

Tesla Inc. (TSLA)

3Q23 deliveries first take

Neutral

TSLA	12m Price Target: \$275.00	Price: \$250.22	Upside: 9.9%
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Tesla delivered about 435k vehicles and produced about 430k vehicles in 3Q23

Tesla reported preliminary 3Q23 vehicle deliveries of about 435k (down 7% qoq and up 27% yoy), and production of about 430k vehicles. This compares to 2Q23 deliveries of about 466K and production of about 480K.

Deliveries of about 435k in 3Q23 were below Visible Alpha Consensus Data at about 453k, FactSet at about 461k, and GSe at 460k.

Model 3/Y deliveries in the quarter were about 419k (down 6% qoq and up 29% yoy), and Model S/X deliveries were about 16k (down 17% qoq and down 14% yoy).

Lease mix was 4% of deliveries in 3Q23 (vs. 5% in 2Q23).

Tesla attributed the reduced production to downtime for factory upgrades (and we believe a key driver of this was the Model 3 changeover in Shanghai). Tesla typically produces 20-30K Model 3 units per month in China per CPCA data.

Implications and analysis

While we reduced our 3Q23 volume estimate in our 9/17 note to 460K to better reflect what we believed was lower S/X demand and the impact of the changeover for the Model 3 Highland, 3Q23 deliveries were lower than we had expected. We had expected inventory to have a larger positive influence on 3Q volumes (recall Tesla produced about 480K vehicles in 2Q). However, inventory and production were relatively similar in 3Q.

We believe key debates will now shift to:

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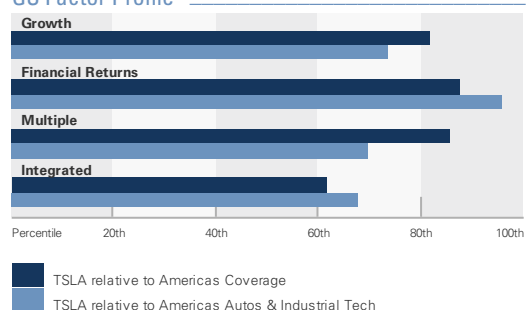
Key Data

Market cap: \$870.3bn
Enterprise value: \$850.2bn
3m ADTV: \$30.0bn
United States
Americas Autos & Industrial Tech
M&A Rank: 3

GS Forecast

	12/22	12/23E	12/24E	12/25E
Revenue (\$ mn)	81,462.0	99,406.9	122,821.1	148,886.0
EBITDA (\$ mn)	19,213.0	17,792.4	23,796.2	31,391.9
EBIT (\$ mn)	13,656.0	10,073.8	15,206.2	21,210.2
EPS (\$)	3.63	2.90	4.15	5.60
P/E (X)	72.5	86.3	60.4	44.7
EV/EBITDA (X)	42.1	43.7	32.7	24.4
FCF yield (%)	0.9	0.8	1.4	2.5
Dividend yield (%)	0.0	0.0	0.0	0.0
Net debt/EBITDA (X)	(0.8)	(1.1)	(1.3)	(1.6)
	6/23	9/23E	12/23E	3/24E
EPS (\$)	0.78	0.67	0.73	0.78

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
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Neutral

Tesla Inc. (TSLA)

Rating since Jun 25, 2023

Ratios & Valuation

	12/22	12/23E	12/24E	12/25E
P/E (X)	72.5	86.3	60.4	44.7
EV/EBITDA (X)	42.1	43.7	32.7	24.4
EV/sales (X)	9.9	7.8	6.3	5.1
FCF yield (%)	0.9	0.8	1.4	2.5
EV/DACF (X)	43.7	49.5	36.6	27.7
CROCI (%)	68.2	38.5	40.9	44.9
ROE (%)	33.6	19.9	22.6	23.9
Net debt/EBITDA (X)	(0.8)	(1.1)	(1.3)	(1.6)
Net debt/equity (%)	(33.4)	(34.5)	(42.3)	(53.6)
Interest cover (X)	71.5	109.5	1,013.7	—
Inventory days	56.0	64.7	61.4	56.6
Receivable days	10.9	12.8	14.4	15.0
Days payable outstanding	76.1	75.3	69.9	65.6

Growth & Margins (%)

	12/22	12/23E	12/24E	12/25E
Total revenue growth	51.4	22.0	23.6	21.2
EBITDA growth	84.5	(15.2)	42.0	34.5
EPS growth	121.8	(20.1)	43.0	35.0
DPS growth	NM	NM	NM	NM
Gross margin	25.6	18.4	19.5	20.6
EBIT margin	16.8	10.1	12.4	14.2

Price Performance



Source: FactSet. Price as of 29 Sep 2023 close.

Income Statement (\$ mn)

	12/22	12/23E	12/24E	12/25E
Total revenue	81,462.0	99,406.9	122,821.1	148,886.0
Cost of goods sold	(60,609.0)	(81,086.9)	(98,920.1)	(118,203.9)
SG&A	(4,122.0)	(4,639.5)	(4,863.6)	(5,123.0)
R&D	(3,075.0)	(3,606.7)	(3,831.2)	(4,349.0)
Other operating inc./exp.)	—	—	—	—
EBITDA	17,403.0	14,755.4	20,956.2	28,191.9
Depreciation & amortization	(3,747.0)	(4,681.5)	(5,750.1)	(6,981.7)
EBIT	13,656.0	10,073.8	15,206.2	21,210.2
Net interest inc./exp.)	106.0	854.0	1,150.0	1,550.0
Income/(loss) from associates	—	—	—	—
Pre-tax profit	13,746.0	11,212.8	16,356.2	22,760.2
Provision for taxes	(1,132.0)	(1,154.0)	(1,500.0)	(2,375.0)
Minority interest	(31.0)	53.0	(115.0)	(165.0)
Preferred dividends	—	—	—	—
Net inc. (pre-exceptionals)	12,583.0	10,111.8	14,741.2	20,220.2
Net inc. (post-exceptionals)	12,583.0	10,111.8	14,741.2	20,220.2
EPS (basic, pre-exception)	4.02	3.18	4.56	6.19
EPS (diluted, pre-exception)	3.63	2.90	4.15	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	3,184.0	3,234.5	3,264.5
Wtd avg shares out. (diluted) (mn)	3,468.8	3,487.3	3,555.7	3,612.4

Balance Sheet (\$ mn)

	12/22	12/23E	12/24E	12/25E
Cash & cash equivalents	16,924.0	20,387.2	31,528.1	51,777.6
Accounts receivable	2,952.0	4,046.5	5,670.9	6,578.5
Inventory	12,839.0	15,897.1	17,390.8	19,296.9
Other current assets	8,579.0	10,429.0	10,429.0	10,429.0
Total current assets	41,294.0	50,759.8	65,018.8	88,081.9
Net PP&E	26,111.0	31,291.5	34,613.4	36,711.7
Net intangibles	409.0	433.0	361.0	281.0
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	14,901.0	16,560.0	16,660.0	16,760.0
Total assets	82,338.0	98,808.2	116,417.2	141,598.6
Accounts payable	15,255.0	18,209.4	19,659.2	22,805.4
Short-term debt	—	—	—	—
Current lease liabilities	1,502.0	1,459.0	1,459.0	1,459.0
Other current liabilities	9,952.0	10,860.0	10,860.0	10,860.0
Total current liabilities	26,709.0	30,528.4	31,978.2	35,124.4
Long-term debt	1,597.0	372.0	0.0	—
Non-current lease liabilities	—	—	—	—
Other long-term liabilities	8,134.0	9,945.0	9,945.0	9,945.0
Total long-term liabilities	9,731.0	10,317.0	9,945.0	9,945.0
Total liabilities	36,440.0	40,845.4	41,923.2	45,069.4
Preferred shares	—	—	—	—
Total common equity	44,704.0	56,910.8	73,442.0	95,477.2
Minority interest	1,194.0	1,052.0	1,052.0	1,052.0
Total liabilities & equity	82,338.0	98,808.2	116,417.2	141,598.6
BVPS (\$)	12.89	16.32	20.65	26.43

Cash Flow (\$ mn)

	12/22	12/23E	12/24E	12/25E
Net income	12,587.0	10,043.8	14,741.2	20,220.2
D&A add-back	3,747.0	4,681.5	5,750.1	6,981.7
Minority interest add-back	—	—	—	—
Net (inc)/dec working capital	(3,908.0)	(1,835.2)	(1,668.3)	332.6
Others	2,298.0	1,746.0	1,790.0	1,815.0
Cash flow from operations	14,724.0	14,636.2	20,612.9	29,349.5
Capital expenditures	(7,158.0)	(8,132.0)	(9,000.0)	(9,000.0)
Acquisitions	(4,810.0)	(1,885.0)	—	—
Divestitures	—	—	—	—
Others	(5.0)	(51.0)	(100.0)	(100.0)
Cash flow from investing	(11,973.0)	(10,068.0)	(9,100.0)	(9,100.0)
Dividends paid	—	—	—	—
Share issuance/(repurchase)	—	—	—	—
Inc/(dec) in debt	(3,364.0)	(926.0)	(372.0)	—
Others	(105.0)	160.0	—	—
Cash flow from financing	(3,971.0)	(1,105.0)	(372.0)	0.0
Total cash flow	(1,220.0)	3,463.2	11,140.9	20,249.5
Free cash flow	7,566.0	6,504.2	11,612.9	20,349.5
Free cash flow per share (basic) (\$)	2.26	1.94	3.59	6.23

Source: Company data, Goldman Sachs Research estimates.

1) What is the margin impact in 2H23 from the reduced production levels (recall that last quarter Tesla's non-GAAP automotive gross margin ex. credits was 18.1%, and the lower production/deliveries and price cuts imply 3Q will be down sequentially).

2) To what extent new models (Model 3 Highland, Cybertruck) can help drive stronger volumes in 4Q23 and 2024. Consensus per Visible Alpha Consensus Data is at 499K in 4Q and 2.358 mn in 2024. We model a pick-up to 494K in 4Q and 2.275 mn in 2024, in line to modestly below the Street.

3) Price-cost in 2023 and 2024. We expect Tesla to benefit from lower costs in 4Q23/2024, although we believe that it may further lower prices to drive volume next year and mitigate margin improvement.

4) Tesla's opportunity and timelines with technology and new products, including FSD. We see Tesla as a leader in autonomy technology, although we think it will take time for Tesla to be able to offer an eyes-off and hands-off (L3/4) capable vehicle.

Our 12-month price target is \$275, which is based on 55X applied to our 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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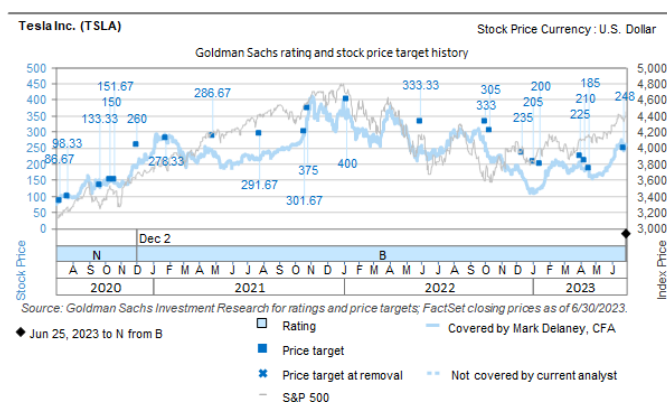
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