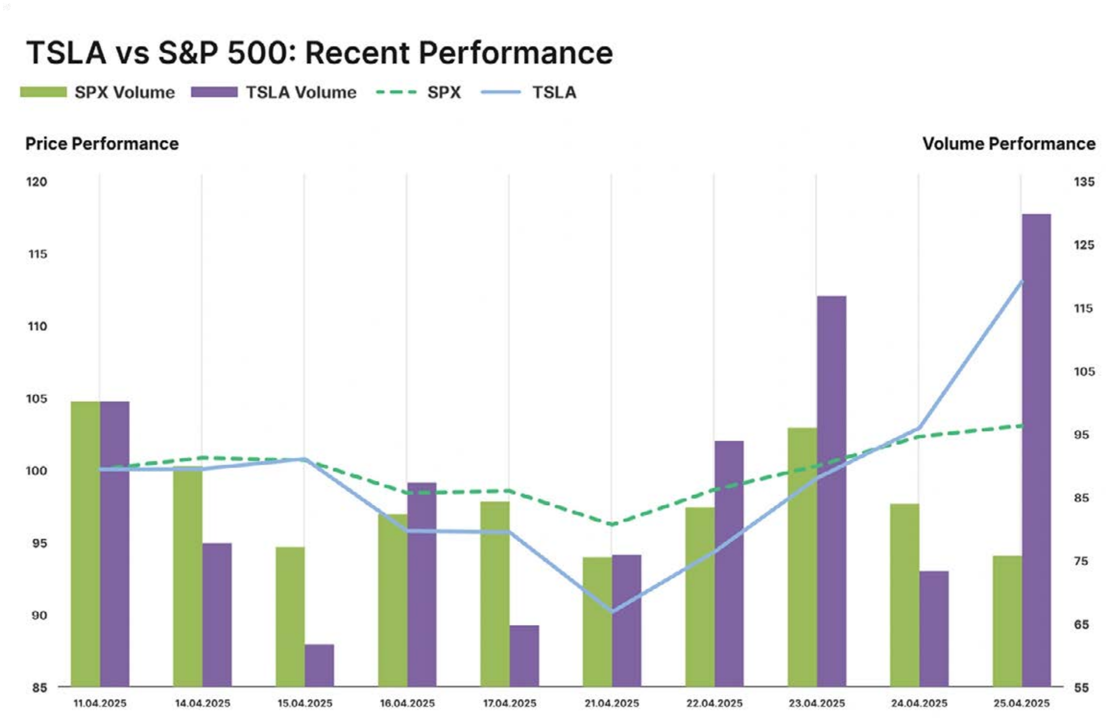
ThemesETFs

Why Tesla's Stock Rose Despite Dismal Q1 Earnings

THOUGHTS FROM THEMES | Date: April 29, 2025 Read Online

When **Tesla, Inc** (TSLA) reported its first quarter (Q1) 2025 results on the 22nd of April, the company's top and bottom lines both missed aggregate LSEG expectations, with reported revenue of $19.34 billion versus expectations of $21.11 billion and earnings per share of $0.27 cents (adjusted) versus expectations of $0.39.

However, market reactions were decidedly different. If the S&P 500 (SPX) was to be considered as a proxy for broad market sentiment, then the conviction in Tesla's stock can be summarized thus: in the week leading up to the earnings, broad market volumes *mostly* trumped that in Tesla. On the day before the earnings release and subsequently till the end of the week (on the 25th), this *almost* completely reversed.



Source: Themes ETFs analysis, as of April 28, 2025

Friday (i.e. the 25th) was the biggest day in terms of post-earnings stock value and volume performance: price and traded volume were about 20% and 38% higher than on the day of the earnings release.

Trend Analysis

At first blush, there is certainly nothing in balance sheet trends to justify such a massive sentiment uptick:

	Q1 2025, % of FY 2024	2024 vs 2023	2023 vs 2022	2022 vs 2021	2021 vs 2020	2020 vs 2019
Automotive Sales	18%	-8%	17%	52%	79%	27%
Automotive Leasing	24%	-14%	-14%	51%	56%	21%
Services and Other	25%	27%	37%	60%	65%	4%
Energy	27%	67%	54%	40%	40%	30%
Total Revenue	**20%**	**1%**	**19%**	**51%**	**71%**	**28%**
Automotive Sales	19%	-5%	31%	53%	65%	24%
Automotive Leasing	24%	-21%	-16%	54%	74%	23%
Services and Other	26%	27%	33%	51%	46%	-4%
Energy	26%	52%	35%	24%	48%	47%
Total Cost of Revenue	**20%**	**1%**	**31%**	**51%**	**61%**	**21%**
R&D	31%	14%	29%	19%	74%	11%
SG&A	24%	7%	22%	-13%	44%	19%
Operating Expenses	**27%**	**18%**	**22%**	**2%**	**53%**	**12%**
Net Income Attributable to Common Stockholders	**6%**	**-53%**	**19%**	**128%**	**665%**	**-184%**

Source: Company Information; Themes ETFs analysis, as of April 28, 2025

If current early trends continue, revenue is slated to close the current Fiscal Year (FY) 20% lower than the previous year, which itself was largely flat in terms of revenue growth. While cost of revenue is also trended to close lower at a similar rate, operating expenses is slated to close 8% higher.

Operating expenses is led by growing research and development (R&D) expenses, which is a consistent feature in this company – and likely a highly *valued* trend, given its success in essentially creating a market in the form of market-viable Battery Electric Vehicles (BEVs). Selling, General and Administrative (SG&A) expenses are relatively tightly controlled.

Net income is under deep stress. In 2024, net income was halved relative to the previous FY. If trends continue on Q1 2025 net income of $409 million, the year's income will close out at a *fourth* of the previous year. A large factor behind this is ongoing expenditure in the buildout of AI infrastructure, which is currently valued at $5.4 billion. Over the past three months relative to end of the previous FY, the total value of plants, property and equipment grew by 4.5%, with AI infrastructure being among the top-growing segments at 5.2% and tooling related to the manufacturing of existing products as well as AI-related assets growing by 14%. Overall construction in progress grew by 7.8% in the same period to $7.3 billion and likely includes additional facilities for AI and AI-related activities.

Over in the world of BEVs, none of Tesla's products can be considered as "budget" market products in the larger automobiles market. Its cheapest model in the U.S./Western Hemisphere retails at around

$44,000-$55,000 while the mostly-related Model Y retails at around $35,000-$45,000 range in China. Regardless of hype around the “high-ticket” Model S or the Cybertruck, the vast bulk of the company’s production and sales have and continue to be driven by its “cheaper” models.

	% of Total		Production	Deliveries
	Production	Deliveries		
	2020		**2020 vs 2019**	
Model 3/Y	89%	89%	51%	47%
Other Models	11%	11%	-13%	-14%
Total			**40%**	**36%**
	2021		**2021 vs 2020**	
Model 3/Y	97%	97%	99%	106%
Other Models	3%	3%	-55%	-56%
Total			**83%**	**87%**
	2022		**2022 vs 2021**	
Model 3/Y	95%	95%	43%	37%
Other Models	5%	5%	192%	167%
Total			**47%**	**40%**
	2023		**2023 vs 2022**	
Model 3/Y	96%	96%	37%	39%
Other Models	4%	4%	0%	3%
Total			**35%**	**38%**
	2024		**2024 vs 2023**	
Model 3/Y	95%	95%	-5%	-2%
Other Models	5%	5%	33%	24%
Total			**-4%**	**-1%**
	Q1 2025		**Q1 2025, % of 2024**	
Model 3/Y	95%	96%	21%	19%
Other Models	5%	4%	18%	15%
Total			**20%**	**19%**

Source: Company Information; Themes ETFs analysis, as of April 28, 2025

Between the “cheaper” and other “high-ticket” models, Tesla has maintained a roughly 19:1 production/ delivery schedule since 2022. While there are momentary bumps in deliveries of “other models” with new launches (like the Cybertruck), this ratio has remained resilient. In Q1 2025, there are signs of decline in “other model” deliveries, which is currently trending to close the year at a 40% downturn relative to last FY. Deliveries of the “cheaper” Model 3/Y, meanwhile, are trending to close the year with a 24% decline.

The “cheaper” segments have featured near-constant facelifts and upgrades over the year. The latest highly-vaunted (and relatively well-reviewed) model is the Tesla Model Y “Juniper”[1] in China/Asia earlier in the year, which some reviewers have described as a “Tesla Model Y with a Cybertruck face”.

Source: CarSauce, as of April 28, 2025

Nonetheless, overall deliveries are clearly showing early signs of decline. The slight misalignment between production and deliveries indicate that factory activities might be turned down going forward: inventory trends indicate a surplus of stock relative to delivery trends.

	Q1 2025, % of FY 2024	2024 vs 2023	2023 vs 2022	2022 vs 2021	2021 vs 2020	2020 vs 2019	2019 vs 2018
Raw Materials	97%	-3%	-12%	118%	87%	6%	53%
Work in Process	132%	-24%	-15%	119%	121%	36%	22%
Finished Goods	133%	-22%	45%	172%	-23%	23%	-14%
Service Parts	102%	11%	39%	46%	32%	7%	34%
Total	114%	-12%	6%	123%	40%	15%	14%

Source: Company Information; Themes ETFs analysis, as of April 28, 2025

If deliveries slow down, then production capacities will move towards consuming materials and goods currently in inventory rather than continuing to add to inventories.

Why the Hype?

As per reports released[2] by the U.S. National Highway Traffic Safety Administration, Tesla is one of the most vertically-integrated manufacturers within North America, with somewhere between 65-75% of all

U.S.-sold models' parts (by value) manufactured in the U.S – with the balance manufactured mostly in Mexico. The batteries, on the other hand, is a mixed bag with many packs originating in some form from China. This is already on the verge of being addressed to some extent by the upcoming Lithium Refinery plant in Robstown (Texas, U.S.A) – which aims to refine enough lithium for the battery content of a million vehicles[3] when fully operationalized. The plant is expected to go live sometime this year.

In contrast, Detroit's "Big Three" are more reliant[4] on plants outside of the U.S. (albeit in North America) to service the U.S. market. As the article about President Trump's tariff war penned earlier in the month outlined, this is likely to be an arduous multi-year campaign and almost certain to kickstart a recession. In its current lineup, Tesla is largely secure. On upcoming projects such as Tesla Semi and Cybercab, however, it is estimated that the company originally had heightened exposure to China[5], which the company is scrambling to address and reorient.

The integration patterns were likely the **first** trigger towards heightened buying activity into the stock despite poor revenue and net income trends. Even if the pie representing auto sales shrinks due to recessionary drawdowns, Tesla is likely to be the least affected among all carmakers.

The **second** trigger was likely assertions made[6] by the CEO Elon Musk about the state of Tesla's Full Self Driving ("FSD"). Mr. Musk stated that "FSD Supervised" – wherein operator supervision is constantly required – was launched in China with positive reception and without the utilization of country-specific maps, thus representing a high water mark in technical feasibility. "FSD Supervised" is expected to be launched in Europe later this year while Model 3's, Model Y's, and Cybertrucks are being run on "FSD Supervised" from the production line to outbound logistics lots at Fremont and Texas plants to rack up training data. The company estimates that FSD has been used in North America and China for 7.7 million miles per day. On a related note, the company is on track for Robotaxi's pilot launch in Austin (Texas) on June 2025.

The potential unlocking of value for monetization under fleet operation likely to made effective by the billions the company has expended on AI infrastructure provides support for speculative buy-ins despite the poor earnings.

The **third** trigger would likely be Mr. Musk himself, who had been deeply entrenched in building out a government spending efficiency initiative titled "Department of Government Efficiency" (or "DOGE") for a number of months since President Trump's second term began. During the call, Mr. Musk stated that, from May onwards, his involvement with "DOGE" will be reduced[7] to one to two days per week.

It is no secret that a significant/vocal fraction of Tesla fandom/investor base centers around expectations of Mr. Musk's personal and continual involvement with the company. Nowhere was this more apparent when the board of directors was largely compelled via popular vote to confer Mr. Musk – who already owns nearly 13% of the company's shares[8] – options awarding a paltry 0.1% of shares outstanding at a value that, if exercised even at present-day stock prices, would wreck the company's free cash flow for years to come. Owning the options thus meant a definitive hand in steering the company's future regardless of machinations by other large-volume institutional shareholders.

In a company with this distinct a conviction in its CEO, the stock price was bound to rise with news of his return to the helm – *even* if said helm was never really relinquished and *despite* the fact that the company has a deep bench of competent professionals.

Market players aren't always rational, regardless of what textbooks claim. Perhaps said textbooks are due for a rewrite.

In Conclusion

The language, facts and assertions made during the earnings call seem to indicate that the company is well on the cusp of evolution from "pureplay EV carmaker" to "autonomous fleet service provider". In terms of speculation, this is a significant paradigm that the company expects to inch into reality over the course of the next year. This speculation is grounds enough to transform the stock's valuation from "value" to "stock". BEV manufacturing isn't an innovation anymore; autonomous solutions (on the other hand) are.

If there was a dip in stock price after the earnings release, there *might* have been a case to say "buy the dip". However, the stock never dipped, which implies that even institutional players (both tactical and strategic) are buying into the idea of the paradigm. Of course, tactical players would like to realize gains so a slight softening of the stock price can be expected over the course of the next week.

Growth investors already invested will likely not see a substantial reason to join in on the selloff. The speculative nature of the company's transformation, however, might not be a massive reason for substantial buy-in from investors not exposed to the stock. All in all, conviction is bound to be fairly balanced and the next earnings release (i.e. post-Cybercab pilot launch) is likely to be very interesting. Tesla remains a company to watch.

Footnotes:

[1] "2025 Tesla Model Y "Juniper" Unveiled with Enhanced Efficiency and Features", CarSauce, as of January 12, 2025

[2] "Part 583 American Automobile Labeling Act Reports", National Highway Traffic Safety Administration, extracted on April 28, 2025

[3] "Tesla Is Building a Lithium Refinery To Boost EV Production", Not a Tesla App, as of May 10, 2023

[4] "Detroit's "Big Three" more exposed to tariffs than German and Japanese rivals", JATO Dynamics, as of April 8, 2025

[5] "Exclusive: Trump's tariffs on Chinese parts for Cybercab, Semi disrupt Tesla's US production plans, source says",Reuters, as of April 16, 2025

[6] "Tesla Shares New Details on FSD Unsupervised, Robotaxi, Potential FSD Price Hike During Q1 2025 Earnings Call",Not a Tesla App, as of April 23, 2025

[7] "Tesla CEO Musk says time he spends on DOGE will drop 'significantly' next month",CNBC, as of April 22, 2025

[8] "How Much of Tesla Does Elon Musk Own in 2025?", CEO Today Magazine, as of April 1, 2025

Themes Management Company LLC serves as an adviser to the Themes ETFs Trust. The funds are distributed by ALPS Distributors, Inc (1290 Broadway, Suite 1000, Denver, Colorado 80203). Solactive, STOXX and BITA have been licensed by Solactive AG, ISS STOXX, and BITA Gmbh, respectively, for use by Themes Management Company LLC. Themes ETFs are not sponsored, endorsed, issued, sold, or promoted by these entities, nor do these entities make any representations regarding the advisability of investing in the Themes ETFs. Neither ALPS Distributors, Inc, Themes Management Company LLC nor Themes ETFs are affiliated with these entities.

Leveraged ETFs

Investment in the fund is not an investment in the underlying stock. Not suitable for all investors. Investment involves significant risk.

PERFORMANCE DISCLOSURE: The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost; current performance may be lower or higher than the performance quoted. Returns for performance for one year and under are cumulative, not annualized. Short term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. For additional information, see the fund(s) prospectus.

INVESTMENT RISKS: Investing in the Funds involves a high degree of risk. As with any investment, there is a risk that you could lose all or a portion of your investment in the Funds.

An investor should carefully consider a Fund's investment objective, risks, charges, and expenses before investing. A Fund's prospectus and summary prospectus contain this and other information about Themes ETFs. To obtain a Fund's prospectus and summary prospectus call 886-584-3637. A Fund's prospectus and summary prospectus should be read carefully before investing.

An investment in the Fund involves risk, including the possible loss of principal. The Fund is non-diversified and includes risks associated with the Fund concentrating its investments in a particular industry, sector, or geographic region which can result in increased volatility. The use of derivatives such as futures contracts and swaps are subject to market risks that may cause their price to fluctuate over time. Risks of the Fund include effects of Compounding and Market Volatility Risk, Inverse Risk, Market Risk, Counterparty Risk, Rebalancing Risk, Intra-Day Investment Risk, Daily Index Correlation Risk, Other Investment Companies (including ETFs) Risk, and risks specific to the securities of the Underlying Stock and the sector in which it operates. These and other risks can be found in the prospectus.

Underlying Stock Risk: The Underlying Stock is subject to many risks that can negatively impact its revenue and viability including, but are not limited to price volatility risk, management risk, inflation risk, global economic risk, growth risk, supply and demand risk, operations risk, regulatory risk, environmental risk, terrorism risk and the risk of natural disasters. The Underlying Stock objectives may be affected by its ability to develop and launch new products, the growth of its sales and delivery capabilities, part supplier constraints or delays, consumer demand for electric vehicles and competition from existing and competitors. The Fund's daily returns may be affected by many factors but will depend on the performance and volatility of the Underlying Stock.

Fixed Income Securities Risk: When the Fund invests in fixed income securities, the value of your investment in the Fund will fluctuate with changes in interest rates. Typically, a rise in interest rates causes a decline in the value of fixed income securities owned by the Fund.

Money Market Instrument Risk: The Fund may use a variety of money market instruments for cash management purposes, including money market funds, depositary accounts and repurchase agreements. Money market funds may be subject to credit risk with respect to the debt instruments in which they invest. Depository accounts may be subject to credit risk with respect to the financial institution in which the depository account is held. Repurchase agreements may be subject to market and credit risk related to the collateral securing the repurchase agreement. Money market instruments may lose money.

Effects of Compounding and Market Volatility Risk: The Fund has a daily leveraged investment objective and the Fund's performance for periods greater than a trading day will be the result of each day's returns compounded over the period, which is very likely to differ from the Fund performance, before fees and expenses.

Leverage Risk: The Fund obtains investment exposure in excess of its net assets by utilizing leverage and may lose more money in market conditions that are adverse to its investment objective than a fund that does not utilize leverage.

Derivatives Risk: Derivatives are financial instruments that derive value from the underlying reference asset or assets, such as stocks, bonds, or funds (including ETFs), interest rates or indexes. Investing in derivatives may be considered aggressive and may expose the Fund to greater risks, and may result in larger losses or small gains, than investing directly in the reference assets underlying those derivatives, which may prevent the Fund from achieving its investment objective.

This information is not an offer to sell or a solicitation of an offer to buy shares of any Funds to any person in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction.