

Tesla Inc. (TSLA US, BUY, TP: US\$270.00)

BUY
HOLD
SELL
Target Price: US\$270.00 **Price: US\$213.65**

Potential up/downside to TP +/-%	+26%
52-Week High/Low (US\$)	271.00/138.80
Market Cap (US\$mn)	678,018
Shares Outstanding (mn)	3,174
3-mth ADTV (US\$mn)	16,587
Free Float (%)	100
Major Shareholder (%)	
Elon Musk	21
The Vanguard Group	7
Blackrock	6

Price as of close on October 23, 2024.

Source: FactSet

Key Changes

	New	Old	Diff
Rating	BUY	BUY	N/A
Target Price (US\$)	270.00	280.86	-4%
2024E EPS (US\$)	2.82	2.63	7%
2025E EPS (US\$)	3.54	3.41	4%
2026E EPS (US\$)	4.51	4.56	-1%

Price Performance



Source: FactSet

China Renaissance vs Consensus (% Diff)

	2024E	2025E
Rev (US\$mn)	99,601 (-1%)	116,607 (+0%)
EPS (US\$)	2.26 (+25%)	3.18 (+11%)

Note: Consensus estimates displayed, sourced from Factset. Positive % diff = CR estimate above consensus; negative = CR estimate below consensus.

3Q24 review: GPM improved; auto sales growth guided at 20%-30% in 2025

- **Blended GPM rose to 19.8% (+1.8ppts YoY/+1.9ppts QoQ) and cost per vehicle dipped 4.6% QoQ to US\$35,106.**
- **CEO Musk expects new vehicle sales to increase by 20-30% in 2025 and targets annual production of Cybercab at 2mn units.**
- **Reiterate BUY and trim SOTP-based TP to US\$270.00.**

GPM jumped in 3Q24 while cost per vehicle declined to a record low. Tesla reported a 7.8% YoY increase in 3Q24 revenue to US\$25.18bn (-1.2% QoQ) and blended GPM improved substantially to 19.8% (+1.8ppt YoY/+1.9ppt QoQ). Auto sales GPM (excl. carbon credit sales) rose 2.5ppts QoQ to 16.4%, mainly as a result of a lower cost per vehicle (3Q24: US\$35,106, down 4.6% QoQ), while energy storage GPM was up 5.9ppts QoQ to 30.5%. In 3Q24, R&D/SG&A expenses stood at US\$1.04bn/US\$1.19bn, with the ratios slightly down 0.1ppt/0.3ppt QoQ. Operating profit grew 54.0% YoY or 69.3% QoQ to US\$2.72bn on expanded GPM and lower expenses. GAAP/non-GAAP net attributable profit hit US\$2.17bn/US\$2.51bn, up 16.9%/8.1% YoY. Tesla recorded operating cash flow of US\$6.26bn and free cash flow of US\$2.74bn in 3Q24. Overall, we ascribe the company's better earnings performance in 3Q24 to substantially improved auto sales and energy storage GPM, as well as a much lower restructuring expense than in 2Q24.

Auto sales to rise 20-30% in 2025; annual production of Cybercab planned at 2mn units. CEO Elon Musk and management noted on the 3Q24 earnings call that Tesla expects to begin manufacturing new models, including lower-priced economy models (at below US\$30,000 per unit), from 1H25, and anticipates full-year 2025 new vehicle sales to increase by 20-30% YoY. Management expects the newly launched Cybercab to enter mass production in 2026 and plans annual production at 2mn units. Musk also shared updates on FSD, Tesla's autonomous driving software, and noted Cybertruck would be installed with FSD and the Actually Smart Summon (ASS) feature. Additionally, FSD v13 is expected to release soon, with the human intervention mileage extended by 5x-6x, per management. For energy storage, Musk noted the Lathrop, California plant is developing rapidly, while the Shanghai plant is expected to start shipments in 1Q25, bringing Tesla's capacity of stationary energy storage products to 100GWh per year.

Reiterate BUY and trim TP to US\$270.00. Following 3Q24 results and updates on the earnings call, we keep our 2024E-26E new vehicle sales forecasts unchanged, and cut revenue estimates while raising GPM forecasts. Accordingly, we adjust our 2024E/ 25E/ 26E non-GAAP net attributable profit estimates to US\$9.05bn/ US\$12.21bn/ US\$15.56bn. **Valuation:** We make no change to our valuation for Tesla's business segments in our SOTP, although we slightly trim our TP to US\$270.00 (from US\$280.86) following our estimate changes. **Risks include:** weaker-than-expected EV sales, globally intensifying competition, slower energy storage/robotics business development.

Summary Financial Data

FY to Dec 31	2022A	2023A	2024E	2025E	2026E
Revenue (US\$mn)	81,462	96,773	98,873	117,177	140,120
EBIT (US\$mn)	13,062	8,891	8,546	12,377	16,376
Net Income (US\$mn)	13,522	10,882	9,053	12,214	15,558
EPS (US\$)	3.90	3.12	2.82	3.54	4.51
P/E (x)	67.5	69.6	75.8	60.3	47.4

Note: Historical valuation ratios calculated on yearly average price. Net Income and EPS are non-GAAP based.

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Financial analysis

Exhibit 1: Tesla – Quarterly and semi-annual results

(US\$mn)	1Q23A	2Q23A	1H23A	3Q23A	1Q24A	2Q24A	1H24A	3Q24A
Revenue	23,329	24,927	48,256	23,350	21,301	25,500	46,801	25,182
YoY %	24.4%	47.2%	35.2%	8.8%	-8.7%	2.3%	-3.0%	7.8%
QoQ %	-4.1%	6.8%		-6.3%	-15.4%	19.7%		-1.2%
Gross Profit	4,511	4,533	9,044	4,178	3,696	4,578	8,274	4,997
YoY %	-17.4%	7.1%	-6.7%	-22.4%	-18.1%	1.0%	-8.5%	19.6%
QoQ %	-21.9%	0.5%		-7.8%	-16.7%	23.9%		9.2%
Gross Profit Margin %	19.3%	18.2%	18.7%	17.9%	17.4%	18.0%	17.7%	19.8%
R&D Expenses	771	943	1,714	1,161	1,151	1,074	2,225	1,039
YoY %	-10.9%	41.4%	11.9%	58.4%	27.7%	7.2%	29.8%	-10.5%
QoQ %	-4.8%	22.3%		23.1%	7.3%	-7.1%		-3.2%
SG&A Expenses	1,076	1,191	2,267	1,253	1,374	1,277	2,651	1,186
YoY %	8.5%	23.9%	16.1%	30.4%	49.3%	13.9%	16.9%	-5.3%
QoQ %	4.3%	10.7%		5.2%	5.2%	-6.7%		-7.1%
Net Attributable Profit	2,513	2,703	5,216	1,853	1,129	1,478	2,607	2,167
YoY %	-24.3%	19.7%	-6.5%	-43.7%	-55.1%	-45.3%	-50.0%	16.9%
QoQ %	-31.8%	7.6%		-34.1%	-85.8%	30.9%		46.6%

Source: Company data

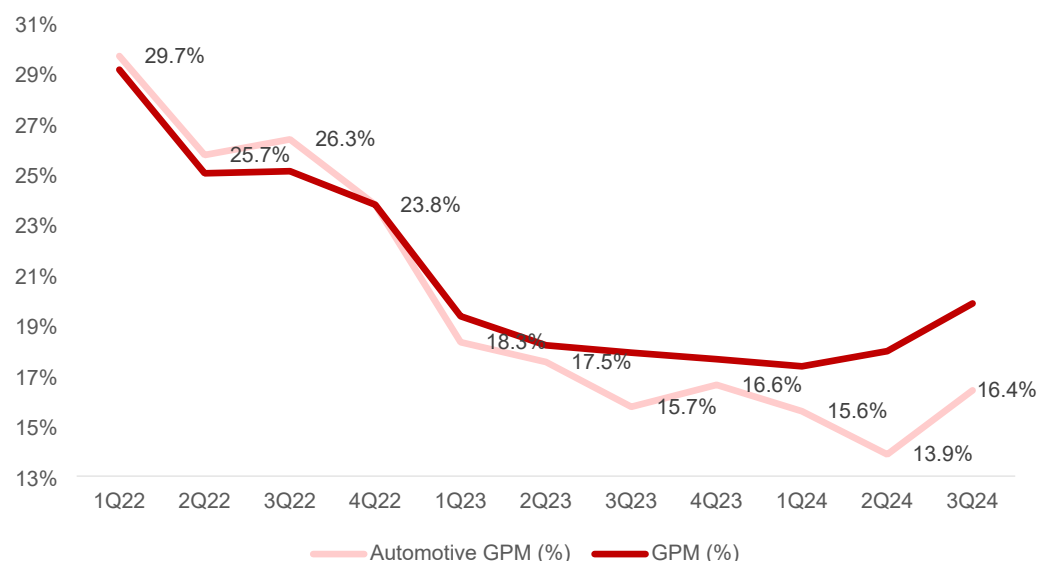
Following Tesla's 3Q24 results and the earnings call updates, we keep our 2024E-26E new vehicle sales forecasts unchanged. Considering the company's recently intensified promotional efforts, including offering favourable auto loans, we cut our 2024E-26E revenue estimates by 3-4%. Meanwhile, we raise our 2024E-26E GPM by 0.9-1.6 pts to reflect ongoing reductions in cost per vehicle and better GPM for the energy storage segment. On lower revenue forecasts and largely unchanged expense ratios, we cut our expense forecasts accordingly. Overall, we adjust Tesla's 2024E/ 25E/ 26E non-GAAP net attributable profit estimates by +7.9%/ +4.0%/ -1.1% to US\$9.05bn/ US\$12.21bn/ US\$15.56bn.

Exhibit 2: Tesla – Key estimate revisions

(US\$mn)	New			Old			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenue	98,873	117,177	140,120	102,019	122,141	146,017	-3.1%	-4.1%	-4.0%
Gross Profit	18,836	23,743	29,968	17,779	23,116	29,854	5.9%	2.7%	0.4%
Gross Profit Margin (%)	19.1%	20.3%	21.4%	17.4%	18.9%	20.4%	1.6%	1.3%	0.9%
R&D Expenses	4,449	5,273	6,305	4,591	5,496	6,571	-3.1%	-4.1%	-4.0%
SG&A Expenses	5,141	6,093	7,286	5,305	6,351	7,593	-3.1%	-4.1%	-4.0%
Net Attributable Profit	7,222	11,025	14,444	6,561	10,523	14,577	10.1%	4.8%	-0.9%
EPS (US\$; diluted)	2.07	3.16	4.14	1.88	3.02	4.19	9.8%	4.5%	-1.2%
Non-GAAP Net Attributable Profit	9,053	12,214	15,558	8,392	11,711	15,691	7.9%	4.3%	-0.8%
Non-GAAP EPS (US\$, diluted)	2.82	3.54	4.51	2.63	3.41	4.56	7.0%	4.0%	-1.1%
EV Delivery (units)	1,788,656	2,211,000	2,633,500	1,788,656	2,211,000	2,633,500	0.0%	0.0%	0.0%

Source: CR Securities estimates

Exhibit 3: Tesla – Quarterly GPM trend



Source: Company data

Valuation

We continue to value Tesla using SOTP. We maintain our valuation for Tesla's automotive business at 90x 2024E P/E, which is below its average valuation of 120x forward P/E over 2021-24 YTD, considering the company's rapid upgrades of the autonomous Full Self-Driving (FSD) features and the new vehicle models expected to launch next year. For the energy generation and storage business, we maintain our valuation at 10x 2024E P/S given its sustained high growth. For Services and Other revenue, we apply a 5x P/S. Following our estimate revisions, we lower our target price to US\$270.00, down from US\$280.86, and reiterate our BUY rating.

Exhibit 4: Tesla – SOTP valuation

	2024E (US\$mn)
Automotive revenue	78,757.3
Net profit margin (%)	10.0%
Automotive net profit	7,875.7
P/E (x)	90
Automotive valuation	708,816
Energy generation and storage revenue	9,613.4
P/S (x)	10
Energy generation and storage valuation	96,134
Services and other revenue	10,501.8
x P/S (x)	5
Services and other valuation	52,509
Total valuation (US\$ mn)	857,459
÷ Shares outstanding (mn)	3176
Target price (US\$/share)	270.00
Current price	213.65
Potential upside	26.4%

Note: Price as of Oct 23, 2024. Source: Wind, CR Securities estimates

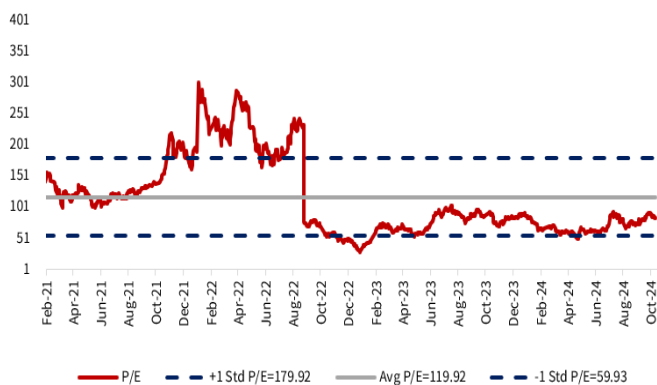
Exhibit 5: Tesla – Peer valuation comparison

Ticker	Company	Price (local)	Market cap (US\$m)	2024E	P/E (x) 2025E	2026E	PEG 2024E	2024E	P/S (x) 2025E	2026E
Automotive										
Chinese automakers										
601633 CH	GWM	28.25	28,781	19.5	16.2	14.0	0.79	0.9	0.8	0.7
601238 CH	GAC	8.34	9,724	23.3	20.8	18.8	1.71	0.5	0.5	0.4
002594 CH	BYD	308.88	119,288	23.9	18.7	15.3	0.67	1.1	0.9	0.8
600104 CH	SAIC	13.45	21,836	11.7	11.2	10.2	2.71	0.2	0.2	0.2
000625 CH	Changan Auto	13.79	16,820	17.0	13.2	11.2	0.46	0.7	0.6	0.5
1958 HK	BAIC Motor	2.08	2,151	4.6	3.00	N/A	0.20	0.1	0.1	N/A
175 HK	Geely	14.54	18,892	11.0	8.1	6.7	-0.70	0.6	0.5	0.4
Li US	Li Auto	27.07	29,321	19.5	16.2	14.0	0.79	0.9	0.8	0.7
European automakers										
VOW GR	Volkswagen	95.60	30,417	4.1	3.4	2.9	0.25	0.1	0.1	0.1
BMW GR	BMW	75.56	52,035	5.6	5.4	5.0	5.50	0.4	0.4	0.3
P911 GR	Porsche	67.10	32,954	5.9	5.3	5.4	0.53	0.7	0.7	0.7
RNO FP	Renault	40.27	12,840	4.3	3.9	3.7	0.46	0.3	0.2	0.2
STALP FP	Stellantis	13.31	43,384	3.3	3.3	3.1	2.86	0.3	0.3	0.3
US automakers										
F US	Ford	11.06	43,966	6.9	7.2	6.3	-1.46	0.3	0.3	0.3
Japanese automakers										
7267 JP	Honda Motor	1,546.00	53,545	8.5	8.3	9.7	4.18	0.4	0.4	0.4
7201 JP	Toyota	403.50	9,830	4.8	4.6	4.5	1.29	0.2	0.1	0.1
7270 JP	Subaru	2,664.50	12,812	7.2	6.9	6.9	1.77	0.5	0.5	0.5
7261 JP	Mazda	1,059.50	4,391	4.7	3.8	3.7	0.19	0.2	0.2	0.2
7269 JP	Suzuki	1,516.00	19,536	12.3	11.1	10.4	1.13	0.6	0.6	0.6
7211 JP	Mitsubishi Motors	415.50	4,062	4.4	4.4	3.9	-3.29	0.2	0.2	0.2
South Korean automakers										
005380 KS	Hyundai Motor	241,000.00	36,500	4.9	4.8	4.7	2.47	0.3	0.3	0.3
000270 KS	Kia Motors	93,000.00	26,894	5.3	5.0	3.7	0.84	0.5	0.5	0.4
Average				13.6	5.7	5.0	0.75	0.6	0.5	0.5
Energy storage										
300750 CH	CATL	249.30	153,928	21.9	17.9	15.8	1.68	3.0	2.7	2.5
300274 CH	Sungrow	98.40	28,612	18.1	15.6	13.5	0.98	2.3	1.9	1.6
300014 CH	EVE	47.33	13,579	21.4	14.8	13.3	2.85	3.2	1.3	1.1
Average				20.4	16.1	14	1.84	2.8	2.0	1.7
TSLA US	Tesla	213.65	682,535	93.5	59.8	45.5	1.06	6.8	5.7	4.7

Note: Prices as of Oct 23, 2024. Tesla, Li Auto, CATL and EVE are CR Securities estimates, while other A/H shares are Wind consensus and others are FactSet consensus.

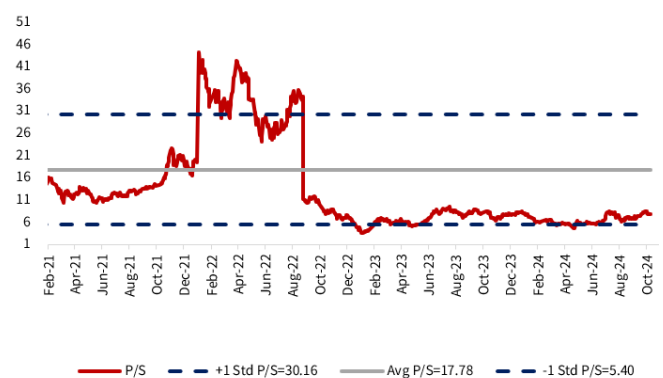
Source: Wind, FactSet, CR Securities estimates

Exhibit 6: Tesla – 3-year historical forward P/E



Source: Wind, CR Securities estimates

Exhibit 7: Tesla – 3-year historical forward P/S



Source: Wind, CR Securities estimates

Risks

- **Weaker-than-expected EV sales:** Considering slowing global NEV sales growth, including weaker demand in China following three years of rapid growth, Tesla's vehicle sales could be adversely impacted if the global demand for EVs comes in below our expectation.
- **Intensified global competition:** With the emergence of Chinese NEV brands, competition in the global EV market is becoming increasingly intense. While Tesla still has a leading position in terms of technology and manufacturing, its advantage over these strong new entrants is gradually narrowing. Thus, fiercer competition globally could weigh on Tesla's vehicle sales.
- **Slower-than-expected development of energy storage and robotics business:** In addition to the automotive business, Tesla is developing its energy storage and humanoid robot business. In particular, its humanoid robot products are still in the experimental stage and there is low visibility on the commercialization trajectory. Slower-than-expected development in either business could impact market sentiment and weigh on Tesla's share price.

Financials

Year to Dec 31

Income Statement

(US\$mn)	2023A	2024E	2025E	2026E
Automotive	82,419	78,757	94,044	113,518
Energy generation and storage	6,035	9,613	11,055	12,714
Services and other	8,319	10,502	12,077	13,889
Sales	96,773	98,873	117,177	140,120
Cost of Goods Sold	(79,113)	(80,036)	(93,434)	(110,152)
Gross Profit	17,660	18,836	23,743	29,968
SG&A (incl. R&D)	(8,769)	(9,591)	(11,366)	(13,592)
thereof R&D	(3,969)	(4,449)	(5,273)	(6,305)
EBIT	8,891	8,546	12,377	16,376
EBITDA	13,558	13,679	18,024	22,588
Net interest income	1,066	1,279	1,343	1,410
Net interest expense	(156)	(324)	(340)	(357)
Pretax profit	9,973	9,301	13,880	17,980
Income Tax	5,001	(2,139)	(2,915)	(3,596)
Reported net income	14,997	7,222	11,025	14,444
Adjusted EBITDA	16,631	16,650	21,160	25,776
Adjusted net income	10,882	9,053	12,214	15,558
EPS (reported) (US\$)	4.73	2.27	3.52	4.61
EPS (diluted, adjusted) (US\$)	3.12	2.82	3.54	4.51

Balance Sheet

(US\$mn)	2023A	2024E	2025E	2026E
Current assets	49,616	57,021	67,700	80,707
Cash & equivalents	29,094	34,913	40,150	46,172
Account receivables	3,508	3,521	4,494	5,758
Inventories	13,626	14,253	17,919	22,634
Other current assets	3,388	4,334	5,137	6,142
Non-current assets	57,002	66,476	75,813	84,975
PPE	29,725	37,680	45,085	52,134
Intangible assets	0	0	0	0
Goodwill	431	431	431	431
Other non-current assets	19,929	21,695	23,627	25,740
Total assets	106,618	123,498	143,513	165,682
Total Current Liabilities	28,748	31,725	36,554	40,456
ST interest bearing debt	0	0	0	0
Unearned revenue	2,864	2,864	2,864	2,864
Accounts Payable	14,431	15,349	17,407	19,918
LT interest bearing debt	0	0	0	0
Other Liabilities	14,261	15,771	16,891	18,115
Total Liabilities	43,009	47,495	53,445	58,571
Common Stock/Ordinary Capital	3	3	3	3
Share Premium	42,406	49,791	58,682	71,078
Retained Earnings	20,952	26,190	31,428	36,142
Shareholders Equity	62,634	75,199	89,265	106,308
Minority Interest	975	803	803	803
Total Liabilities & Sh. Equity	106,618	123,498	143,513	165,682

Note: Historical valuation ratios calculated on yearly average price.

Source: Company data, CR Securities estimates

Cash Flow

(US\$mn)	2023A	2024E	2025E	2026E
Reported net income	14,997	7,222	11,025	14,444
Depreciation & amortization	4,667	5,134	5,647	6,212
Net interest (income) / expenses	0	0	0	0
Other non-cash items (+/-)	2,722	2,858	3,001	3,151
Others (+/-)	498	700	500	500
Change in Working Capital	(4,080)	(800)	(6,000)	(7,000)
Cash Flow from operations	15,137	15,714	14,173	17,307
Capex	(13,418)	(11,123)	(12,235)	(13,459)
Acquisitions & Investments	(30,318)	(24,962)	(27,459)	(28,833)
Disposal of Fixed Assets & Invest	19,984	23,568	24,736	25,963
Other Investing Activities	(128)	0	0	0
Net Cash Flow from Investments	(23,880)	(12,518)	(14,958)	(16,329)
Dividends paid	0	0	0	0
Change in Debt	3,784	2,850	3,300	3,300
Equity raised / (purchased)	0	0	0	0
Other Financial Activities	740	700	650	600
Net Cash Flow from Financing	4,524	3,550	3,950	3,900
Net Cash Flow	(4,407)	6,726	3,135	4,848
Free Cash Flow	1,719	4,591	1,938	3,848

Key Assumptions

	2023A	2024E	2025E	2026E
Automotive sales (000' units)	1,808.6	1,788.7	2,211.0	2,633.5

Financial Ratios

	2023A	2024E	2025E	2026E
YoY (%)				
Revenue	18.8	2.2	18.5	19.6
Gross Profit	(12.8)	6.7	26.0	26.2
EBITDA	(19.3)	0.9	31.8	25.3
Adjusted EBITDA	(10.5)	0.1	27.1	21.8
Net Profit	25.4	(51.8)	52.7	31.0
Adjusted Net Profit	(19.5)	(16.8)	34.9	27.4
EPS	23.7	(51.9)	54.9	31.0
Adjusted EPS	(19.9)	(9.8)	25.7	27.3
Profitability (%)				
Gross Margin	18.2	19.1	20.3	21.4
EBITDA Margin	14.0	13.8	15.4	16.1
Adjusted EBITDA Margin	17.2	16.8	18.1	18.4
EBIT Margin	9.2	8.6	10.6	11.7
Net Margin	15.5	7.3	9.4	10.3
Adjusted Net Margin	11.2	9.2	10.4	11.1
ROE	23.9	9.6	12.4	13.6
ROA	14.1	5.8	7.7	8.7
Liquidity (x)				
Current ratio	1.7	1.8	1.9	2.0
Quick ratio	1.3	1.3	1.4	1.4
Valuation Ratios (x)				
P/E	69.6	75.8	60.3	47.4
P/B	10.9	8.9	7.5	6.3
P/S	7.0	6.9	5.8	4.8

Appendix A

Analyst Certification

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Buy	145	75%	4	3%
Hold	45	23%	0	0%
Sell	4	2%	0	0%

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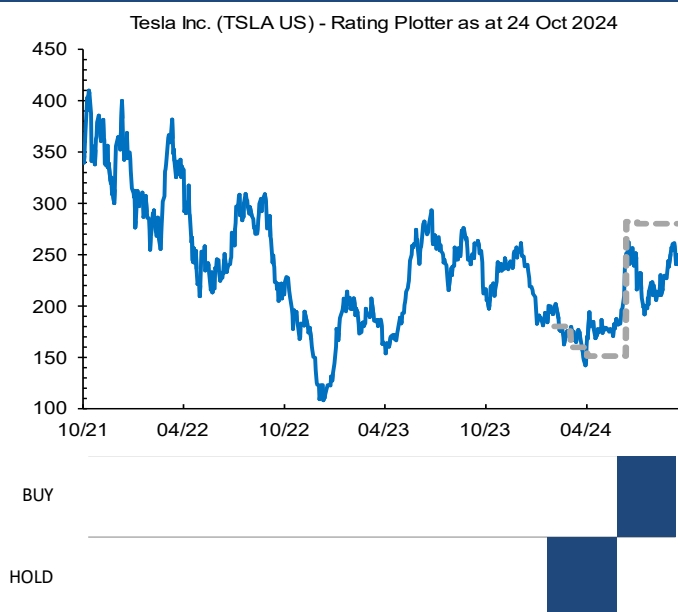
Underweight – Expect sector to underperform the relevant market.

Stocks Mentioned (Stock Code / Date / Price / Rating)

Tesla Inc. (TSLA US, Oct 23, 2024, US\$213.65, BUY)

History of investment rating and target price – Tesla Inc.

Date	CP (US\$)	TP (US\$)	Rating
15-Oct-24	219.57	280.86	Buy
25-Jul-24	220.25	280.16	Buy
05-Jul-24	251.52	282.13	Buy
25-Apr-24	170.18	151.31	Hold
27-Mar-24	179.83	159.84	Hold
26-Feb-24	199.40	180.16	Hold



Valuation and Risks - Tesla Inc. (TSLA US)

Valuation: We use SOTP methodology to value Tesla: we assign 90x 2024E P/E for auto business; 10x 2024E P/S target for Energy Storage; 5x 2024E P/S target for Service and other businesses, and derive our TP of US\$270.00.

Risks: Risks include: 1) weaker EV sales; 2) intensified global competition; 3) slower development of energy storage and robotics businesses.

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