

Tesla Inc

Four Straight Quarters of Falling Profits Culminating in Just +1% Y/Y 4Q Automotive Revenue Growth Doesn't Seem Sufficient to Support Tesla's Still Ample \$581 bn 55x P/E Valuation

We are reiterating our Underweight rating on Tesla shares after the automaker reported softer than expected earnings for the sixth straight quarter Wednesday — and lower than year-ago profits for the fourth straight quarter — as a consequence of its strategy first undertaken in the latter part of 2022 to sacrifice pricing and margin in order to drive sales. While GM, Ford, and other traditional carmakers were rightly criticized in the past for engaging in deep discounting and dumping vehicles into rental car fleets in order to “move the metal” only to destroy used vehicle residual values, current and future new vehicle margin, and brand equity, Tesla was mostly lauded by its supporters for the same behavior. In fact, TSLA shares rallied +102% in 2023 on the new strategy. But, to be clear, looking back on 2023, Tesla did not trade profits for sales as measured in revenue — it has traded profits for sales as measured in unit volume. For example, in 3Q23, unit volume grew +27% but automotive revenue just +5% (implying ~22% ASP erosion), and in 4Q23, unit volume grew +20% but automotive revenue just +1% (~19% erosion vs. a sequentially easier compare in 4Q22). For comparison, global light vehicle production volume is estimated by S&P Global Mobility to have risen ~+9.1% y/y in 4Q amidst mostly flat pricing, implying Tesla underperformed aggregate peer revenue growth by ~-8% despite more than doubling their unit volume performance, calling into question its growth company multiple (after all, profits have been shrinking for the past year, not growing, and now even revenue post-4Q is barely positive and materially underperforming the industry).

Tesla profit expectations have fallen, but even after Thursday's sell-off, the stock to us seems in comparison to have hardly noticed, suggesting plenty of further downside potential. For example, in June of 2019, before Tesla shares began their meteoric rise, analyst expectations as measured by Bloomberg consensus were for Tesla to generate \$13.1 bn of operating profit in 2024. This expectation for 2024 profit grew to a peak of \$28.5 bn in October of 2022, just prior to the implementation of Tesla's steep discounting strategy. After the latest earnings miss, analysts expect just \$11.4 bn of 2024 operating profit. But today Tesla shares are roughly the same price as they were in October of 2022 despite 2024 profit expectations having declined -60% in the time since then (i.e., \$11.4 bn / \$28.5 bn). What is more, when expectations for 2024 profit peaked in 2019 at \$12.8 bn (on June 14 of that year), TSLA shares traded at a split-adjusted \$14.33, meaning that even after yesterday's -12.1% sell-off (vs. the S&P 500 +0.5%), Tesla shares have risen +1,274% from June 14, 2019 through yesterday's \$182.63 close (vs. the S&P 500 +70%) even as expectations for 2024 profit declined by -13% over the same time (i.e., \$11.4 bn / \$13.1 bn).

- **4Q Details (revenue was slightly softer, gross margin mostly in line, gross**

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

See page 12 for analyst certification and important disclosures, including non-US analyst disclosures.

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Underweight

TSLA, TSLA US

Price (25 Jan 24):\$182.63

▼ **Price Target (Dec-24):\$130.00**

Prior (Dec-24):\$135.00

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Key Changes (FYE Dec)

	Prev	Cur
Adj. EPS - 24E (\$)	3.90	3.35
Adj. EPS - 25E (\$)	4.50	4.25

Quarterly Forecasts (FYE Dec)

Adj. EPS (\$)	2023A	2024E	2025E
Q1	0.85	0.69	0.98
Q2	0.91	0.80	1.07
Q3	0.66	0.87	1.08
Q4	0.71	0.99	1.12
FY	3.12	3.35	4.25

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	92	91	83	92	95
Growth	71	51	47	41	73
Momentum	47	19	87	9	3
Quality	14	10	21	39	80
ESG	74	76	75	71	83
ESGQ	80	8	40	19	86

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Price Performance



	YTD	1m	3m	12m
Abs	-26.5%	-27.7%	-14.0%	26.4%
Rel	-24.0%	-24.8%	-33.7%	21.9%

Company Data

Shares O/S (mn)	3,179
52-week range (\$)	299.29-138.07
Market cap (\$ mn)	580,566.30
Exchange rate	1.00
Free float(%)	87.0%
3M - Avg daily vol (mn)	116.47
3M - Avg daily val (\$ mn)	26,921.4
Volatility (90 Day)	47
Index	RUSSELL 2000
BBG BUY HOLD SELL	22 24 12

Key Metrics (FYE Dec)

\$ in millions	FY23A	FY24E	FY25E
Financial Estimates			
Revenue	96,773	115,992	136,725
Adj. EBITDA	13,558	15,752	19,791
Adj. EBIT	8,891	11,307	15,068
Adj. net income	10,882	11,692	14,841
Net margin	11.2%	10.1%	10.9%
Adj. EPS	3.12	3.35	4.25
BBG EPS	3.08	3.36	4.55
Cashflow from operations	13,256	13,395	17,924
FCFF	4,812	5,618	9,571
Margins and Growth			
Revenue Growth Y/Y (%)	18.8%	19.9%	17.9%
EBITDA margin	14.0%	13.6%	14.5%
EBITDA Growth Y/Y (%)	(22.9%)	16.2%	25.6%
EBIT margin	9.2%	9.7%	11.0%
Adj. EPS growth	NM	7.2%	26.9%
Ratios			
Adj. tax rate	50.1%	20.0%	19.5%
Interest cover	-	-	-
Net debt/Equity	NM	NM	NM
Net debt/EBITDA	NM	NM	NM
ROCE	7.5%	12.1%	13.8%
ROE	19.9%	16.8%	17.9%
Valuation			
FCFF yield	0.8%	0.9%	1.5%
Dividend yield	-	-	-
EV/EBITDA	42.0	35.8	28.1
EV/Revenue	5.9	4.9	4.1
Adj. P/E	58.5	54.5	43.0

Summary Investment Thesis and Valuation

Investment Thesis

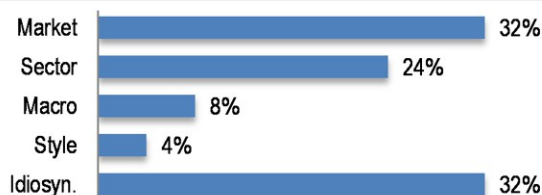
Our Underweight rating considers notable investment positives, including a highly differentiated business model, appealing product portfolio, and leading-edge technology, which we believe are more than offset by above-average execution risk and valuation that seems to be pricing in a lot. Tesla is attractively saddled with none of the pension, OPEB, and other legacy costs that frequently burden large entrenched automakers.

Its products are bold, distinctive, elegant, and highly entertaining to drive. The company is led by visionary leadership, backed by a management team with solid functional strength. Although both technology and execution risk seem substantially less than was once feared, expansion into higher volume segments with lower price points seems fraught with greater risk relative to demand, execution, and competition. Meanwhile, valuation appears to be pricing in upside related to expansion into mass-market segments well beyond our volume forecasts for the Model 3 and Model Y.

Valuation

We remain Underweight rated while our December 2024 price target declines to \$130 from \$135, on account of our lower out-year estimates. Our December 2024 price target of \$130 is predicated upon a 50/50 blend of DCF and 2025E-based multiples analysis (itself a blend of P/E, EV/EBITDA, and price-to-sales).

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI US	0.56	0.57
Sect: Cons Discretionary	0.71	0.63
Ind: Automobiles & Comp	0.96	0.96
Macro:		
Economic Surprise	0.08	0.30
US 10yr Breakeven	-0.12	0.13
US 10yr yield	0.10	0.12
Quant Styles:		
Growth	0.40	0.43
LowVol	-0.24	-0.31
Quality	-0.13	-0.29

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

profit slightly softer, EBIT notably softer, and FCF stronger but subdued in the context of history and valuation): Revenue tracked \$25,167 mn in 4Q, or modestly lower than JPMe \$26,555 mn and slightly lower than Bloomberg consensus for \$25,874 mn. Automotive gross margin excluding the sale of regulatory credits came in at 17.2%, or essentially in line with consensus for 17.0% and JPMe 17.5%. In a sense, this is an improvement vs. the big shortfalls vs. expectation seen earlier in the year, but margin is of course markedly lower than 24.3% a year ago. While gross profit was more or less in line (roughly in line gross margin vs. consensus on slightly softer sales), operating profit fell short at \$2,064 mn (8.2% margin) vs. JPMe \$2,447 mn (9.2%) and consensus \$2,282 mn (8.8%), given higher operating expense vs. our model. Free cash flow is one item that did track better, at \$2,064 mn vs. JPMe \$1,554 mn and consensus \$1,450 mn, although still we find this metric disappointing, given that full year FCF was only \$4.4 bn vs. \$5.0 bn in 2021 and \$7.6 bn in 2022, and given that 2023's \$4.4 bn of free cash generation amounts to only an 0.8% yield to equity (and compares to GM and Ford which recently guided to 2024 FCF of \$10.5-\$11.5 bn and \$5.0-\$5.5 bn, respectively, amounting to a 23% FCF yield at the midpoint on GM's just \$48 bn equity cap and 12% on Ford's just \$45 bn). GM in 2023 will at the midpoint of its guide generate ~2.5x as much FCF as Tesla (i.e., \$11.0 bn / \$4.4 bn) but its market capitalization is only 8% of Tesla's (i.e., \$48 bn / \$581 bn).

- **Estimate and Price Target Changes (lower estimates for all periods & December 2024 price target by -4% from \$135 to \$130):** Flowing through the -\$383 mn 4Q headline EBIT shortfall vs. our model (\$2,064 mn vs. JPMe \$2,447 mn) and additionally considering that this shortfall would have been even greater if not for +\$158 mn of higher regulatory credits than we had assumed (\$433 mn vs. JPMe \$275 mn), we now expect 2024 EBIT of \$11.3 bn, which is down from \$12.8 bn prior, and 2025 EBIT of \$15.1 bn which is down from \$15.5 bn prior. We now expect 2024 EPS of \$3.35 (vs. updated consensus for \$3.37), which is down from \$3.90 prior, and 2025 EPS of \$4.25 (vs. updated consensus for \$4.55), which is down from \$4.50 prior. Our EPS forecasts decline disproportionately relative to our EBIT forecasts given a higher 20% assumed effective tax rate vs. 13% prior after Tesla moved in 4Q to remove its valuation allowance against deferred tax assets given expectation of their use because of its track recent year track record of profitability. Relative to unit volume growth, we continue to look for a +19% y/y increase in deliveries in 2024 to 2.15 mn from 1.81 mn in 2023, although we are moderating our outlook for 2025 deliveries growth to +17% from +23% prior (to 2.50 mn from 2.65 mn prior), given commentary on Wednesday's call that Tesla's planned less expensive next-generation model (what we term the "Model 2" in our model) is not expected to launch until the latter half of the year. We continue to see material downside to our fundamentals-based December 2024 price target, which we lower today to \$130 from \$135, on account of our lower out-year estimates.

Investment Thesis, Valuation and Risks

Tesla Inc (*Underweight; Price Target: \$130.00*)

Investment Thesis

Our Underweight rating considers notable investment positives, including a highly differentiated business model, appealing product portfolio, and leading-edge technology, which we believe are more than offset by above-average execution risk and valuation that seems to be pricing in a lot. Tesla is attractively saddled with none of the pension, OPEB, and other legacy costs that frequently burden large entrenched automakers. Its products are bold, distinctive, elegant, and highly entertaining to drive. The company is led by visionary leadership, backed by a management team with solid functional strength. Although both technology and execution risk seem substantially less than was once feared, expansion into higher volume segments with lower price points seems fraught with greater risk relative to demand, execution, and competition. Meanwhile, valuation appears to be pricing in upside related to expansion into mass-market segments well beyond our volume forecasts for the Model 3.

Valuation

We remain Underweight rated while our December 2024 price target declines to \$130 from \$135, on account of our lower out-year estimates. Our December 2024 price target of \$130 is predicated upon a 50/50 blend of DCF and 2025E-based multiples analysis (itself a blend of P/E, EV/EBITDA, and price-to-sales).

Risks to Rating and Price Target

Upside risks include: (1) The demand for Tesla vehicles could rise materially beyond our expectations; (2) gasoline prices could increase or government penalties and regulations on rival internal combustion engine vehicles could increase, which could drive adoption toward electric vehicles, benefitting Tesla; and (3) better-than-expected execution on operating targets.

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Detailed TSLA Price Target Analysis

We value TSLA shares using a blend of a multiple-based analysis and DCF, which suggests a \$130 value. We value TSLA shares using a 50/50 blend of a multiple-based analysis on our 2025E revenues, EBITDA and EPS forecast, and a discounted cash flow method valuation. A summary of our price target methodology is shown in Table 1.

Table 1: TSLA Automotive Value per Share Analysis

In \$/share

Fundamentals-Based Valuation Analysis	Weighting	Share Price
Discounted Cash Flows	50%	\$111
2025 Multiples-based Analysis	50%	\$149
Fundamentals-Based Valuation Analysis	100%	\$130
Current Share Price		\$183
Upside/ Downside to current share price		-29%

Source: J.P. Morgan estimates.

Our multiple-based analysis on 2025 financial estimates (we no longer discount one year) suggests a value of \$149/share

We base our price target on 2025E earnings, reflecting the full impact of the profit potential of the Model S, Model X, Model 3, Model Y, and Cybertruck vehicles (while the Model 2 we expect to still be ramping). A summary of our multiples-based valuation approach is shown in Table 2.

Table 2: 2025 Financial Performance-Based TSLA Automotive Value per Share Analysis

In \$/share

2025 Multiples-based Analysis	Weighting	Share Price December 2024
EV/EBITDAP	33%	\$160
Price-to-Earnings	33%	\$149
Price-to-Sales	33%	\$139
2025 Multiples-based Analysis	100%	\$149

Source: J.P. Morgan estimates

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Our EV/EBITDAP analysis, a 1/3-weighted component of our multiple-based analysis is shown in Table 3, below. We use a target multiple of 25.0x EBITDA, influenced on the average NTM trading multiple for a set of comparable high-growth companies (as shown in Table 6) – which includes both luxury and high-growth automakers, auto parts suppliers of technical products, innovators of disruptive technology and clean-tech companies.

Table 3: TSLA Automotive EV/EBITDAP Based Value per Share

In \$ mn, except share price

EV/EBITDAP-based Analysis	Earnings Ramp				
	2021	2022	2023	2024E	2025E
JPM EBITDA ex. Equity Income	11,555	18,963	15,370	17,688	21,727
(+) Pension Expense	-	-	-	-	-
EBITDAP	11,555	18,963	15,370	17,688	21,727
Current Multiple of JPM NTM EBITDAP					
JPM EV/EBITDAP Multiple	25.0x	25.0x	25.0x	25.0x	25.0x
Enterprise Value	288,875	474,075	384,250	442,204	543,178
(-) Total Debt	(11,688)	(6,837)	(3,099)	(5,230)	(5,230)
(+) Cash & Investments	19,384	17,576	16,253	16,452	21,200
Net Cash/(Debt)	7,696	10,739	13,154	11,222	15,970
(+) Equity Stakes (10x P/E)	-	-	-	-	-
(-) Noncontrolling Stakes (10x P/E)	-	-	-	-	-
(-) Pension Underfunding (21% tax)	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Implied Equity Value	296,571	484,814	397,404	453,426	559,148
Diluted Share Count	3,383	3,469	3,483	3,492	3,492
Implied Value/Share	\$88	\$140	\$114	\$130	\$160
Discounted 0-yrs at ~12% WACC					\$160
Current Value per Share	\$182.63	\$182.63	\$182.63	\$182.63	\$182.63
Upside vs. Current	-52%	-23%	-38%	-29%	-12%
Memo:					
Sales	53,823	81,462	96,773	115,992	136,725
Implied Price/Sales	5.5x	6.0x	4.1x	3.9x	4.1x
Net Income	7,640	14,116	10,882	11,692	14,841
EPS	\$2.26	\$4.07	\$3.12	\$3.35	\$4.25
Implied P/E	38.8x	34.3x	36.5x	38.8x	37.7x

Source: J.P. Morgan estimates

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Our Price-to-Sales analysis, a 1/3-weighted component of our multiple-based analysis is shown below. We use a target multiple of ~3.5x Sales, based on the average NTM trading multiple for a set of comparable high-growth companies (as shown in Table 4) – which includes both luxury and high-growth automakers, auto parts suppliers of technical products, innovators of disruptive technology and clean-tech companies.

Table 4: TSLA Price-to-Sales Based Value per Share Analysis

In \$ mn, except share price

Price-to-Sales-based Analysis	Earnings Ramp				
	2021	2022	2023	2024E	2025E
Sales	53,823	81,462	96,773	117,168	143,226
Price/Sales Multiple	3.5x	3.5x	3.5x	3.5x	3.5x
Implied Equity Value	188,381	285,117	338,706	410,087	508,311
Diluted Share Count	3,383	3,469	3,483	3,492	3,492
Implied Value/Share	\$56	\$82	\$97	\$117	\$146
Discounted 0-yrs at ~12% WACC					\$146
Current Value per Share	\$207.86	\$207.86	\$207.86	\$207.86	\$207.86
Upside vs. Current	-73%	-60%	-53%	-44%	-30%
<u>Memo:</u>					
(-) Net Cash/(Debt)	7,696	10,739	13,154	11,222	18,483
(-) Other Adjustments	-	-	-	-	-
Enterprise Value	180,684	274,378	325,552	398,865	489,828
JPM EBITDAP	11,555	18,963	15,370	19,095	22,088
<i>Implied EV/EBITDAP</i>	<i>15.6x</i>	<i>14.5x</i>	<i>21.2x</i>	<i>20.9x</i>	<i>22.2x</i>
Net Income	7,640	14,116	10,882	13,745	15,815
<i>Implied P/E</i>	<i>24.7x</i>	<i>20.2x</i>	<i>31.1x</i>	<i>29.8x</i>	<i>32.1x</i>

Source: J.P. Morgan estimates

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Our Price-to-Earnings analysis, a 1/3-weighted component of our multiple-based analysis is shown in Table 5, below. We use a target multiple of 35.0x EPS, premium to the average NTM trading multiple for a set of comparable high growth companies (as shown in Table 6) – which includes both luxury and high-growth automakers, auto parts suppliers of technical products, innovators of disruptive technology and clean-tech companies.

Table 5: TSLA Price-to-Earnings Based Value per Share Analysis

In \$ mn, except share price

Price-to-Earnings-based Analysis	Earnings Ramp				
	2021	2022	2023	2024E	2025E
Net Income	7,640	14,116	10,882	11,692	14,841
P/E Multiple	35.0x	35.0x	35.0x	35.0x	35.0x
Implied Equity Value	267,400	494,060	380,870	409,211	519,449
Diluted Share Count	3,383	3,469	3,483	3,492	3,492
Implied Value/Share	\$79	\$142	\$109	\$117	\$149
Discounted 0-yrs at ~12% WACC					\$149
Current Value per Share	\$182.63	\$182.63	\$182.63	\$182.63	\$182.63
Upside vs. Current	-57%	-22%	-40%	-36%	-19%
<u>Memo:</u>					
(-) Net Cash/(Debt)	7,696	10,739	13,154	11,222	15,970
(-) Other Adjustments	-	-	-	-	-
Enterprise Value	259,704	483,321	367,716	397,989	503,479
JPM EBITDAP	11,555	18,963	15,370	17,688	21,727
<i>Implied EV/EBITDAP</i>	22.5x	25.5x	23.9x	22.5x	23.2x
Sales	53,823	81,462	96,773	115,992	136,725
<i>Implied Price/Sales</i>	5.0x	6.1x	3.9x	3.5x	3.8x

Source: J.P. Morgan estimates

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Table 3: Comparables Used in Multiples-Based Analysis

Investment Comparable	Ticker	Price (Local FX)	Market Cap	Enterprise Value (mn)	Price/Sales			EV/EBITDA			P/E		
					2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
<u>Disruptive Technology</u>													
Apple	AAPL	USD 194.17	3,002,236	2,964,067	7.8x	7.6x	7.2x	23.4x	22.1x	21.4x	32.0x	29.3x	27.2x
Google	GOOG	USD 153.64	1,911,711	1,821,222	7.1x	6.7x	6.1x	15.1x	13.0x	11.6x	25.4x	21.5x	18.5x
Average					7.5x	7.1x	6.6x	19.3x	17.6x	16.5x	28.7x	25.4x	22.8x
<u>Clean Technology</u>													
First Solar	FSLR	USD 149.23	15,944	14,665	4.6x	3.5x	2.8x	12.8x	7.4x	4.8x	19.3x	11.2x	7.3x
SunPower	SPWR	USD 3.28	574	813	0.3x	0.4x	0.3x	NM	31.9x	8.7x	NM	NM	40.9x
Average					2.5x	1.9x	1.6x	12.8x	19.7x	6.8x	19.3x	11.2x	24.1x
<u>Auto Tech / Innovation</u>													
Borgwarner	BWA	USD 33.79	7,943	10,904	0.5x	0.5x	0.5x	5.5x	5.3x	4.8x	8.9x	8.0x	7.1x
Gentex	GNTX	USD 31.84	7,427	7,152	3.3x	3.0x	2.7x	12.4x	10.4x	9.2x	17.8x	14.7x	12.7x
Average					1.9x	1.7x	1.6x	8.9x	7.8x	7.0x	13.3x	11.4x	9.9x
<u>Luxury Automakers</u>													
BMW	BMW	EUR 93.69	59,480	138,422	0.4x	0.4x	0.4x	5.3x	5.8x	5.8x	5.1x	5.7x	5.7x
Mercedes	MBG	EUR 59.75	63,168	36,305	0.4x	0.4x	0.4x	1.4x	1.5x	1.6x	4.6x	5.1x	5.0x
Average					0.4x	0.4x	0.4x	3.4x	3.7x	3.7x	4.8x	5.4x	5.3x
<u>High Growth Automakers</u>													
BYD	1211	HKD 190.60	576,816	507,107	0.9x	0.7x	0.6x	7.5x	5.9x	4.7x	17.7x	13.6x	10.8x
Great Wall	2333	HKD 8.24	166,394	181,071	1.0x	0.8x	0.7x	13.6x	11.1x	9.6x	10.4x	7.9x	6.6x
SAIC	600104	CNY 13.76	159,276	267,921	0.2x	0.2x	0.2x	8.8x	7.8x	7.4x	10.6x	9.5x	8.9x
Average					0.9x	0.7x	0.6x	8.8x	7.8x	7.4x	10.6x	9.5x	8.9x
All Company Average					2.4x	2.2x	2.0x	10.6x	11.1x	8.1x	15.2x	12.7x	13.7x

Source: Company reports and J.P. Morgan estimates. Prices at 26 Jan 2024.

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Our Discounted Cash Flow analysis suggests value per share of \$111

Our discounted cash flow analysis, which comprises 50% of our entire price target methodology, is shown in Table 7.

Table 7: TSLA Discounted Cash Flow Analysis

In \$ mn, except share price

TSLA DCF Analysis	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Revenues	7,000	11,759	21,461	24,578	31,536	53,823	81,462	96,773	115,992	136,725
% y/y		68%	83%	15%	28%	71%	51%	19%	20%	18%
EBITDA (Ex-stock comp)	509	471	2,258	2,983	6,050	11,555	18,963	15,370	17,688	21,727
Less: Stock comp	-334	-467	-745	-898	-1,734	-2,121	-1,560	-1,812	-1,936	-1,936
EBITDA	175	4	1,513	2,085	4,316	9,434	17,403	13,558	15,752	19,791
Less: Taxes	-27	-32	-58	-110	-292	-699	-1,132	5,001	-2,479	-3,150
Change in Working Capital	0	0	58	-349	184	518	-3,908	-8,597	-2,742	-1,641
<u>Less: Capex</u>	<u>-1,281</u>	<u>-3,415</u>	<u>-2,101</u>	<u>-1,327</u>	<u>-3,157</u>	<u>-6,482</u>	<u>-7,158</u>	<u>-8,898</u>	<u>-8,647</u>	<u>-9,229</u>
Unlevered Free Cash Flow	-1,132	-3,442	-588	298	1,051	2,771	5,205	1,064	1,884	5,771
PV of FCF							5,205	1,064	1,884	5,123
Terminal Value							360,071	73,605	130,334	399,225
Implied Terminal Value Factor							48x	21x	36x	62x
PV of Terminal Value							360,071	73,605	130,334	354,377

Equity Value - DCF Valuation Method	
PV of FCFs	13,276
<u>PV of Terminal Value</u>	<u>354,377</u>
Enterprise Value	367,653
Net Debt	-10,668
Equity Value	378,321
Implied Share Price	\$111

WACC	
(1) Risk-Free Rate*	4.7%
(2) Beta	1.4
(3) Risk Premium	5.8%
Cost of Equity: (1)+(2*3)	12.7%
Cost of Debt	6.3%
Tax Rate	20.0%
After-Tax Cost of Debt	5.0%
Equity	99%
Debt	1%
Calculated WACC	12.7%
<u>Memo: Capital Structure</u>	
Debt	4,812
Equity (Market Cap)	633,139
<u>Total Capitalization</u>	<u>637,951</u>

* US 10-yr Treasury yield

** Source: US Country Risk Premium (Bloomberg)

Terminal Growth	
WACC	12.7%
Long-Term Growth Rate	11%
Implied Terminal Value Factor	69x

Source: Bloomberg Finance L.P., J.P. Morgan estimates, * US 10-yr Treasury yield.

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Tesla Inc: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly				
	FY22A	FY23A	FY24E	FY25E	FY26E		1Q24E	2Q24E	3Q24E	4Q24E
Revenue	81,462	96,773	115,992	136,725	-	Revenue	25,645	28,551	29,972	31,824
COGS	(56,862)	(74,446)	(90,929)	(107,214)	-	COGS	(20,050)	(22,431)	(23,561)	(24,888)
Gross profit	20,853	17,660	20,617	24,788	-	Gross profit	4,483	5,009	5,300	5,825
SG&A	(3,946)	(4,800)	(5,129)	(5,424)	-	SG&A	(1,282)	(1,285)	(1,289)	(1,273)
Adj. EBITDA	17,579	13,558	15,752	19,791	-	Adj. EBITDA	3,287	3,779	4,073	4,613
D&A	(3,747)	(4,667)	(4,446)	(4,723)	-	D&A	(1,111)	(1,111)	(1,111)	(1,111)
Adj. EBIT	13,832	8,891	11,307	15,068	-	Adj. EBIT	2,175	2,668	2,962	3,502
Net Interest	106	910	1,088	1,088	-	Net Interest	272	272	272	272
Adj. PBT	13,719	9,973	12,395	16,156	-	Adj. PBT	2,447	2,940	3,234	3,774
Tax	(1,132)	5,001	(2,479)	(3,150)	-	Tax	(489)	(588)	(647)	(755)
Minority Interest	(31)	23	(160)	(100)	-	Minority Interest	(40)	(40)	(40)	(40)
Adj. Net Income	14,116	10,882	11,692	14,841	-	Adj. Net Income	2,402	2,796	3,031	3,463
Reported EPS	4.07	3.12	3.35	4.25	-	Reported EPS	0.69	0.80	0.87	0.99
Adj. EPS	4.07	3.12	3.35	4.25	-	Adj. EPS	0.69	0.80	0.87	0.99
DPS	-	-	-	-	-	DPS	-	-	-	-
Payout ratio	-	-	-	-	-	Payout ratio	-	-	-	-
Shares outstanding	3,469	3,483	3,492	3,492	-	Shares outstanding	3,492	3,492	3,492	3,492

Balance Sheet & CashFlow Statement						Ratio Analysis				
	FY22A	FY23A	FY24E	FY25E	FY26E		FY22A	FY23A	FY24E	FY25E
Cash and cash equivalents	16,253	16,452	21,200	29,895	-	Gross margin	25.6%	18.2%	17.8%	18.1%
Accounts receivable	2,952	3,508	2,900	3,281	-	EBITDA margin	21.6%	14.0%	13.6%	14.5%
Inventories	12,839	13,626	19,075	22,387	-	EBIT margin	17.0%	9.2%	9.7%	11.0%
Other current assets	8,579	15,528	15,426	15,923	-	Net profit margin	17.3%	11.2%	10.1%	10.9%
Current assets	40,623	49,114	58,601	71,487	-	ROE	36.4%	19.9%	16.8%	17.9%
PP&E	23,548	29,725	33,926	38,432	-	ROA	19.5%	11.5%	10.1%	11.0%
LT investments	-	-	-	-	-	ROCE	29.0%	7.5%	12.1%	13.8%
Other non current assets	18,167	27,779	32,012	36,515	-	SG&A/Sales	4.8%	5.0%	4.4%	4.0%
Total assets	82,338	106,618	124,539	146,434	-	Net debt/equity	NM	NM	NM	NM
Short term borrowings	-	-	-	-	-	Net debt/EBITDA	NM	NM	NM	NM
Payables	22,397	23,511	29,288	35,890	-	P/E (x)	44.9	58.5	54.5	43.0
Other short term liabilities	0	0	0	0	-	P/BV (x)	13.8	10.0	8.5	7.1
Current liabilities	22,397	23,511	29,288	35,890	-	EV/EBITDA (x)	32.3	42.0	35.8	28.1
Long-term debt	3,099	5,230	5,230	5,230	-	Dividend Yield	-	-	-	-
Other long term liabilities	10,944	14,268	14,720	15,172	-	Sales/Assets (x)	1.1	1.0	1.0	1.0
Total liabilities	36,440	43,009	49,238	56,292	-	Interest cover (x)	-	-	-	-
Shareholders' equity	45,898	63,609	75,301	90,142	-	Operating leverage	219.9%	(190.1%)	136.8%	186.1%
Minority interests	-	-	-	-	-	Revenue y/y Growth	51.4%	18.8%	19.9%	17.9%
Total liabilities & equity	82,338	106,618	124,539	146,434	-	EBITDA y/y Growth	86.9%	(22.9%)	16.2%	25.6%
Net debt/(cash)	(13,154)	(11,222)	(15,970)	(24,665)	-	Tax rate	8.3%	50.1%	20.0%	19.5%
Cash flow from operating activities	14,724	13,256	13,395	17,924	-	Adj. Net Income y/y Growth	84.8%	(22.9%)	7.4%	26.9%
o/w Depreciation & amortization	3,747	4,667	4,446	4,723	-	EPS y/y Growth	80.2%	NM	7.2%	26.9%
o/w Changes in working capital	-	-	-	-	-	DPS y/y Growth	-	-	-	-
Cash flow from investing activities	(11,995)	(28,053)	3,888	15,838	-					
o/w Capital expenditure	(7,158)	(8,898)	(8,647)	(9,229)	-					
as % of sales	8.8%	9.2%	7.5%	6.8%	-					
Cash flow from financing activities	(3,527)	2,589	0	0	-					
o/w Dividends paid	-	-	-	-	-					
o/w Net debt issued/(repaid)	0	0	0	0	-					
o/w Share Repurchases	-	-	-	-	-					
Net change in cash	(798)	(12,208)	17,283	33,762	-					
Adj. Free cash flow to firm	7,663	4,812	5,618	9,571	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

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Tesla Inc (TSLA, TSLA US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 09, 2010. All share prices are as of market close on the previous business day.

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