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Tesla Inc. (TSLA): 1Q24 deliveries well below consensus at 387K

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Tesla delivered about 387k vehicles and produced about 433k vehicles in 1Q24

Tesla reported preliminary 1Q24 vehicle deliveries of about 387k (down 20% qoq and down 9% yoy), and production of about 433k vehicles. This compares to 4Q23 deliveries of about 485K and production of about 495K. Tesla commented that the decline was partially due to the early phase of the production ramp of the updated Model 3 at its Fremont factory, and factory shutdowns resulting from shipping diversions caused by the Red Sea conflict and an arson attack at Gigafactory Berlin.

Deliveries of about 387k in 1Q24 were about 15% below Visible Alpha Consensus at about 454k, and 11% below GSe at 435k. Whether deliveries could be at least flattish yoy in 1Q24 (~420K) had been a recent debate and discussion point for investors, in our view.

Model 3/Y deliveries in the quarter were about 370k (down 20% qoq and down 10% yoy), and other model deliveries (e.g. S/X/Cybertruck) were about 17k (down 26% qoq and up 59% yoy).

Lease mix was 2% of deliveries in 1Q24 (vs. 2% in 4Q23).

Implications and analysis

While we had lowered our 1Q forecast in mid March to 435K from 475K based on weak monthly datapoints, deliveries were still well below our reduced estimate. Although some of the weakness in 1Q should be temporary and due to production issues, we now believe 2024 deliveries are likely to be lower than the 1.98 mn (+9.5% yoy) we had been forecasting as the delivery report implies a higher degree of market and competitive pressure than we had been anticipating.

We believe key debates will now shift to: **1) Volume growth,** and the extent that Tesla can drive additional volumes off of the 1Q base while it is in a period that it has described as being between growth waves (prior to shipping a new vehicle using the low cost platform, which Tesla is targeting in the 2H25 timeframe per comments on its 4Q23 EPS call). Ramping Cybertruck and the new Model 3 could be helpful on that front, and we also believe a refreshed version of the Model Y could be a positive driver in the intermediate term. However, Tesla is also facing market and competitive headwinds, in our opinion. **2) Vehicle pricing and the automotive non-GAAP gross margin for Tesla.** With Tesla raising prices on April 1st for Model Y in key geographies, whether Tesla will be more disciplined on pricing in a sustainable way going forward is likely to be a debate (after material price reductions over the last year). As we articulated in our recent 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). There is a higher degree of market competition in China, and we believe a somewhat more aggressive pricing strategy may be necessary there. **3) FSD** (full self driving) and whether the latest version (V12) using neural nets will set Tesla up for a significant increase in self driving capabilities (as it can iterate more quickly on R&D with improved GPU/AI training tools), and in turn much higher software revenue. Our current view is that we see Tesla as a leader in AI and software technology in the auto space, and we see software & services as a potentially meaningful contributor to Tesla's 2030 earnings (as detailed in our report Contextualizing Tesla's AI and FSD opportunities), but we believe it will take Tesla more time to reach an L3 version (situationally eyes off) of FSD. **4) Growth in other segments**, including Services and Energy. Tesla reported that it delivered a record level of storage capacity in 1Q24.

Our 12-month price target is $190, which is based on 50X 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 is a full valuation and weaker near-term fundamentals.

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: **$175.22**	Upside: **8.4%**

Neutral

Market cap: $611.9bn
Enterprise value: $594.9bn
3m ADTV: $20.0bn
United States
Americas Autos & Industrial Tech
M&A Rank: 3

GS Forecast

	12/23	12/24E	12/25E	12/26E
Revenue ($ mn)	96,773.0	104,633.5	133,779.0	158,379.8
EBITDA ($ mn)	16,633.0	17,163.5	26,789.9	34,277.0
EBIT ($ mn)	8,891.0	8,158.4	15,079.3	20,460.0
EPS ($)	2.60	2.15	3.80	5.00
P/E (X)	83.5	81.7	46.1	35.1
EV/EBITDA (X)	40.6	31.6	19.9	15.2
FCF yield (%)	0.6	0.5	2.1	2.9
Dividend yield (%)	0.0	0.0	0.0	0.0
Net debt/EBITDA (X)	(0.9)	(1.0)	(1.1)	(1.3)

	12/23	3/24E	6/24E	9/24E
EPS ($)	0.57	0.35	0.47	0.59

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 1 Apr 2024 close.

Disclosure Appendix

Reg AC

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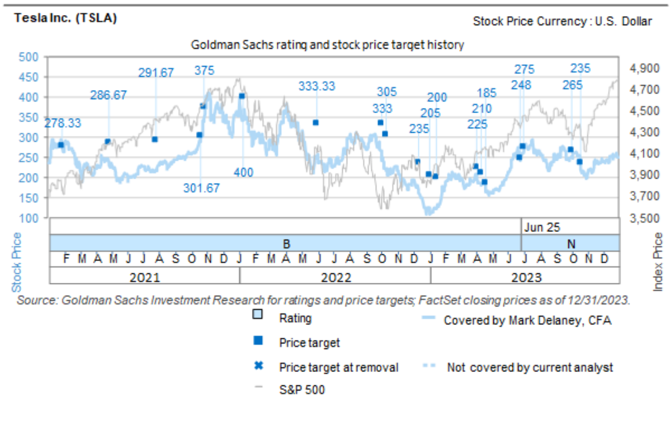

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