of net cash and no financing risk is entitled to depress near-term profitability to fund a large bet, and punishing it for doing so misreads deliberate investment as distress. That argument is correct as far as it goes. What it does not do is justify the price. Voluntary spending still consumes cash, and a 170x forward multiple already assumes the bet works.

4. Competitive Position

Arena	Principal competitors	Tesla's standing, and what moved
EV manufacturing	BYD, Chinese EV makers, legacy OEMs, Rivian, Lucid	Premium brand leader in Western markets with a genuine cost and vertical-integration edge, but BYD outsells Tesla globally and price competition is what produced this quarter's 16.3% ex-credit gross margin.
Robotaxi operations today	Waymo (clear leader), Zoox	Still behind on commercial driverless scale, but the gap narrowed in substance if not in stated ambition: 2.5m cumulative paid miles and 380,000 without an in-vehicle safety monitor is a materially larger footprint than the roughly 20 unsupervised vehicles reported in mid-July.
Generalised autonomy and the data moat	Waymo, Mobileye, Chinese ADAS players	Tesla remains the clear leader by dataset scale, and this is the strongest genuine argument for the premium. The moat is real; the question has always been the conversion timeline, and the timeline just slipped again.
Energy storage	Fluence, CATL, LG, BYD, Sungrow	Strong and growing, 13.5 GWh deployed in the quarter. Competitive rather than dominant, and consistently under-credited relative to the autonomy narrative.
Humanoid robotics	Figure, Boston Dynamics, Chinese robotics firms	Too early to assess. Musk now says Optimus will be sold to the public by end-2027, which is a later date than earlier framings implied.

5. Management Assessment

The core assessment is unchanged: a visionary, execution-capable team led by a CEO with an extraordinary record of delivering hard engineering outcomes and an equally consistent record of delivering them late. What this quarter adds is another entry in the second column, and it lands on the specific claim the valuation depends on.

A year ago Musk described the robotaxi network as expanding at a “hyper-exponential rate” and available to half the US population by the end of 2025. As of this quarter the service operates in a handful of Texas and Florida metros, frequently in outlying areas. On the 22 July call management fielded questions about the pace in a notably more guarded register. Nothing about that is dishonest and the underlying progress is real — 380,000 miles without a safety monitor is not nothing — but for an investor the relevant point is narrow and repeated: the company's autonomy timelines have again proved optimistic, and the valuation is a claim about timing.

Two further items belong in the management column. First, the 38% earnings miss followed a quarter in which management had guided investors to expect the margin recovery to continue; that is a forecasting failure as well as an operating one. Second, Musk's attention is now divided across a newly public SpaceX, which listed in June and has since absorbed considerable executive and market attention through its first earnings report and lockup expiry. Key-person concentration was already a risk in the previous report; it has not improved. Governance questions around the 2025 performance award, whose metrics include robotaxi deployment, and the recurring speculation about a SpaceX–Tesla combination both remain open.

The management score falls from 6 to 5. Not because the team is worse, but because the specific capability the investment case requires — accurate timing on autonomy — has been tested again and again fallen short.

6. Growth Drivers

Driver	Assessment	Likelihood	Impact
Robotaxi scaling into a commercial network	The entire premium. 2.5m cumulative paid miles and 380,000 monitor-free miles show genuine progress; a guarded management tone and a footprint confined to a few Sun Belt metros show the pace. Meaningful revenue remains a 2027-plus event on the company's own framing.	Low near-term	Very high
Margin recovery in the vehicle business	The most consequential near-term swing factor and the one that just broke. Requires either better pricing power or the cost curve to catch up with the discounting. Neither is visible yet.	Uncertain	High
Energy storage	13.5 GWh deployed against 8.8 GWh in Q1, with multi-billion-dollar Megapack contracts in hand. Real, growing, contracted, and the part of the business most likely to be systematically under-valued.	High	Moderate
FSD subscription growth	A high-margin software layer that scales without robotaxi and was growing above 50% year on year at the last disclosure. The most credible near-term autonomy monetisation path.	Moderate-high	Moderate
Optimus commercialisation	Musk now targets public sales by end-2027. Enormous addressable market, no revenue, no verifiable milestones, and a date that has moved before.	Low near-term	Very high (long-term)
Vertical integration into AI silicon	AI5 complete with AI6 and the SpaceX-partnered Terafab ambition behind it. Strategically coherent and a genuine long-run cost lever for autonomy compute; also the direct cause of the capital expenditure that turned free cash flow negative.	Moderate	Moderate

7. Risk Analysis

Risk	Probability	Severity	Assessment
Valuation	High	High	The dominant risk, and it did not improve. At 170x forward earnings the price embeds substantial autonomy and robotics success. Any further slippage re-rates the stock independently of how the vehicle business performs.
Margin deterioration proving persistent	Moderate-high	High	New, and the most important change since the last report. A 1.4% operating margin leaves no cushion. If price competition continues, volume growth stops translating into profit at all.
Autonomy timeline slippage	High	High	Demonstrated again this quarter. The valuation is a bet on timing more than on capability, and timing is where the record is weakest.
Negative free cash flow persisting	Moderate	Moderate	New. One quarter of cash burn against \$27.4bn of net cash is trivially affordable. A sustained run of it while capital expenditure stays above \$5bn a quarter would change the financial character of the business.
Competitive (autonomy)	Moderate-high	High	Waymo continues to operate driverless at greater commercial scale. Tesla is closing the substantive gap faster than the stated-ambition gap.
Competitive (EV)	Moderate-high	Moderate	BYD and Chinese rivals compete hard on price and increasingly on autonomy features; Tesla's core lineup is ageing.

Risk	Probability	Severity	Assessment
Key-person and governance	Moderate-high	Moderate	Unimproved. Musk's attention now also spans a newly public SpaceX. Compensation and potential-combination questions remain unresolved.
Balance sheet	Low	Low	\$27.4bn net cash and no financing risk. Genuinely excellent, and genuinely small relative to a \$1.30tn market capitalisation.

8. Valuation

This is where the case for the downgrade is actually made, so it is worth being precise. The intuition that a 16.7% decline must have improved the risk-reward is wrong here, because the denominator moved with the numerator.

Method	Reading at \$328.58	Interpretation
Forward P/E	170x	Against 175–200x quoted in July on the then-current estimates. Applying today's forward estimate of about \$1.93 a share to the July price of \$394.46 gives 204x. So a 16.7% price fall delivered roughly 3–15% of real multiple compression, because analysts cut estimates at the same time.
Trailing P/E (GAAP)	341x	Against roughly 370–385x in July. Still an order of magnitude above the automotive industry median. Implied trailing earnings of about \$3.8bn support a \$1.30tn valuation.
EV / trailing net income	333x	Author's calculation from an enterprise value of \$1.27tn. Stripping out the cash barely changes the picture.
Net cash as % of market cap	2.1%	Author's calculation: \$27.44bn against \$1.30tn, or \$6.95 a share. The balance sheet is a genuine strength for survival and optionality, and almost irrelevant to whether the price is right.
Q2 operating income annualised	~\$1.6bn	Author's calculation, illustrative only. Against a \$1.30tn market capitalisation this is the scale of the gap between what the operating business currently earns and what the price assumes it will.
Consensus price target	\$397.87 (+21.1%)	Twenty-five-plus analysts, consensus rating Buy. Targets were cut across at least seven firms after the print — JPMorgan to \$445, Mizuho to \$450, Cantor to \$485, Truist to \$370 — yet the average fell only to roughly \$392–398 while the stock fell 17%. The dispersion, from about \$130 to \$600, remains the honest signal.

The previous report's \$290–345 band was described as the zone where quantitative fair-value models and lower technical supports cluster, and where “materially less autonomy optimism” would be embedded. The shares reached that band. The optimism did not leave with them. This report treats that as an error in the earlier framing rather than a reason to buy: the band should have been expressed as a multiple, not a price, because a price target that moves with consensus estimates is not a valuation discipline.

None of this means Tesla is worth an automotive multiple. It plainly has option value that a conventional carmaker does not, and pricing that option at zero has been a losing position for a decade. The claim is narrower and, it is hoped, more defensible: at 170x forward earnings, on an operating business earning a 1.4% margin and consuming cash, the option is not being offered at a discount. It is being offered at close to the same price as before, by a company that just gave three pieces of evidence against it.

9. Market Sentiment

Analyst behaviour after the print was revealing. At least seven firms cut price targets — Morgan Stanley, JPMorgan, Canaccord, TD Cowen, Cantor Fitzgerald, Mizuho and Truist among them — and almost all of them kept their Buy ratings. The consensus target fell only to roughly \$392–398 while the shares fell about 17%, which mechanically

widened the implied upside to 21%. That is what it looks like when the Street trims its numbers without revisiting its thesis, and it is a reason to weight the consensus target lightly here rather than to take comfort from it. The published range of roughly \$130 to \$600 remains a near-fivefold disagreement about the same company.

The retail and narrative picture is more mixed than usual. Attention within the Musk complex has partly rotated to SpaceX, which listed in June, fell 13% after its first public earnings report and then rallied hard through a lockup expiry in early August. That is not a Tesla event, but it competes for the same pool of narrative capital and the same CEO's time. Elsewhere, Cybertruck production at Giga Texas recovered in early August after a supplier dispute was resolved in Tesla's favour, which removes a small operational overhang.

Note on sources: the moomoo community and capital-flow feeds normally used to cross-check retail positioning were unreachable when this report was compiled, so the sentiment read rests on analyst actions, published news and price and volume data only.

10. Technical Analysis

For timing context only. All values computed from a 100-session daily series ending 7 August 2026.

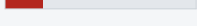
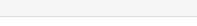
Indicator	Reading	Signal
Close (7 Aug)	\$328.58	Down 16.7% from the 15 July close of \$394.46 and 12.1% from the pre-results close of \$374.01, but up 10.1% from the 29 July closing low of \$298.32.
RSI (14)	41.4	Weak but not oversold. There is no mean-reversion signal here to argue the fall has been overdone.
MACD (12,26,9)	-19.75, signal -20.78, histogram +1.02	Deeply negative, confirming a broken medium-term trend. The marginally positive histogram indicates the rate of decline has slowed, not that the trend has turned.
SMA 20 / EMA 20	\$343.33 / \$339.99	Price is below both. Even the short-term trend has not recovered.
SMA 50 / EMA 50	\$380.44 / \$366.81	Price is well below both, by roughly 14% on the simple average.
SMA 100	\$385.26	Price is 15% below. Every computable moving average sits above the price.
SMA 200	<i>Not computed</i>	The available series is 100 sessions. Not estimated.
ATR (14)	\$14.82 (4.5% of price)	High, consistent with a beta of 1.83. Expect wide daily ranges.
Volume, 20d vs 50d average	39.4m vs 43.6m	Below the 50-day average, against 115.6m on 23 July. The repositioning has run its course and volume is normalising into the decline.
Structure	Support \$298–310; resistance \$340–380	The 29 July low is the near line. Above, the 20-day and then the 50-day averages define a long way back.

The chart adds nothing encouraging. Price is below every moving average that can be computed, momentum is deeply negative, and there is no oversold reading to suggest the market has overshot. This section does not drive the rating, but it does not argue against it either.

11. Investment Scorecard

Scored 1–10 where higher is better, except Risk, where 10 is the highest risk and which enters the composite inverted. Weights are shown and sum to 100. The July report's factor scores have been re-weighted on this same scheme so the composites are directly comparable; that reproduces its stated score of roughly 55, which gives some confidence the comparison is fair.

Factor	Wt	Score		vs Jul	Rationale
Business Quality	13		6/10	7 → 6	Lowered. Strong brand, 25% delivery growth and a real energy business, set against automotive gross margin of 16.3% ex-credits and a 1.4% operating margin.

Factor	Wt	Score		vs Jul	Rationale
Financial Strength	13		7/10	9 → 7	Lowered. Still \$27.4bn net cash and no financing risk, but free cash flow turned negative at -\$1.09bn with capex up 142%. The cash-generation pillar of the previous 9 no longer holds.
Competitive Advantage	13		6/10	—	Unchanged. The autonomy data moat is genuine and 380,000 monitor-free miles strengthen it; the automotive moat continues to narrow. The two offset.
Management	11		5/10	6 → 5	Lowered. Another autonomy timeline slip, a 38% earnings miss after guiding to continued margin recovery, and attention now also split across a newly public SpaceX.
Growth Potential	14		7/10	8 → 7	Lowered slightly. Revenue growth of 26% and energy storage at 13.5 GWh are real; the robotaxi rollout that carries most of the optionality has slowed.
Valuation	20		2/10	—	Unchanged, which is the point. 170x forward against 175–200x is not a change of category. Still extreme on every conventional measure.
Risk (10 = highest)	10		9/10	8 → 9	Raised. Margin collapse, negative free cash flow and renewed timeline slippage all added, with no offsetting reduction in the valuation risk.
Technical Setup	6		4/10	5 → 4	Lowered. Below every computable moving average, MACD deeply negative, RSI weak without being oversold.

Overall Investment Score: 47 / 100, against 55 / 100 for the July report on the same weights. Six of the eight factors moved and all six moved down. Valuation, the heaviest weight, is the one that did not move — and its failure to improve while everything around it deteriorated is precisely why the rating changes.

12. Recommendation: Avoid (downgraded from Hold)

What changed. Not the price. The July report already declined to buy Tesla and said so plainly. What changed is that the evidence it nominated as disconfirming arrived: a delivery record bought with severe margin erosion, and renewed slippage in the autonomy timeline. Against that, the single piece of confirming evidence — a lower share price — turns out on inspection to be a much smaller improvement than it appears, because forward estimates fell alongside the quote and the multiple is still 170x.

What Avoid means here, and what it does not. It means this report would not put fresh capital into Tesla at \$328.58 and considers the risk-adjusted return over the next one to two years unattractive. It does not mean the company is failing, that the balance sheet is at risk, or that the autonomy thesis is dead. It is emphatically not a recommendation to short: Tesla has bankrupted valuation-based bears for a decade, the float is heavily retail, and a single credible robotaxi milestone can move this stock 20% in a session. A rating of Strong Avoid would require believing the thesis is broken, and the 380,000 monitor-free robotaxi miles are evidence that it is not.

For existing holders the calculus is different and this report does not presume to make it. A holder with genuine conviction in the autonomy thesis, an appropriate position size and a multi-year horizon is making a coherent bet, and this quarter did not invalidate it — it delayed it and made it more expensive to fund. The distinction between “would not start here” and “should exit here” is real, and this rating is the former.

What would move this back to Hold or better	What would move this to Strong Avoid
Automotive gross margin ex-credits recovering back toward 20% while volume holds, showing the discounting was cyclical rather than structural.	A second consecutive quarter of operating margin near or below 1.4% with free cash flow still negative, which would establish the trend rather than the datapoint.

What would move this back to Hold or better	What would move this to Strong Avoid
Free cash flow returning to positive with capital expenditure still elevated, demonstrating the AI build is affordable out of operations rather than out of the cash pile.	A serious robotaxi safety incident, or a regulatory reversal in a core market, which would strike the thesis directly rather than delaying it.
Robotaxi scaling beyond the Sun Belt into varied weather and dense urban conditions, with monitor-free mileage growing by an order of magnitude from 380,000.	Waymo or a Chinese rival decisively winning several major metros before Tesla scales, which would convert the data-moat argument from unproven into contradicted.
A genuine multiple reset — a forward P/E in the double digits, or an autonomy revenue line large enough to make the multiple mean something.	Evidence that the vehicle business cannot hold volume without further price cuts, turning the growth story into a share-defence story.

No entry, stop or target levels are published, because this is not a Buy call. The levels worth monitoring are the \$298–310 support band and the \$340–380 overhead identified in Section 10, and the next scheduled information event is the third-quarter report in October.

13. Scenario Analysis

Case	Assumptions	Revenue and earnings outlook	Fair value	Prob.
Bull	Margins recover through H2 as the cost curve catches the discounting; robotaxi scales beyond the Sun Belt with monitor-free mileage growing an order of magnitude; FSD attach accelerates; Optimus shows credible early commercialisation; the market re-rates the autonomy option upward.	Revenue growth stays in the mid-20s with blended margins lifting as software mix rises; autonomy begins to appear in the P&L.	\$520	22%
Base	Volume growth continues at the cost of price; margins stabilise near current depressed levels; capital expenditure stays above \$5bn a quarter; robotaxi expands city by city but stays immaterial to revenue through 2027; energy compounds steadily.	Revenue grows well, earnings do not grow into the multiple; free cash flow oscillates around breakeven.	\$330	45%
Bear	Price competition persists and operating margin stays near 1%; free cash flow stays negative; the autonomy timeline slips again in October; the market begins pricing Tesla closer to a premium growth-auto and energy business with a smaller option attached.	Revenue growth decelerates as incentives exhaust; earnings estimates reset materially lower.	\$215	33%

Probabilities sum to 100%. The probability-weighted fair value is **\$333.85**, computed as $0.22 \times \$520 + 0.45 \times \$330 + 0.33 \times \$215$, implying **1.6%** upside from \$328.58. The shape matters more than the number. The distribution is wide and slightly negatively skewed: roughly 58% upside in the bull case against roughly 35% downside in the bear, but with the bear case now carrying a third of the weight against a fifth for the bull. An asset with a spread that wide and an expected return of 1.6% is not compensating the holder for the volatility it delivers.

Fair values are illustrative estimates derived from the scenario assumptions, not precise price targets. The spread between them is unusually wide, which is itself the honest signal about this stock.

14. Final Verdict

Would an investor put fresh money into Tesla at \$328.58 today? No, and with more conviction than a month ago.

The uncomfortable part of this call is that it comes after a 17% fall, which is exactly when downgrades are most likely to be wrong. So it is worth stating the reasoning in the form most vulnerable to being checked. The previous report said in advance that a margin-eroding delivery quarter or a robotaxi timeline slip would move the rating toward Avoid. Both happened, in the same release, three weeks ago. It also said a price in the \$290–345 band would improve the case for buying. The price got there and the case did not improve, because the forward multiple is 170x against 175–200x. Two negatives fired in full; the positive fired in appearance only. That arithmetic, not the direction of the share price, is what moves the rating.

The single biggest concern is the operating margin. At 1.4% the vehicle business is barely earning anything on operations, and roughly 64% of reported net income came from interest on the cash pile rather than from selling cars, energy or software. That is the number to watch, because it determines whether the story is “Tesla is investing heavily through a competitive patch” or “Tesla cannot hold volume without giving away the margin”. One quarter does not settle it. Two would.

What would change this view is not complicated and is largely within the company's control: margins recovering while volume holds, free cash flow turning positive with capital expenditure still high, and robotaxi mileage growing by an order of magnitude outside the Sun Belt. Any two of those would justify revisiting this rating quickly. Tesla has confounded sceptics before by doing precisely that sort of thing faster than anyone expected, and a reader who believes it will do so again has a coherent position. This report simply does not think 170x forward earnings is the right price at which to take that side of the argument.

Sources

Price and volume series: Alpha Vantage daily series for TSLA through 7 August 2026; all technical indicators computed from that series rather than read from third-party summaries. Results: Tesla second-quarter 2026 financial results (Tesla Investor Relations press release and Form 8-K/10-Q, SEC EDGAR, 22 July 2026), with reported detail cross-checked against CNBC, Bloomberg, Quartz, Teslarati and Electrek coverage of 22–23 July 2026. Robotaxi status and management tone: BNN Bloomberg, “Tesla's once-bullish tone on robotaxis shifts”, 23 July 2026, and CNBC coverage of prior expansion guidance. Market data and consensus: StockAnalysis.com statistics and valuation pages for TSLA (price, market capitalisation, enterprise value, trailing and forward P/E, shares outstanding, beta, cash and debt, consensus target of \$397.87), checked 8 August 2026. Analyst actions: CNBC and TipRanks coverage of post-earnings target changes at Morgan Stanley, JPMorgan, Canaccord, TD Cowen, Cantor Fitzgerald, Mizuho and Truist, 23 July 2026, and Investing.com on the Mizuho revision. Operational and corporate items: Teslarati (Cybertruck production recovery and the Angstrom Automotive restraining order, 5–6 August 2026; SpaceX listing, first public earnings and lockup expiry, 4–7 August 2026). Prior coverage: the 15 July 2026 Beating The Bull report on Tesla, read in full and used as the comparison baseline throughout.

Transcript availability: the 22 July earnings call was covered through published reporting on management's remarks and analyst exchanges rather than a full speaker-by-speaker transcript; the characterisations of management's tone on the robotaxi rollout rest on that reporting and are attributed accordingly. The moomoo community and capital-flow feeds were unreachable and did not contribute to this report.

This report reflects publicly available information as of 10 August 2026 and uses closing prices from 7 August 2026. It is informational only and is not financial advice, not a recommendation to buy, sell or short any security, and not a substitute for advice from a licensed adviser who knows your full financial position. Tesla is an unusually volatile, narrative-driven stock on which informed professionals disagree by a factor of nearly five; treat this as one argued view among many.