Why Tesla (NASDAQ:TSLA) Stock Plummeted This Year

Description

American auto manufacturer **Tesla, Inc.** (NYSE:TSLA) is down 32.85% year to date and is the worst performer on the NASDAQ 100 at the halfway mark of 2019. The shares of the electric carmaker spiralled when the first-quarter earnings showed bottom line losses of US$700 million and US$500 million in operating losses.

Controversial CEO Elon Musk Tesla attributed the disastrous start of the year to weakness in logistics and delivery operations in China and Europe. Musk was quick to assure investors that the losses in the second quarter would be significantly smaller.

Undelivered promises

For the current quarter, Tesla projects delivery of 90,000 to 100,000 vehicles. Some analysts are saying that similar to previous promises, the company would fall short of the target again.

The reckoning is before the Fourth of July holiday when the second-quarter earnings will be released. Elon Musk is already tempering investors' expectations by saying the return to profitability will happen in the third quarter.

Management's full-year 2019 delivery guidance is between 360,000 and 400,000 units — a gargantuan task that appears undeliverable given Tesla's inconsistencies. Tesla's oversized swings in the bottom line are frightening investors, but Musk admits that balancing growth with profitability is a challenge.

A stock to emulate

Tesla Inc.'s electric vehicles are superior to other American, European, and Asian car manufacturers. However, Elon Musk's firm sorely lacks consistency, and investors are looking for consistency in profit and growth.

Canadian Tire Corp. LTD (TSX:CTC.A) is outperforming the American electric carmaker. Unlike Tesla, the company is consistently delivering predictable earnings and growth. Canadian Tire is not an auto manufacturer. I'm using the stock to accentuate the characteristics of a good stock investment.

The $9.0 billion company is a big name in Canada, but is actually providing a range of retail goods and services not only tires. Canadian Tire has three income-producing segments consisting of Retail, Financial, and **CT REIT** (TSX:CRT.UN).

Canadian Tire is generating an annual net income of $700 million for the last three years. CT REIT is deriving an annual net income of $120 million from a portfolio of properties comprising Canadian Tire stores, Canadian Tire anchored retail developments, mixed-use commercial property, and distribution centers.

CT REIT's five-year average dividend yield of 5.03% is even higher than Canadian Tire's 1.78%. However, the mother company has greater potential for capital gains than the closed-end real estate investment trust. That's what I'd like to emphasize when you're investing in a company with a future.

Tesla Inc. also has three income-producing segments: electric cars, solar panels, and clean energy storage. The stock is taking a beating because Tesla can't meet delivery targets for electric cars which should have been the most profitable segment.

Tesla is under pressure to produce a record high number of vehicle deliveries. As well, Musk needs to fix the problems on logistics and delivery operations. In contrast, Canadian Tire is running on all cylinders. The company has achieved consistency and is a quality investment.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:TSLA (Tesla Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/26
Date Created

2019/07/05

Author

cliew