

Tesla Inc. (TSLA): Lowering Tesla estimates on production and market headwinds

We are lowering our Tesla estimates to better reflect what we believe are both production (e.g. Model 3 ramp pace, and downtime in Berlin tied to the Red Sea conflict/power loss) and market headwinds.

Delivery estimates in key regions per third parties (e.g. CPCA and Motor Intelligence) through the first two months of the quarter are up high single digits yoy and down low double digits qoq ([Exhibit 1](#)). While the data on regional volumes are not final (and are estimates especially in the US), this data suggests in our view that volumes are tracking lower than our prior 475K estimate (up 12% yoy and down 2% qoq). We now model 1Q volumes at 435K and 2024 vehicle deliveries at 1.98 mn (+9.5% yoy) compared to 475K/2.08 mn prior.

While we appreciate the monthly data is preliminary, other datapoints also suggest slower sales. Specifically, downloads of the Tesla app in the US and in Europe have declined sequentially when comparing the first two months of 1Q24 vs. 4Q23, and app downloads YTD are down yoy vs 1Q23 in the US per Sensor Tower data ([Exhibit 2](#)). In addition, exports from the China factory were down yoy for January and February in total.

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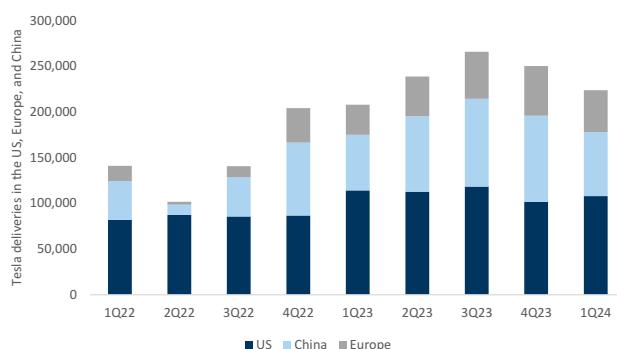
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Exhibit 1: Tesla deliveries in Month 1 and 2 of the quarter in the US, China, and Europe


Source: Autodata, CPCA, Goldman Sachs Global Investment Research

Exhibit 2: Tesla app downloads in key regions


Source: Sensor Tower

Exhibit 3: Tesla China exports (rolling 3 months)


Source: CPCA, Goldman Sachs Global Investment Research

Finally, as Tesla has reduced the amount of deliveries occurring in the last month of a quarter, there could be less of a quarter end increase.

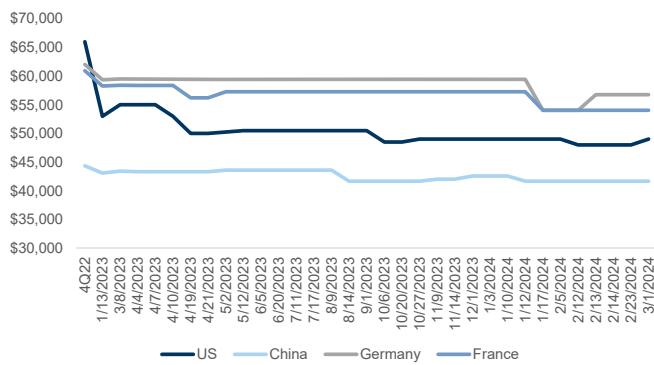
We believe there are both production and market considerations impacting growth. On the production front, we believe the pace of the new Model 3 ramp in the US has been relatively muted in 1Q given still long lead times shown on Tesla's US website (e.g. currently a May delivery estimate for the Long Range variant in the US) and lower volumes (with Model 3 sales down 18% YTD per Motor Intelligence). In addition, Tesla had downtime in Berlin in January (due to the Red Sea conflict per [media reports](#)) and in March (due to a power outage per [media reports](#)). We also believe Tesla is being impacted by reduced EV subsidies in Europe, competition in China, and slower demand than we had previously expected.

We are also reducing our delivery estimates for 2025/2026 to 2.35 mn/2.75 mn from 2.53 mn/3.00 mn to better reflect market dynamics.

Importantly, we see drivers for improved growth over time, including ramping production (e.g. the new Model 3 and Cybertruck), eventually a refreshed Model Y, and in late 25/26 the low-cost vehicle that we expect to have a sales price in the \$25-30K range (given Tesla's goal to bring cost per vehicle down to ~\$20K).

On margins, Tesla has been relatively disciplined with starting list prices YTD (Exhibit 4), although the company has been utilizing incentives to help support demand (e.g. insurance subsidies, free charging). As we articulated in our report, The price is right? The case for Tesla to be more selective on US price cuts; analysis on EV pricing and IRA, we believe that Tesla should be firm with pricing for Model 3/Y in the US as the vehicles are attractively priced particularly with IRA credits and our analysis shows that broad-based incremental price cuts would be negative for profits at least in the short term (although a more entry level SKU of the Model Y with a lower BOM could help Tesla to expand volumes while supporting overall margins/profits in our opinion). In fact, on 3/15/24 after the market close Tesla announced on its US website that it intends to increase Model Y pricing on 4/1/24 by \$1K. There is a higher degree of market competition in China, and we believe a somewhat more aggressive pricing strategy may be necessary there.

Exhibit 4: Tesla Model Y Long Range Pricing



Source: Company data, Goldman Sachs Global Investment Research

Overall we reduce our EPS estimates including SBC to \$2.15/\$3.80/\$5.00 from \$2.45/\$4.40/\$5.40 for 2024/2025/2026 driven primarily by lower automotive deliveries and in turn reduced revenue. Excluding SBC, we now model EPS of \$2.70/\$4.40/\$5.60.

For Tesla, while we continue to believe that Tesla is well positioned for longer-term growth given its strong position in the EV and clean energy markets (which we attribute to factors including its ability to offer full solutions such as charging, storage, software/FSD and services, and with a leading cost structure), we believe that softer near-term EV market conditions are weighing on earnings.

Our 12-month price target is now \$190 (from \$220 prior), and is based on 50X (unchanged) applied to our updated Q5-Q8 EPS estimate including SBC. We believe an upside scenario for the stock over the next 12-24 months could be ~\$300 using a multiple of 50X-60X applied to 2026E EPS (note we model 2026 EPS including SBC of \$5.00 and excluding SBC of \$5.60). We believe a downside scenario could be ~\$65-\$85 using a multiple of ~30X applied to 2024 EPS (note that we model 2024E EPS including SBC at \$2.15 and excluding SBC at \$2.70).

Key downside risks to our view relate to potentially larger vehicle price reductions than we expect, increased competition in EVs, delays with products/capabilities like FSD/the

third generation platform/4680, key person risk, the internal control environment, margins, and operational risks associated with Tesla's high degree of vertical integration. Upside risks include faster EV adoption and/or share gain from Tesla, a stronger macroeconomic environment for new vehicle sales more generally, earlier new product launches than we expect (e.g., a vehicle using the third generation platform), and an earlier/larger impact from AI enabled products (e.g., FSD and Optimus) than we currently anticipate.

TSLA	12m Price Target: \$190.00	Price: \$163.57	Upside: 16.2%
Neutral	GS Forecast		
Market cap: \$571.2bn	12/23	12/24E	12/25E
Enterprise value: \$554.2bn	96,773.0	104,633.5	133,779.0
3m ADTV: \$21.9bn	96,773.0	109,041.4	141,058.6
United States	16,633.0	17,163.5	26,789.9
Americas Autos & Industrial Tech	8,891.0	8,158.4	15,079.3
M&A Rank: 3			20,460.0
EPS (\$) New	2.60	2.15	3.80
EPS (\$) Old	2.60	2.45	4.40
P/E (X)	83.5	76.3	43.0
Dividend yield (%)	0.0	0.0	0.0
Net debt/EBITDA (X)	(0.9)	(1.0)	(1.1)
	12/23	3/24E	6/24E
EPS (\$)	0.57	0.35	0.47
			9/24E
			0.59

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 15 Mar 2024 close.

Disclosure Appendix

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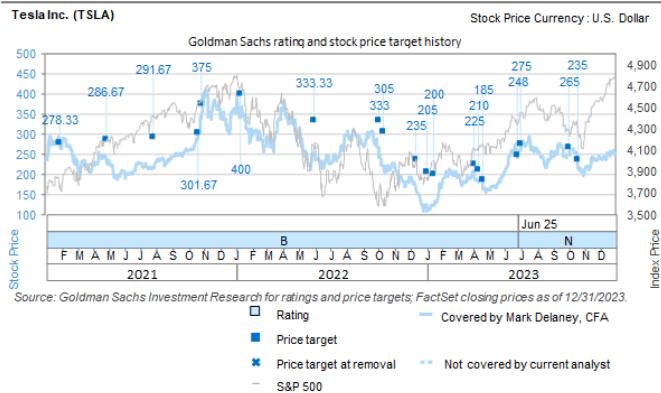
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