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STOCKS

Record Share of Analysts Are Bearish on Tesla

Nearly half of analysts have 'sell' or 'underweight' recommendations for the electric-car maker

Tesla shares have surged, surpassing every single stock in the S&P 500.

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By Akane Otani

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Wall Street is the most bearish it has ever been on Tesla Inc. TSLA **+1.95%** ▲ shares.

Forty-five percent of analysts who issue research on Tesla had either "sell" or "underweight" recommendations for the electric-car maker, according to FactSet. That is the highest percentage in Tesla's nearly-10-year history as a publicly traded company.

The mean price target among the analysts? $495.04. That is 35% below where Tesla shares closed Wednesday.

The data underline that even as Tesla's stock has hit record after record this year, its rise hasn't gone unquestioned by investment firms.

The rally has been a remarkable one. Tesla soared 83% for the year through Wednesday, surpassing every single stock in the S&P 500 and burning short sellers who bet against the company. A combination of factors have fueled Tesla's rise this year, including wagers that the company will be able to continue building momentum after making record deliveries and posting better-than-expected earnings in the fourth quarter.

As its share price has ticked higher and higher, analysts have had to scramble to keep up. The average price target for Tesla's stock jumped from $334.07 in December to $478.77 in January to close to $500 now. At the same time, the share of bearish analysts has climbed, rising from 33% in December to 42% in January to 45% now, according to FactSet.

The argument among analysts who are issuing more pessimistic notes is simple: They are incredulous that Tesla will be able to deliver the type of growth it needs to justify its ever-rising share price. The company still hasn't been profitable annually. And by traditional metrics, its stock looks expensive: Tesla trades at 84 times expected earnings, according to FactSet, below its five-year average of 184 times earnings but far above valuations of such auto makers as Ford Motor Co., which trades at 7 times expected earnings, or Toyota Motor Corp., which trades at 9 times expected earnings.

It is time to take "our foot off the accelerator," wrote Canaccord Genuity analyst Jed Dorsheimer in a February note downgrading his rating for Tesla from "buy" to "hold."

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