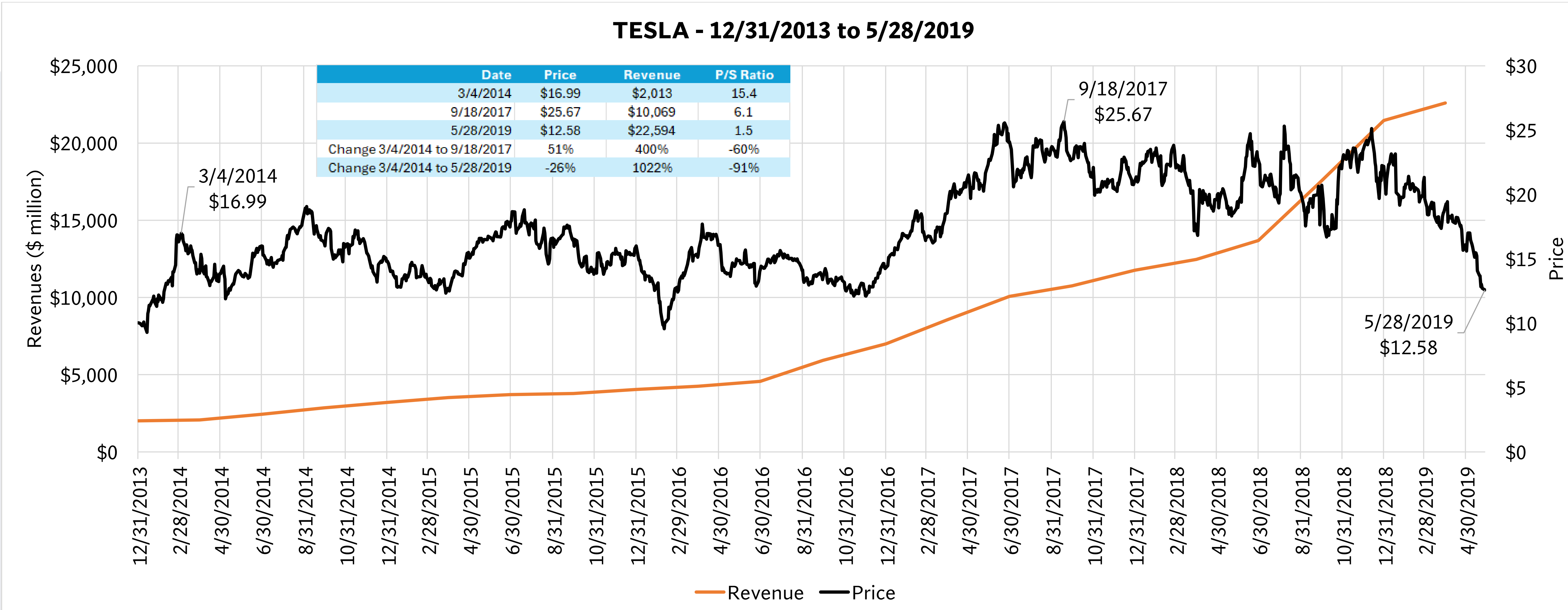
Tesla: When Explosive Growth Collides With Valuation Gravity

How Revenues Grew 1022% While the Stock Fell 26 Percent



Date	Price	Revenue	P/S Ratio
3/4/2014	$16.99	$2,013	15.4
9/18/2017	$25.67	$10,069	6.1
5/28/2019	$12.58	$22,594	1.5
Change 3/4/2014 to 9/18/2017	51%	400%	-60%
Change 3/4/2014 to 5/28/2019	-26%	1022%	-91%

Tesla's performance from 2014 to 2019 reveals a critical truth about investing: extraordinary revenue growth does not guarantee strong shareholder returns when starting valuations are detached from economic reality. Tesla's business expanded at one of the fastest rates in corporate history, yet the stock declined sharply because its initial valuation was simply too high to sustain.

On **3/4/2014**, Tesla traded at **$16.99** with revenues of just **$2.0 billion**, giving the company a Price-to-Sales (P/S) ratio of **15.4**. This valuation implied an almost impossibly optimistic future. By **9/18/2017**, revenues had soared **400%** to **$10.1 billion**, and the stock rose to **$25.67**, but the P/S ratio had already fallen to **6.1**—a **60% compression**—as the market adjusted expectations to the realities of scaling a capital-intensive business.

The most dramatic adjustment occurred between 2017 and 2019. Tesla's revenues exploded another **1022%**, reaching **$22.6 billion** by **5/28/2019**. Yet the stock dropped to **$12.58**, a **26% decline** from 2014. This decline was not caused by operational weakness—Tesla's revenue trajectory was extraordinary—it was caused by the collapse in valuation. The P/S ratio plunged from **15.4 to 1.5**, a total compression of **–91%**, as the market re-rated Tesla from a hyper-growth dream multiple to a more realistic, fundamentals-based valuation.

The lesson is unmistakable: even the most innovative companies cannot escape valuation gravity. When a stock begins at an excessively high multiple, future returns become hostage to P/S and P/E compression, no matter how strong revenue growth appears.

Tesla's 2014–2019 cycle exemplifies why disciplined valuation analysis is essential for fiduciaries and investors who seek to avoid predictable losses. Revenue growth alone is never enough — what matters most is the price you pay relative to the company's economic value.