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**CARL QUINTANILLA, CNBC:**

Shares OF Tesla down for a fifth straight day, breaking below the 150 mark, sinking to a new 52-week low. Stocks are down around 40% for the year so far. Today, longtime “Tesla bull”, Emmanuel Rosner of Deutsche, downgrades to “Hold”. Slashes his target from 189 down to 123. Sites this quote, “Thesis changing shift from a lower-cost EV to robotaxi”. Emmanuel joins us to discuss his call. Now, Emmanuel, it's great to have you. I was looking back to early March where you actually were suspicious of the delivery number ahead of that print, and you talked about downside risk. Why revisit the rating at this point?

**EMMANUEL ROSNER, DEUTSCHE BANK:**

Yeah, thanks so much for having me. So look, we've actually been at the forefront of warning investors about meaningful, meaningful, near-term downside risk. Basically, Tesla is under tremendous pressure. There's a lot of pressure on the demand side for their vehicles, pricing pressure, earnings pressure, free cash flow. So if anything, we've had some of the lowest estimates in the near-term, both for 2024 and 2025. But we've been okay with it as long as it was perceived as being temporary. And it would have been temporary because the Model 2 was supposed to come next year and re-excelerate things, re-excelerate volume, margin, earnings, and free cash flow. I believe long-term investors are on board as well. They know how bad things are now, but they expected things to turn around. Now that Model 2 is likely being pushed out, potentially even canceled, you do not have this on the horizon anymore. And so now, earnings are under pressure, free cash flow is under pressure. There's no turning point to this. Hence, this thesis is changing, and this is why we're downgrading the stock.

**QUINTANILLA:**

So we're no longer talking about cycles or valleys between innovations. You think this is more structural?

**ROSNER:**

This is essentially a function of an aging product lineup. So the core product lineup of Tesla is old, it's facing increasing competition. It's also facing larger headwinds around EV demand, especially in the US. And as a result, you know, the volumes at Tesla are now less than flat, right? Q1 was already down. Q2 could also be down, year over year. That's despite massive, massive price cuts over the last 18 months or so. And so, yes, it is structural. It is not cyclical. It could have been solved by having essentially a new product at a low price point, which would have been attractive. And frankly, it could actually have been dominant, you know, at a $25,000 price point. This would have been the Model 2. If this is not coming, we're talking about the same old lineup for the foreseeable future with all the eggs being put into the robot taxi basket. This is not a consumer vehicle. We believe that this creates much, much, much downside to earnings and free cash, so I submit for the foreseeable future.

**DAVID FABER, CNBC:**

Yeah, well, that was reflected in what is now your $2.40 estimate, $2.40 for 2027. Emmanual, I noticed that your price target is based on a 42 multiple. And I just wonder why is that warranted given from here to there? There's not a lot of growth to speak of.

**ROSNER:**

Yeah, so you're really right on both counts. Basically, our view is with a current lineup of vehicles. The best Tesla could do is around $2.00 of earnings, probably for the foreseeable future. So call it a 2027, maybe even beyond so and there's downside risk to that as well. If pricing continues to come down or if volumes sort of collapse, the thing is, it's not like Tesla is shutting its doors. They're now going all in on robot taxis. We do a deep dive on robot taxis in the notes. We're not going to go through it now. But the point is, it's hard to put into numbers and it's certainly not into our earnings model. But that optionality is very much there. It would be highly differentiated. And we think that we should at least account for it in the multiple. So the multiple is punchy despite no earnings growth because in the end, investors in Tesla will basically say, “Okay, I understand the core business is no longer growing, potentially even shrinking. But look at how exciting this business could potentially be”. Our rating though indicates this is highly risky. If it plays out, if they can deliver the robot taxi, is it exciting? Massively exciting. How long will it take to get there? Can it even get there based on technology risk, regulatory risk, operational risk? This is very difficult to say. So we're still applying an unchanged punchy multiple, but on a much lower earnings trajectory.

**QUINTANILLA:**

It's fascinating to see the framing change so quickly, Emmanuel, appreciate it. Hope you'll stay close. Emmanuel Rosner over at Deutsche.