

Tesla Inc. (TSLA): 2023 First Take

- **Tesla reported revenue/non-GAAP diluted EPS (excluding SBC) of \$24.9 bn/\$0.91, which was 3% above/\$0.11 above the Street (FactSet) and in line/\$0.10 above GS.**
- **The non-GAAP automotive gross margin (including SBC and excluding the revenue from regulatory credits) was 18.1%, just above GS at 18.0%. The margin was down from 19.0% in 1Q23 and 26.2% in 2Q22.**
- **Implied vehicle ASP of \$46K was above our estimate of \$45.3K.**
- **Gross margins in both Energy and Services were up yoy, and above our estimates.**
- **EBIT of ~\$2.4 bn was in line with our forecast, with a higher gross margin offset by higher opex.**
- **FCF was \$1.0 bn in 2Q23.**
- **The company continues to expect to deliver about 1.8 mn vehicles in 2023.**
- **We expect margins (including pricing and cost dynamics) and demand trends/order rates to be key focus areas on the call. We also expect AI/technology capabilities (e.g., FSD and Dojo), the Energy segment (including the growth/profit potential in storage), and FCF to be topics on the call.**

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Results

Tesla reported 2Q23 revenue of \$24,927 mn (up 7% qoq and up 47% yoy) which was in line with GS at \$24,910 mn and 3% above the Street (FactSet) at \$24,221 mn. Tesla reported the following by segment:

- **Automotive** revenue of \$21,268 mn (up 7% qoq and up 46% yoy) compared to GS at \$20,893 mn and the Street at \$20,880 mn. Implied vehicle ASP was about \$46K and above our \$45.3K estimate. Sales of regulatory credits were \$282 mn in the quarter vs. our estimate of \$250 mn, down from \$521 mn last quarter and down from \$344 mn in 2Q22.
- **Energy Generation and Storage** revenue of \$1,509 mn (down 1% qoq and up 74% yoy) compared to GS at \$1,727 mn. The company reported storage deployments of 3,653 MWh (up 222% yoy). Tesla commented that the yoy

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storage deployment increase was driven by the ongoing ramp of its dedicated Megapack factory.

- **Service and Other** revenue of \$2,150 mn (up 17% qoq and up 47% yoy) compared to GS at \$2,289 mn.

As previously reported, total vehicle deliveries in the quarter were about 466k (up 10% qoq and up 83% yoy). 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).

Tesla produced about 480k vehicles (up 9% qoq and up 86% yoy), of which 460k were Model 3/Y (up 9% qoq and +90% yoy) and 19k were Model S/X (about flat qoq and +19% yoy).

The non-GAAP automotive gross margin (including SBC and excluding the revenue from regulatory credits) was 18.1%, which compares to GS at 18.0%. The 1Q23 margin was 19.0%, and 2Q22 was 26.2%.

Tesla commented that margins were impacted by reduced ASPs (due to mix and pricing), costs for 4680 cells, increases in operating expenses driven by Cybertruck and AI, and FX. These headwinds were partially offset by growth in vehicle deliveries (despite a margin headwind from the underutilization of new factories), lower cost per vehicle, lower raw materials costs, IRA credits, and gross profit growth in the Energy and Service and Other business lines.

Non-GAAP diluted EPS (excluding SBC) was \$0.91, above GS at \$0.81 and above the Street at \$0.80.

Including SBC, EPS was \$0.78 vs. GS at \$0.69. While EBIT was about in line with our estimate, upside came below the line in particular due to interest & other income (~\$0.09 tailwind vs. our estimate; most of this was from other income, with the press release citing FX gains on intercompany balances).

Cash and cash equivalents and short-term marketable securities increased by \$0.7 bn qoq to \$23.1 bn, with FCF of \$1.0 bn (4% of revenue). Inventory dollars were about flat qoq at \$14.4 bn.

By region, Tesla commented that:

- **US:** Tesla commented that at Gigafactory Texas it is working on equipment installation for Cybertruck which remains on track for initial deliveries this year. Additionally, the company noted that it has made notable progress on yield improvement for its 4680 cell production lines and continues to build capacity for its cathode production and lithium refining in the US.
- **China:** Tesla commented the Shanghai factory has been successful at running near full capacity for several months and that it does not expect a meaningful increase in the weekly production run rate.
- **Europe:** The Germany facility produced standard range Model Y vehicles in Q2 for the first time.

Tesla's stated installed annual capacity estimates across its factories was 650K in California, >750K in Shanghai, and at 375K in Berlin and >250K in Texas (vs. 1Q23 at 650K in California, >750K in Shanghai, and at >350K in Berlin and >250K in Texas).

Outlook

The company continues to expect to deliver about 1.8 mn vehicles in 2023. This compared to GS at ~1.84 mn and Visible Alpha of ~1.86 mn. Tesla had previously said that 2 mn units is an upside case.

Tesla commented that Cybertruck remains on track for initial deliveries this year. In addition, the company stated that it continues to make progress on its next generation platform.

Tesla commented that this month, it was taking steps towards faster and cheaper neural net training with the start of production of its Dojo AI training computer.

Price target and key risks

We are Neutral rated on Tesla shares. Our 12-month price target of \$275 is based on 55X applied to Q5-Q8 estimated EPS including SBC.

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: \$275.00	Price: \$291.26	Downside: 5.6%
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Neutral		GS Forecast			
Market cap: \$1.0tr Enterprise value: \$989.3bn 3m ADTV: \$30.0bn United States Americas Autos & Industrial Tech M&A Rank: 3	Revenue (\$ mn)	12/22	12/23E	12/24E	12/25E
	EBITDA (\$ mn)	81,462.0	99,806.2	124,664.9	152,412.6
	EBIT (\$ mn)	19,213.0	17,713.0	24,078.5	31,252.3
	EPS (\$)	13,656.0	10,594.4	15,760.6	21,435.9
	EPS (\$)	3.63	2.95	4.25	5.60
	P/E (X)	72.5	98.7	68.5	52.0
	EV/EBITDA (X)	42.1	51.3	37.8	28.8
	FCF yield (%)	0.9	0.6	1.4	2.1
	Dividend yield (%)	0.0	0.0	0.0	0.0
	Net debt/EBITDA (X)	(0.8)	(1.2)	(1.4)	(1.7)
	EPS (\$)	3/23	6/23E	9/23E	12/23E
	EPS (\$)	0.73	0.69	0.76	0.78

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 19 Jul 2023 close.

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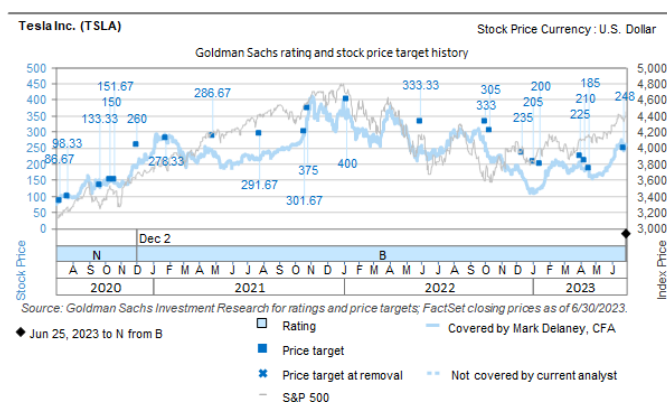
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