

# Automotive News

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## Tesla slumps as investors despair

EV company faces falling subsidies, greater competition and continuing cash worries

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(excerpt)

Not long ago, it looked as if Tesla had turned the corner: Elon Musk's electric vehicle and solar energy company reported consecutive quarterly profits as it improved its manufacturing capabilities.

But lately, investors have been losing confidence that it can become sustainably profitable as U.S. subsidies wane for its pricey electric vehicles — especially as more rivals, including premium German brands, begin to flood a market that hasn't broadly embraced EVs. Even a proposal to deploy formerly leased vehicles as a fleet of robotaxis failed to inspire enthusiasm in the company's profit potential.

Tesla stock fell 9.7 percent last week and is now down 43 percent since the year began, trading at levels not seen since December 2016. Its market capitalization is once again below that of General Motors and Ford.

"Peak Tesla, the high point of the stock, is over," said David Kudla, CEO of Mainstay Capital Management in Grand Blanc, Mich., who shorted the stock — betting the price will fall — and rates it a sell. ...

...While the company has long faced questions over its use of cash, Musk resisted raising capital, hoping instead to generate profits to pay down debt.

But even after raising \$2.7 billion, he warned employees this month that "hardcore" cost cutting was needed or Tesla could run out of cash in as little as 10 months, Bloomberg reported.

Kudla says trying to become a mass-market automaker could be Musk's undoing.

"The 'go big' mantra will just send him home because the mountains of debt will crush him," Kudla said. "Tesla's chance at comeback requires scaling back to a boutique or niche electric vehicle manufacturer."