

Neutral

Tesla Inc. (TSLA)

2023 deliveries increased to a record high of about 466k

TSLA

12m Price Target: \$275.00

Price: \$261.77

Upside: 5.1%

Tesla delivered about 466k vehicles and produced about 480k vehicles in 2023

Tesla reported preliminary 2Q23 vehicle deliveries of about 466k (up 10% qoq and up 83% yoy), and production of about 480k vehicles.

Deliveries of about 466k were significantly above Visible Alpha Consensus Data at about 450k, Bloomberg consensus of 448K, and GSe at 445k.

Model 3/Y deliveries in the quarter were about 447k (up 8% qoq and up 87% yoy), and Model S/X deliveries were about 19k (up 80% qoq and up 19% yoy).

Lease mix was 5% of deliveries in 2Q23 (vs. 5% in 1Q23).

Implications and analysis

We consider this to be a strong report as volumes came in well ahead of consensus and GS estimates. We had expected less of an increase in June vehicle deliveries compared to past quarters because Tesla has been in the process of transitioning to a more even delivery schedule throughout the quarter in order to ease logistics and operational constraints, but the report suggests that Tesla was able to close the quarter more strongly than we and consensus had expected. We believe Tesla could also provide directional color on regional demand trends when it reports results.

We expect investor focus heading into the 2Q23 EPS call to be on automotive non-GAAP gross margins, and if Tesla will need to make additional price reductions to grow volumes (and if so the margin implication).

Importantly, given the upside to 2Q volumes, we believe that Tesla

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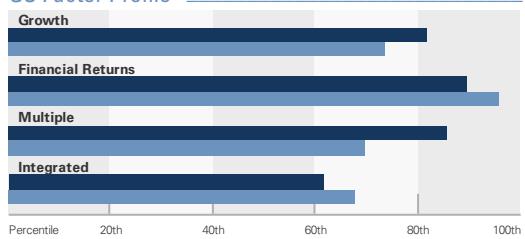
Key Data

Market cap: \$907.8bn
Enterprise value: \$887.0bn
3m ADTV: \$28.5bn
United States
Americas Autos & Industrial Tech
M&A Rank: 3

GS Forecast

	12/22	12/23E	12/24E	12/25E
Revenue (\$ mn) New	81,462.0	99,806.2	124,664.9	152,412.6
Revenue (\$ mn) Old	81,462.0	97,850.3	123,206.1	151,952.6
EBITDA (\$ mn)	19,213.0	17,713.0	24,078.5	31,252.3
EBIT (\$ mn)	13,656.0	10,594.4	15,760.6	21,435.9
EPS (\$) New	3.63	2.95	4.25	5.60
EPS (\$) Old	3.63	2.75	4.10	5.50
P/E (X)	72.5	88.7	61.6	46.7
Dividend yield (%)	0.0	0.0	0.0	0.0
Net debt/EBITDA (X)	(0.8)	(1.2)	(1.4)	(1.7)
	3/23	6/23E	9/23E	12/23E
EPS (\$)	0.73	0.69	0.76	0.78

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

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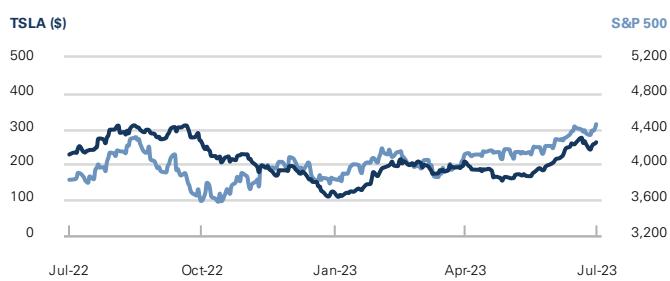
Rating since Jun 25, 2023

Ratios & Valuation

	12/22	12/23E	12/24E	12/25E
P/E (X)	72.5	88.7	61.6	46.7
EV/EBITDA (X)	42.1	46.0	33.9	25.7
EV/sales (X)	9.9	8.2	6.5	5.3
FCF yield (%)	0.9	0.7	1.5	2.4
EV/DACF (X)	43.7	51.0	37.9	29.1
CROCI (%)	68.2	39.3	42.1	45.7
ROE (%)	33.6	20.3	23.2	23.8
Net debt/EBITDA (X)	(0.8)	(1.2)	(1.4)	(1.7)
Net debt/equity (%)	(33.4)	(35.6)	(44.7)	(55.1)
Interest cover (X)	71.5	119.0	1,050.7	—
Inventory days	56.0	65.9	62.3	56.4
Receivable days	10.9	12.7	14.3	15.0
Days payable outstanding	76.1	73.9	68.5	65.3

Growth & Margins (%)

	12/22	12/23E	12/24E	12/25E
Total revenue growth	51.4	22.5	24.9	22.3
EBITDA growth	84.5	(12.8)	40.5	32.2
EPS growth	121.8	(18.7)	44.1	31.8
DPS growth	NM	NM	NM	NM
Gross margin	25.6	18.3	19.4	20.4
EBIT margin	16.8	10.6	12.6	14.1

Price Performance

Source: FactSet. Price as of 30 Jun 2023 close.

Income Statement (\$ mn)

	12/22	12/23E	12/24E	12/25E
Total revenue	81,462.0	99,806.2	124,664.9	152,412.6
Cost of goods sold	(60,609.0)	(81,495.6)	(100,488.4)	(121,385.0)
SG&A	(4,122.0)	(4,399.1)	(4,781.4)	(5,291.7)
R&D	(3,075.0)	(3,317.0)	(3,634.5)	(4,299.9)
Other operating inc./exp.)	—	—	—	—
EBITDA	17,403.0	15,184.0	21,333.5	28,202.3
Depreciation & amortization	(3,747.0)	(4,589.6)	(5,572.9)	(6,766.4)
EBIT	13,656.0	10,594.4	15,760.6	21,435.9
Net interest inc./exp.)	106.0	804.0	1,150.0	1,485.0
Income/(loss) from associates	—	—	—	—
Pre-tax profit	13,749.0	11,355.4	16,910.6	22,920.9
Provision for taxes	(1,132.0)	(956.0)	(1,500.0)	(2,375.0)
Minority interest	(34.0)	(59.0)	(200.0)	(250.0)
Preferred dividends	—	—	—	—
Net inc. (pre-exceptionals)	12,583.0	10,340.4	15,210.6	20,295.9
Net inc. (post-exceptionals)	12,583.0	10,340.4	15,210.6	20,295.9
EPS (basic, pre-except) (\$)	4.02	3.24	4.69	6.20
EPS (diluted, pre-except) (\$)	3.63	2.95	4.25	5.60
EPS (ex-ESO exp., dil.) (\$)	--	--	--	--
DPS (\$)	—	—	—	—
Div. payout ratio (%)	0.0	0.0	0.0	0.0
Wtd avg shares out. (basic) (mn)	3,129.8	3,192.7	3,244.1	3,274.1
Wtd avg shares out. (diluted) (mn)	3,468.8	3,505.2	3,577.5	3,623.2

Balance Sheet (\$ mn)

	12/22	12/23E	12/24E	12/25E
Cash & cash equivalents	16,924.0	21,311.2	33,660.2	53,733.7
Accounts receivable	2,952.0	4,009.4	5,760.6	6,771.9
Inventory	12,839.0	16,610.5	17,665.8	19,864.4
Other current assets	8,579.0	9,236.0	9,236.0	9,236.0
Total current assets	41,294.0	51,167.1	66,322.6	89,606.0
Net PP&E	26,111.0	30,193.4	33,692.4	36,006.0
Net intangibles	409.0	351.0	279.0	199.0
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	14,901.0	15,743.0	15,843.0	15,943.0
Total assets	82,338.0	97,077.5	115,760.0	141,377.0
Accounts payable	15,255.0	17,756.1	19,970.0	23,476.1
Short-term debt	—	—	—	—
Current lease liabilities	1,502.0	1,404.0	1,404.0	1,404.0
Other current liabilities	9,952.0	10,128.0	10,128.0	10,128.0
Total current liabilities	26,709.0	29,288.1	31,502.0	35,008.1
Long-term debt	1,597.0	522.0	0.0	—
Non-current lease liabilities	—	—	—	—
Other long-term liabilities	8,134.0	8,890.0	8,890.0	8,890.0
Total long-term liabilities	9,731.0	9,412.0	8,890.0	8,890.0
Total liabilities	36,440.0	38,700.1	40,392.0	43,898.1
Preferred shares	—	—	—	—
Total common equity	44,704.0	57,196.4	74,187.0	96,297.9
Minority interest	1,194.0	1,181.0	1,181.0	1,181.0
Total liabilities & equity	82,338.0	97,077.5	115,760.0	141,377.0
BVPS (\$)	12.89	16.32	20.74	26.58

Cash Flow (\$ mn)

	12/22	12/23E	12/24E	12/25E
Net income	12,587.0	10,361.4	15,210.6	20,295.9
D&A add-back	3,747.0	4,569.6	5,572.9	6,766.4
Minority interest add-back	—	—	—	—
Net (inc)/dec working capital	(3,908.0)	(2,929.9)	(592.5)	296.1
Others	2,298.0	1,778.0	1,780.0	1,815.0
Cash flow from operations	14,724.0	13,779.2	21,971.1	29,173.4
Capital expenditures	(7,158.0)	(7,972.0)	(9,000.0)	(9,000.0)
Acquisitions	(4,810.0)	(411.0)	—	—
Divestitures	—	—	—	—
Others	(5.0)	(76.0)	(100.0)	(100.0)
Cash flow from investing	(11,973.0)	(8,459.0)	(9,100.0)	(9,100.0)
Dividends paid	—	—	—	—
Share issuance/(repurchase)	—	—	—	—
Inc/(dec) in debt	(3,364.0)	(877.0)	(522.0)	—
Others	(105.0)	238.0	—	—
Cash flow from financing	(3,971.0)	(933.0)	(522.0)	0.0
Total cash flow	(1,220.0)	4,387.2	12,349.1	20,073.4
Free cash flow	7,566.0	5,807.2	12,971.1	20,173.4
Free cash flow per share (basic) (\$)	2.26	1.73	4.00	6.16

Source: Company data, Goldman Sachs Research estimates.

could be more limited with additional pricing reductions which would be a positive for its gross margin. We are raising our EPS estimates driven primarily by an assumption of more benign price declines and in turn a higher gross margin going forward, although we note that consensus has higher volumes in both 3Q23 and 4Q23 for deliveries than the 2Q result, and we would still expect pricing to decline going forward in order to help support volume growth (and reflecting global industry supply/demand).

Our EPS estimates including SBC for 2023/2024/2025 move to \$2.95/\$4.25/\$5.60 from \$2.75/\$4.10/\$5.50. Excluding SBC we now model \$3.45/\$4.75/\$6.10.

We raise our 12-month price target to \$275 from \$248, which is still based on 55X applied to our updated Q5-Q8 EPS estimate including SBC.

We are Neutral rated on the stock, with our positive view of Tesla's long-term growth potential and position in the market offset by what we believe will be additional pricing reductions and full valuation.

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.

Disclosure Appendix

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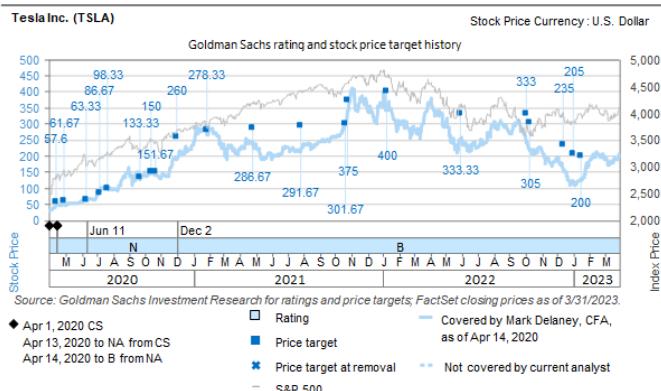
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