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Tesla briefly tops GM in value

Musk, startup more appealing to investors than mature company

BY IAN THIBODEAU (excerpt)

General Motors Co. remains America's most valuable automaker — for now.

For a short time Monday morning, Silicon Valley electric-vehicle startup Tesla Inc. was valued higher than GM. About a half-hour after the stock market opened Monday, Tesla shares hit \$313.39 per share, and its outstanding shares were valued at \$51 billion — close to \$2 billion more than GM at that time.

By noon, GM stock prices rose and Tesla's dipped below their peak. Tesla closed Monday up 3.26 percent at \$312.39 per share, with outstanding shares valued at \$49.34 billion, according to Dow Jones and Co.'s Marketwatch. GM closed up 0.77 percent at \$33.90 per share, with outstanding shares valued at \$50.79 billion.

The value of those outstanding shares, also known as market capitalization, shows investors' confidence in a company, said David Kudla, CEO and chief investment strategist of Mainstay Capital Management. The number is one metric that investors use to value a company.

And based on the market-cap bump Tesla saw Monday, the company is a "story stock" with an incredible amount of investor confidence behind it, Kudla said. "People are buying the story. They're buying (Tesla Chairman) Elon Musk."

"It's based on headline news versus companies that are mature," Kudla said. "You now have a (new) car company that has a higher market cap than companies that sold millions of cars last year."

GM on Monday declined to comment directly on the market valuation. Company spokesman Tom Henderson said the automaker will continue to spend

money where it will grow the company and boost value.

"We've built a track record of strong financial performance," he said. "We'll stay focused on delivering outstanding results and making decisions to deploy capital where it will generate the strongest returns, to enhance shareholder value." ...

...Valuing a company solely based on market capitalization ignores a lot of factors, said Michelle Krebs, an executive analyst for Autotrader. ...

...While market capitalization can't be ignored, it shouldn't be the only factor considered when determining the value of a company, analysts said. ...

...Kudla said Tesla can't be valued on financials, because it's such a new company.

"You can't look at the underlying financials, because they're not there yet... It's going to be about headlines, it's not about fundamentals... It's not even about the balance sheet. It's about the story and what (investors) see on the horizon."

Tesla's Musk has done well to create buzz around his company and build a brand, the real test for the company comes later this year when the company launches its mid-market vehicle, the Model 3. Tesla has said that by the end of next year, it will build 500,000 new Model 3 compacts, expected to sell for around \$40,000. Analysts have questioned whether Tesla will be able to meet those sales goals, as the company hasn't yet made more than 100,000 vehicles in a year. ...

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