

BARRON'S

## Tesla Is Getting Boring. That Isn't a Bad Thing for the Stock.

By

[AI Root](#) Follow

March 3, 2023 8:52 am ET



Tesla acquired its first plant in Fremont, California from GM and Toyota back in 2010.  
Justin Sullivan/Getty Images

Boring isn't a word that many investors associate with [Tesla TSLA +3.98%](#). The company is led by an [iconoclast](#), and world's [richest](#) person, [Elon Musk](#), who is trying upend the world's century-old transportation and energy status quo. Still, there is some evidence that [Tesla](#) is entering a new, more staid, phase of its existence.

Shares of Musk's electric-vehicle maker dropped 5.9% after an interesting, and long, [investor event](#) in Austin, Texas. [Investors heard](#) a lot about sustainability. They wanted [details](#) about more tangible things, such as the coming Cybertruck and a next-gen lower-priced EV.

Investors shouldn't have been shocked by the stock move. Tesla (ticker: TSLA) shares have a tendency to fall after big events.

The stock dropped 3.7% following the [Cybertruck](#) reveal in November 2019. And shares dropped 10.3% after Tesla hosted its [battery technology day](#) in September 2020. Tesla shares also closed down 8.6% the trading day after the company's September 30, 2022 [Artificial Intelligence Day](#), which featured a prototype of Tesla's humanoid robot called [Optimus](#). Tesla stock did manage to rise 1% after the inaugural Artificial Intelligence Day on August 19, 2021. That event featured a human dancer in a robot suit.

One explanation for post-event volatility is the level of ownership by retail investors. About 44% of Tesla shares available for trading are owned by retail investors. That's high. The average retail holding for the other large tech stocks, think FAANG and [Microsoft MSFT +1.53%](#) (MSFT), is about 18%.

Higher retail ownership can result in more stock volatility as the investors have smaller positions and tend to trade more than institutional investors.

Today, Tesla's stock volatility is about 70%. That means, essentially, shares will change in value by about 70% over the course of a typical year. The average volatility for the FAANG stocks, plus [Microsoft](#), is about 44%. The volatility of the S&P 500 is about 16%.

Volatility of the market, which is a group of stocks, is less than the volatility of one stock. And volatility of the market and a stock changes over time.

Retail holdings and above-average volatility don't scream boring, but Bespoke Investment Group pointed out on Thursday the correlation between Tesla stock and shares of other large auto makers including [Ford Motor F +3.98%](#) (F) is getting closer. Tesla stock is acting more like that of a traditional car company.

What moves Ford shares moves Tesla. That's one bit of 'boring' evidence. For investors, it means they need to pay attention more to the overall economy, car sales, and [interest rates](#) when evaluating Tesla. The other bit of 'boring' evidence comes from Tesla itself.

While investors wanted more from the company than even analysts, it did deliver a few important things. Indeed, Tesla's investor day left Battle Road Research analyst [Ben Rose](#) with a couple of key takeaways, including: "management depth beyond CEO Elon Musk"; and "a relentless focus on cost reduction and efficiency."

Investors and analysts meet a lot of managers from most car companies. That hasn't been the case with Tesla, where Elon Musk has been front and center. The Wednesday event was a big change from the Musk-first dynamic, with many executives participating.

The event, in other words, was very car company-like.

A focus on cost is also very car-company like. Value investors are always hearing about cost- and profit-margin management from large auto makers. Ford's fourth-quarter earnings call, for instance, was dominated by \$2 billion in cost inefficiencies that robbed investors of operating profit in 2022. Growth investors are more used to hearing about, well, growth.

The cost theme was reiterated by others on the Street including Morgan Stanley's [Adam Jonas](#) and Daiwa's [Jairam Nathan](#). Both those analysts, along with Rose, rate Tesla shares Buy.

There is still plenty that isn't boring about Tesla. There is still Musk. But aside from him, there are businesses including autonomous driving software, energy storage, and EV charging that separate it from other auto makers.

It isn't a bad thing, though, that Tesla is growing up a little. The company is almost 20 years old now, founded in July 2003. It's (almost) no longer a teenager.

Tesla stock was up 1.7% in premarket trading Friday. [S&P 500SPX +1.53%](#) and [Nasdaq CompositeCOMP +1.92%](#) futures were both up about 0.2%.

Write to Al Root at [allen.root@dowjones.com](mailto:allen.root@dowjones.com)