



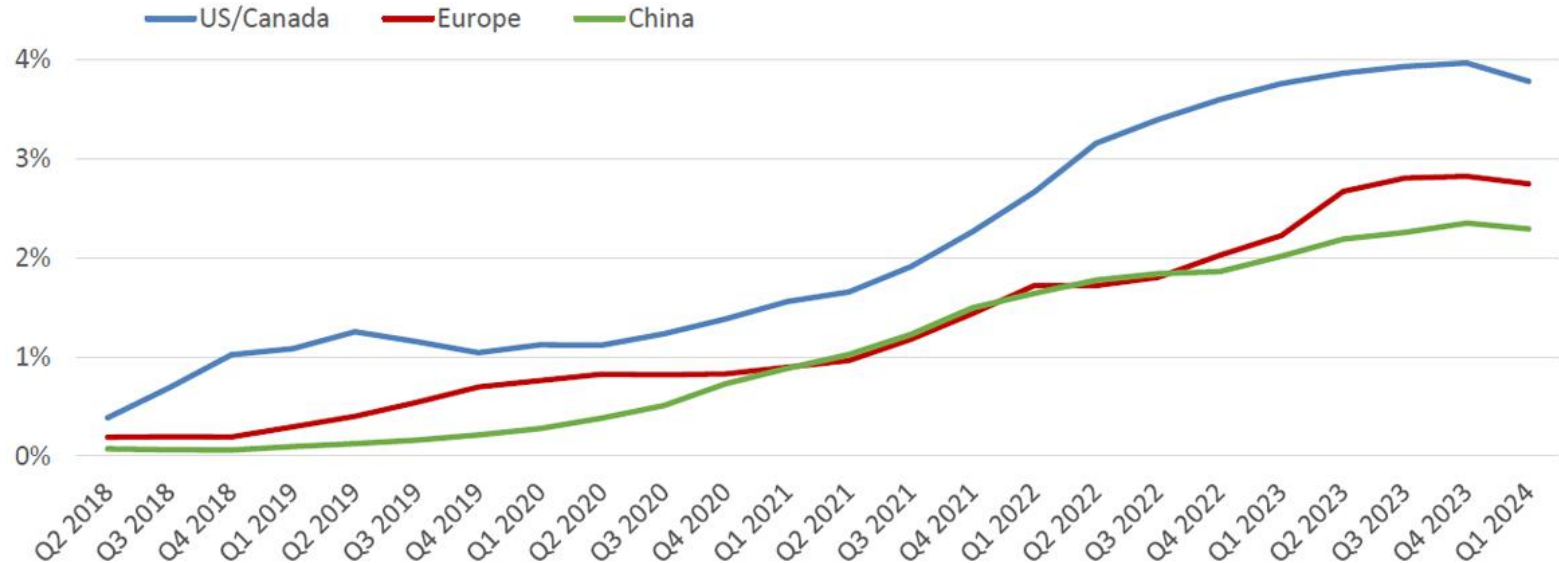
Business Case Study of TESLA'S CHINESE DILEMMA

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Tesla Revolutions

- Electric vehicle for zero carbon emission.
- \$721 million earnings in 2020, first profitable year.
- More than \$1 billion profit in Q2 of 2021.
- Incentives for automakers to develop electric vehicles
- Low carbon emitting car.
- Zero emission vehicles.

Tesla Global Market Share



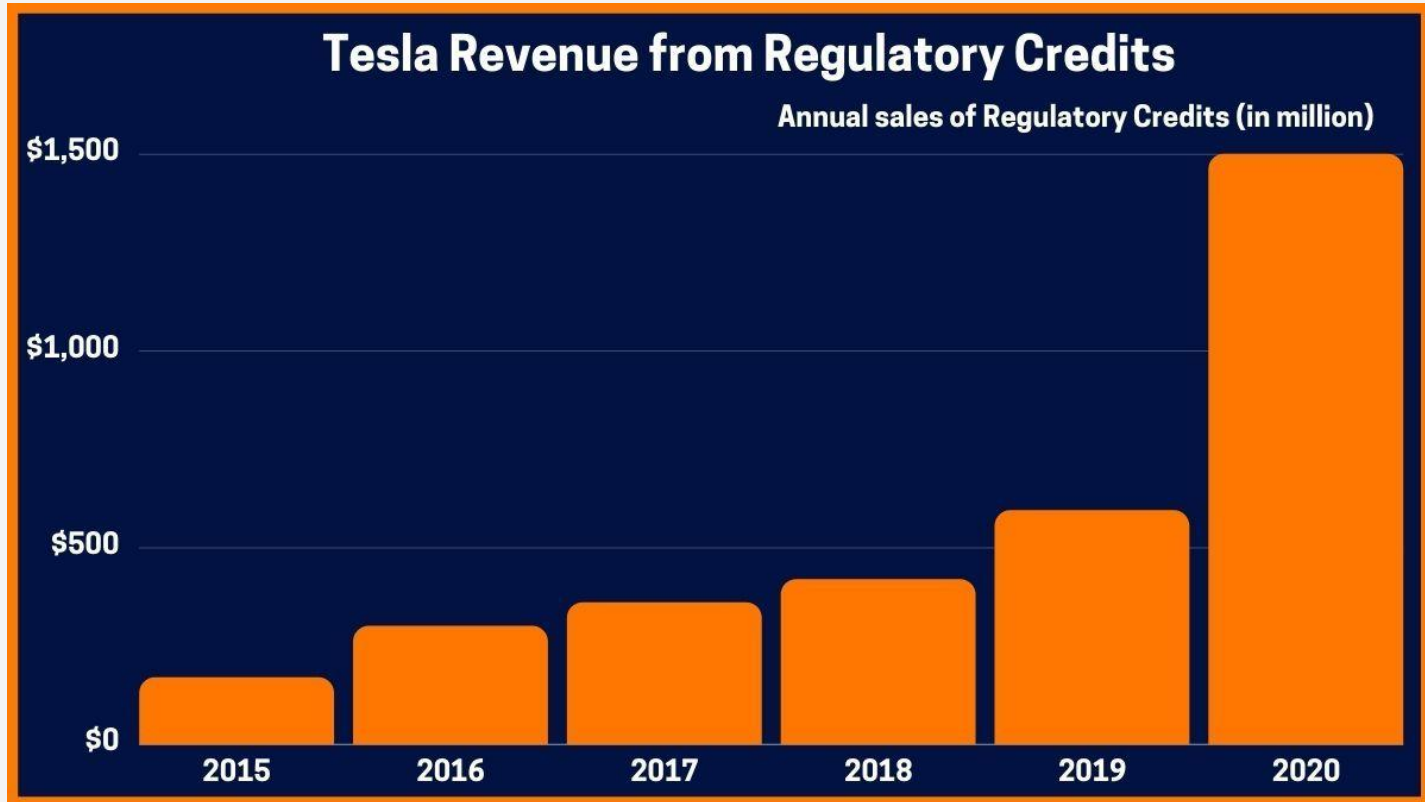
Market share of Tesla vehicles by region (TTM)

Source: Tesla estimates based on latest available data from ACEA; Autonews.com; CAAM – light-duty vehicles only; TTM = Trailing twelve months

Regulatory Credit System

- Governments around the world have introduced incentives for automakers to develop electric vehicles in return for credits.
- As Tesla only sells electric cars, it receives these credits for free and can sell them at a huge profit to other automakers who can't meet regulatory requirements.
- Other companies face fine if they don't meet the regulatory requirements.
- Tesla get 100% profit.

Regulatory Credit System



Issue with Regulatory Credit System

- As soon as other companies will start to enter EV market, Tesla won't be able to make money through credits.

China & Tesla

- Chinese EV market one of the fastest growing EV market.
- Global sales of EV increased by 43% in 2020 in China.
- China alone account for 1.3 million EVs, 41% of all Evs sold worldwide.
- Tesla's 100% American owned factory in China, is a big deal.
- Tesla fully repaid the loan of \$614 million for the construction of Giga Shanghai.

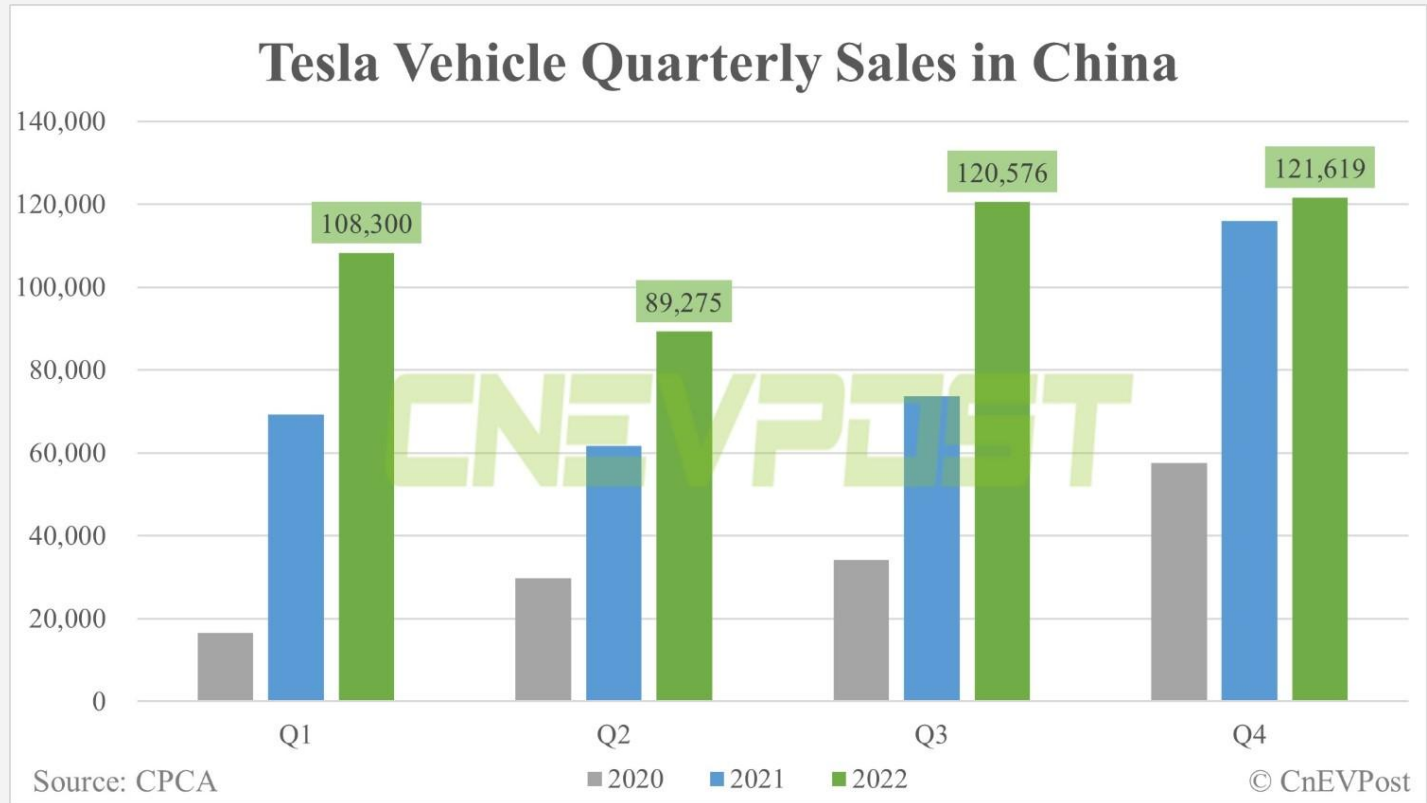
China & Tesla

- Elon Musk set up his Shanghai Gigafactory in record time (160 days).
- In US, it would have taken 2 years.
- Tesla cars also got 10% tax exemption in China.
- First foreign manufacture to receive this exemption without having local joining venture partner.

China & Tesla

- Tesla delivered nearly 500000 vehicles in 22Q, set a quarterly record of delivery of 180000 vehicles.
- Tesla's overall revenue growth from \$24.42 billion in 2019, to \$31.5 billion in 2020.
- Revenue in China → 100% growth.
- 20% overall revenue of Tesla from China alone.

Tesla Sales from China



Tesla Revenue from China



Tesla Revenue from China



Tesla Sales & Exports from China



Tesla in Trouble in China

- In 2021, customers complained about accelerator irregularities, battery fire, software upgrade failures.
- Sales tumble from 27% by April 2021 from the previous month.
- China has been known to steal intellectual property from foreign companies.
- Local companies got the chance to enhance the performance and raise their standards.

Three Threats for Tesla

- Dependence on regulatory credits.
- China's orchestrated threat.
- Other giants are coming with affordable vehicles from bottom of the pyramid, reducing Tesla's market share.

Tesla SWOT Analysis

SWOT ANALYSIS OF

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Strengths

- Impressive Hiring Strategy
- Strong Brand Value and High Market Capitalization
- A Phenomenal Organizational Structure
- Unique Brand positioning and Superb Marketing Strategy
- Strong Innovative Capacity
- Almost Near-total Market Dominance

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Weaknesses

- Frequent Manufacturing Delays
- Setting Overly Optimistic Targets
- Unusually High Employee Turnover Rate
- A Controversial Chief Executive Officer
- The Cost of Their Products

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Opportunities

- Introducing Its Products to New Markets
- Improving the Affordability of Their Vehicles
- Improving Their Autonomous Driving Technology
- In-house Battery Production
- Maintaining Its Reputation as the Champion of Innovation

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Threats

- Increasing Competition from Other Top Automakers
- The Distraction Posed By Its Very Prominent CEO
- The Uncertainty Surrounding Rare Earth Metals
- The Legal Intricacies of Self-driving Vehicles
- Changing Government Policy and Public Opinion on Green Energy

Business Events to look out for

- Elon Musk effect.
- Pay attention to govt. subsidies.
- Strategic partnership between automakers.
- US-China trade war.