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February 27, 2025

Blackrock
Larry Fink

Dear CEO Fink:

The AFT represents 1.8 million education, healthcare and public sector workers, many of whom depend on your firm to protect and prudently grow an estimated \$4 trillion of retirement security assets, both individually and through pension funds and other collectively managed retirement security vehicles. As the president of the AFT, I am writing to you to raise concerns about members' deferred wages invested in Tesla, a company at risk of devaluation.

Your firm is one of the five largest institutional investors in Tesla, which as of this writing represents approximately 2 percent of the total capitalization of the S&P 500.

Yesterday, Tesla's stock price dropped as low as is \$290.80, down from a high of \$489 just a few weeks ago and the company's market cap has dipped below \$1 trillion. But the signs are growing that J.P. Morgan was correct when its analyst recently wrote that Tesla shares "continue to strike us as having become completely divorced from the fundamentals."

Tesla's latest financial disclosures should raise alarms. The company reported an operating income of \$1.6 billion for the fourth quarter of 2024 and a 23 percent year-over-year decrease in profits. It made \$2.31 billion last quarter, down 71 percent from the \$7.93 billion profit in the same period in 2023. Tesla's vehicle profit margin slipped to 13.6 percent in Q4, missing expectations and underscoring rising cost pressures. These are not isolated incidents but rather a troubling pattern that suggests Tesla's pricing power is eroding, leaving it vulnerable to market fluctuations and increased competition. Compounding the problem, sales in California, a crucial electric vehicle market, fell 8 percent in Q4, while Tesla Model 3 registrations nosedived by more than a third. Recently Tesla reported a 60 percent decline in sales in Germany, Europe's largest market.

Tesla is also facing increasingly formidable competition in the market for EV chargers. *Car and Driver* has reported that a consortium of major automakers—including Mercedes, BMW, General Motors, Stellantis, Honda, Hyundai and Kia—has launched IONNA, a rival charging network. The scale of this initiative cannot be underestimated. With 30,000 charging stations

planned by 2030, this coalition poses a direct challenge to Tesla's dominance. The recent addition of Toyota to this group only strengthens the threat. Tesla's once-uncontested leadership in charging infrastructure is now in jeopardy.

This deterioration has followed Tesla's request for shareholder approval of a pay package for Tesla CEO Elon Musk worth \$56 billion, a dilution in shareholder value worth approximately 5 percent of Tesla's current market capitalization. In soliciting shareholder approval for this package, Tesla's board of directors Chair Robyn Denholm wrote, "Fairness and respect require that we honor the collective commitment we made to Elon—a commitment that was, and fundamentally still is, about retaining Elon's attention and motivating him to focus on achieving astonishing growth for our company."

Since the vote approving the pay package, Musk has joined the Trump administration. The Trump administration has announced a halt to federal funding for the expansion of the highway EV charging infrastructure. According to the *Wall Street Journal*, the expansion of the highway EV charging infrastructure was critical for Tesla's business plan, as Tesla "has been among the biggest grant winners, with \$41 million in funding for 99 sites."

Finally, there appears to have been a substantial deterioration in Tesla's brand over the last several months. According to the American EV Jobs Alliance, EV swing consumers—those open to EVs once costs drop—view Musk negatively, making customer expansion even harder. Just last week, Stifel analyst Stephen Gengaro declared that Tesla's net favorability is at an all-time low at 3 percent, down from 9 percent in January 2024.

Tesla has responded to these challenges by repeatedly announcing ambitious projects without providing concrete proof or detailed plans for their execution, raising questions about their feasibility. A *Bloomberg* article from early February, titled "Tesla's Planned Self-Driving Service Is Behind the Curve," reports that Tesla is significantly behind competitors like Waymo in developing a functional autonomous ride-hailing business. Meanwhile, recent reports about the Trump administration allocating \$400 million to purchase armored Tesla vehicles were swiftly debunked. A State Department spokesperson clarified that the deal was merely a proposal and stated, "the Department of State has no intention to move forward" with it.

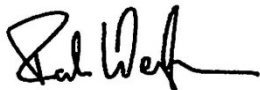
Tesla, at a stock price of \$290.80 per share, is approximately 2 percent of the total value of the S&P 500. If it were to decline to the price target of \$135 that some analysts have projected, the resulting loss would be 1.2 percent of asset owners' total S&P 500 indexed portfolio. Such a loss would be material to most pension funds.

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Given these mounting concerns and the potential material impact on pension fund portfolios, I would appreciate a response detailing your firm's assessment of Tesla's current valuation and the steps you are taking to protect AFT members who are your clients and beneficiaries.

Additionally, I would welcome the opportunity to discuss this situation and your firm's efforts to serve our members who are your investors.

Sincerely,

A handwritten signature in black ink, appearing to read "Randi Weingarten". The signature is fluid and cursive, with a long horizontal stroke at the end.

Randi Weingarten
AFT President

RW : dlk opeiu#2 afl-cio

cc: Elon Musk
Robyn Denholm
Ira Ehrenpreis
Joe Gebbia
James Murdoch
Kimbal Musk
JB Straubel
Kathleen Wilson-Thompson