



Tesla (TSLA US)



Tesla Motor is an automotive, energy generation and storage company most well-known for developing electric vehicles. Throughout 2022, Tesla has been making efforts into making EV cars more affordable whilst also continuing to develop new products such as the Cybertruck (to be released this summer) and further establish existing products like their solar technology.

Tesla’s revenue is split into three segments Automotive and Services and Other, and Energy Generation and Storage split between them by 95.2% and 4.8% respectively. Most of the revenue generated is in the U.S. comprising of 49.8% the total revenue.

Price Slash / Path to affordability

The main driver of revenue are electric vehicles, notably the Tesla Model Y series. Tesla has been moving towards making EV vehicles more affordable and widely used as was originally intended and has begun to slash prices all around, the Model Ys for examples were cut down by 20%. This price reduction also allows certain models eligible for tax cuts of \$7,500 according to new IRA law. In 08.02.23 Tesla’s Model Y topped California’s (America’s largest EV consumer base) top selling vehicles, out ranking legacy car Camry and being the first time an EV vehicle has topped the list.

Tesla has also begun to reduce manufacturing costs through various factory efficiencies, increasing production at giga-factories in Berlin and Austin as well as plans to build a battery cell facility and Semi truck factory. The reveal of generation 3 cars by Tesla on March 1st could (if following goals set out by Tesla) release an even more affordable EV model, cheaper than the discounted Model Y series, which would vastly influence customer decision making.

Face of Tesla

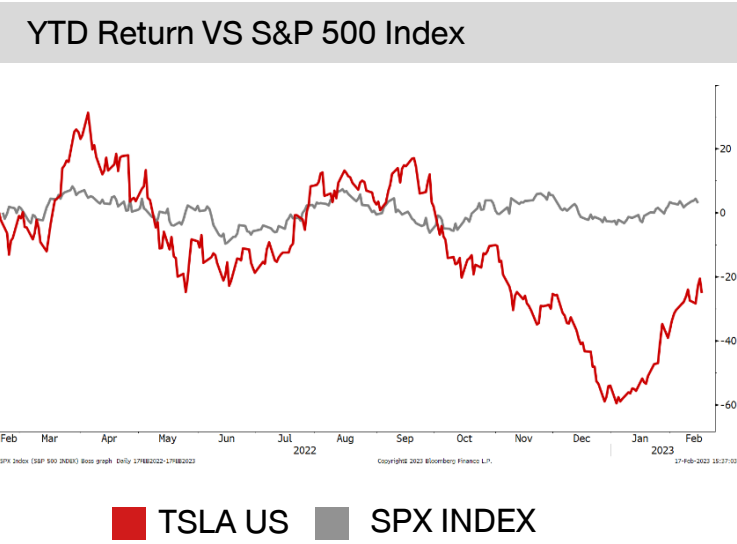
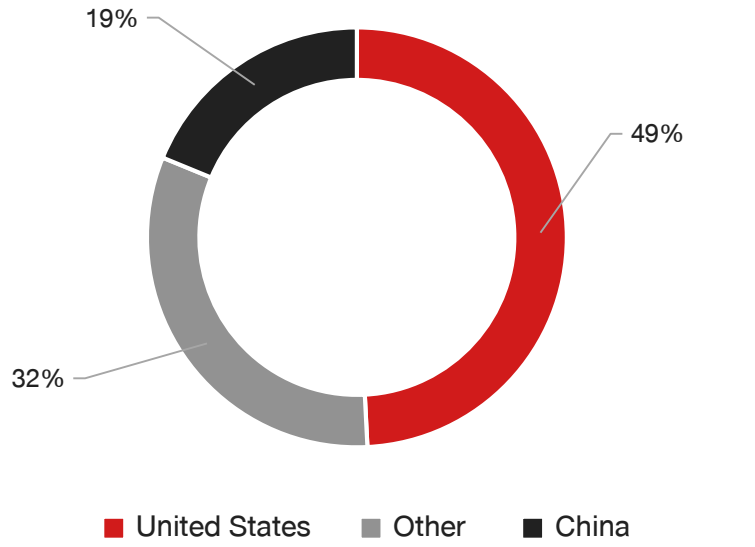
Tesla has also been developing their public relations, co-founder of Tesla, Elon Musk, has been very active engaging in open discussions with co-founder Bill Gates, announcing work with the Mexican government to build a CFE plant to generate clean energy and teasing Tesla’s ‘Master Plan Part 3’ to be unveiled at Investor Day on March 1 exclusively to a selection of investors. Elon Musk has also been under fire in the past for potentially misleading investors of company intentions by saying he might make Tesla go private, which punished short sellers trying to act on this information. His recent acquisition and eventual leave of twitter has left some with strong opinions of him.

Industry **Electric Automobiles**
Last Price **\$ 208.31**
Bloomberg TP **\$ 204.03**
Upside/Downside **-2.1%**

Financial (USD)	22A	23E	24E
Revenue (Millions)	81,462	102,508	132,292
Net Profit (Millions)	20,853	22,562	31,283
Profit Margin	25.1%	22.0%	23.6%
EBITDA Margin	25.6%	19.3%	21.0%
Earning Per Share	4.07	4.01	5.65

Valuation	22A	23E	24E
P/E (x)	33.66	51.97	36.84
P/B (x)	8.72	12.60	9.16

Revenue Breakdown



Competition

TSLA is unique in that there is no ‘real’ 100% EV competition in America as those with a stake in EV vehicles tend to have much smaller market cap. So comparing Tesla to other higher market cap automobile companies, **Tesla has a much higher PE ratio of about 147x the industry average indicating overvalued as a whole.** The PBV ratio is high and is at least 10x its competitors. TSLA PEG is much higher than its competitors at 0.98 compared to closest competitors BMW and MBG at 0.19 and 0.68 respectively. **Though compared to EV only companies, Tesla is undervalued, with a PE of 54 compared to industry average around 130.**

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