

Tesla sales tumble nearly 9%, most in 4 years, as competition heats up and demand for EVs slows

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An Unsold 2023 Model X sports-utility vehicle sits outside a Tesla dealership Sunday, June 18, 2023, in Englewood, Colo. Tesla sales are expected to fall in the first quarter as demand for electric vehicles continues to slow. Credit: AP Photo/David Zalubowski, File

Tesla sales fell sharply last quarter as competition increased worldwide, electric vehicle sales growth slowed, and price cuts failed to lure more buyers.

The Austin, Texas, company said Tuesday that it delivered 386,810 vehicles worldwide from January through March, almost 9% below the 423,000 it sold in the same quarter of last year. It was the first year-over-year quarterly sales decline in nearly four years.

Sales also fell short of even the most bearish Wall Street expectations. Auto industry analysts polled by FactSet were looking for 457,000 vehicle deliveries from Tesla Inc. That's a shortfall of more than 15%.

The company blamed the decline in part on phasing in an updated version of the Model 3 sedan at its Fremont, California, factory, plant shutdowns due to shipping diversions in the Red Sea, and an arson attack that knocked out power to its German factory.

But TD Cowen Analyst Jeffrey Osborne wrote in a note to investors that weaker March sales indicate that incentives, including discounts and a free trial of "Full Self Driving" software, "did not work as demand deteriorated."

Despite the sales decline, Tesla was able to retake its global EV sales crown from China's BYD, which sold just over 300,000 electric vehicles during the quarter, Osborne wrote.

In its letter to investors in January, Tesla predicted ["notably lower" sales growth this year.](#) The letter said Tesla is between two big growth waves, one from global expansion of the Models 3 and Y, and a second coming from the Model 2, a new, smaller and less expensive vehicle with an unknown release date.

"This was an unmitigated disaster 1Q that is hard to explain away," wrote Dan Ives, an analyst with Wedbush who has been very bullish on Tesla's stock. The drop in sales was far worse than expected, he wrote in a note to investors.

The quarter is a "seminal moment" in the Tesla growth story, Ives wrote, adding that CEO Elon Musk will have to turn the company around.

"Otherwise, some darker days could clearly be ahead that could disrupt the long-term Tesla narrative."

Ives maintained his Outperform rating on Tesla's shares and cut his one-year price target from \$315 to \$300. Ives estimated that China sales slid 3% to 4% during the period.

Shares of Tesla tumbled 4.9% to close Tuesday at \$166.63, continuing an extended decline. Investors have shaved 33% off the value of the company so far this year, dumping shares after growing leery of the tremendous growth story that Tesla has been telling.

"Street criticism is warranted as growth has been sluggish and (profit) margins showing compression, with China a horror show and competition increasing from all angles," Ives wrote.

Tesla dramatically lowered U.S. prices by up to \$20,000 for some models last year. In March it temporarily knocked \$1,000 off the Model Y, its top-selling vehicle. Those price cuts narrowed the company's profit margins and spooked investors.

Analysts polled by FactSet expected the average selling price for Model Y to be \$41,000 last quarter, \$5,000 less than a year ago and \$15,000 lower than the peak of \$56,000 in June of 2022.

Tesla's sales numbers also pulled down shares of its U.S. EV

competitors. Shares of Rivian fell 5.2%, while Lucid stock dropped 3.5% on Tuesday.

Deliveries of the Models 3 and Y, fell 10.3% year over year to 369,783. Sales of the company's other models, the aging X and S and the new Cybertruck, rose almost 60% to 17,027. Tesla produced 10.7% more vehicles than it sold during the first quarter.

Softer-than-expected first-quarter sales are reducing analyst expectations for Tesla's quarterly earnings ahead of their scheduled release on April 23.

Tesla's sales come against the backdrop of a slowing market for electric vehicles in the U.S. EV sales grew 47% last year to a record 1.19 million as EV market share rose to 7.6%. But sales growth slowed toward the end of the year. In December, they rose 34%.

Updated EV sales numbers will come later Tuesday when most automakers report U.S. sales.

Other automakers also have had to cut electric vehicle production and reduce prices to move EVs off dealership lots. Ford, for instance, cut production of the F-150 Lightning electric pickup, and lopped up to \$8,100 off the price of the Mustang Mach E electric SUV in order to sell 2023 models.

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