Tesla: love the company, not the stock

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The article 'To be rational about Tesla is to miss the point' (27/Aug/2015) by the FT opened with the following paragraph:

> *"Look at the numbers; they are borderline insane. For every car it had sold by the end of last year, Tesla Motors had burnt through about $40,000 in research, development and capital expenditure. The company is worth about half as much as BMW, which makes 35 times as many vehicles. Tesla has never made an annual profit, yet investors keep pouring money in."*

Tesla (TSLA: NYSE) has a net profit margin -17.84%. On the other hand, the best of the best carmakers – BMW (BMWX: GER) has a 6.8% net profit margin. Lets assume that Tesla is making money and that it is able to achieve a slightly superior margin.

Tesla currently has $3.79 billion in revenue (ttm). For convenience, lets assume a $4 billion revenue run rate. An 8% profit margin results in $320 million in earnings. This translates to a P/E of 83.

It doesn't take a genius to figure out that Tesla stock is overvalued at its present $26.84 billion market cap.

<u>Note:</u> The use of Tesla in this post was just an example to illustrate a point and must not be construed as a buy or sell recommendation.