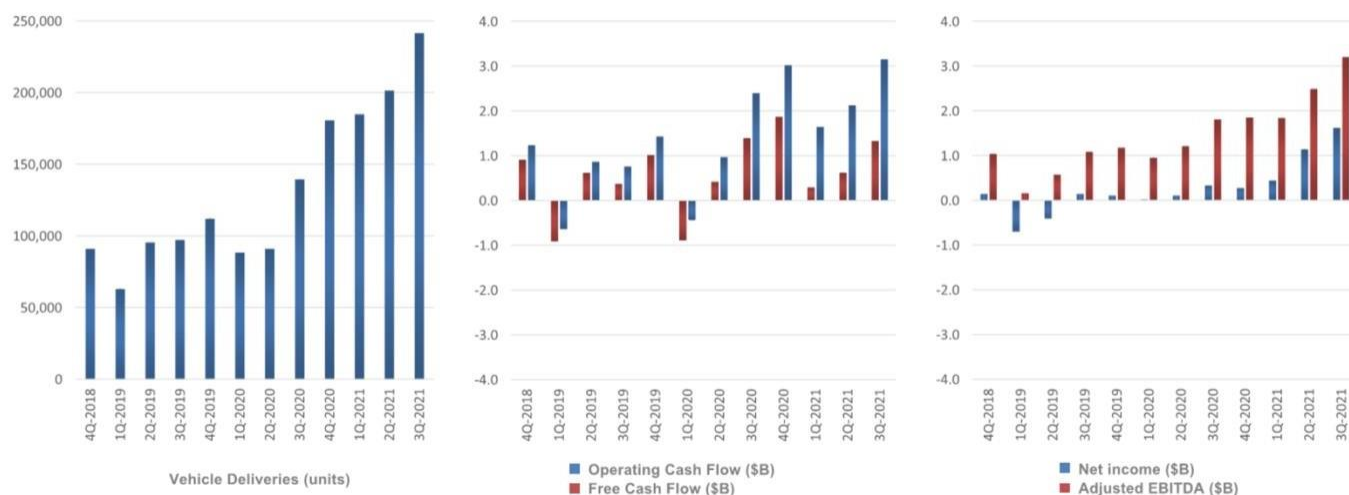


## Earnings Results

- Reporting for Q3 2021 | Published on October 20, 2021
- Key Financial Metrics and KPIs
  - Revenue of \$13.76B (+56.9% Y/Y) **beats by \$60M**
  - Non-GAAP EPS of \$1.86 **beats by \$0.25**; GAAP EPS of \$1.44 **beats by \$0.28**
  - Automotive gross margin of 30.5% vs. +28.4% estimate
  - Capex of \$1.82B vs. \$1.37B
  - FCF of \$1.33B vs. \$1.38B
  - Total revenue grew 57% YoY in Q3
    - This was primarily achieved through growth in vehicle deliveries, as well as growth in other parts of the business
    - At the same time, vehicle ASP declined by 6% YoY as the Model S and Model X mix reduced YoY in Q3 due to product updates and as lower ASP vehicles became a larger percentage of their mix
  - Shares **+0.7%**

KEY METRICS QUARTERLY  
(Unaudited)



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## Press Release Highlights

- **Tesla experienced record vehicle production and deliveries in Q3:** Operationally, they also started the roll out of FSD City Streets Beta to a broader population in October
- **Achieved best net income, operating profit, and gross profit during this quarter:** Operating margin reached 14.6% and exceeded mid-term guidance
- **The Fremont factory produced more cars in the past year than any other year:** Tesla continues to build the Gigafactory in Shanghai and build new factories in Texas and Berlin
  - Making progress on the deployment of Cybertruck, which is currently planned for Austin production along with Model Y
- **Tesla faced challenges such as semiconductor shortages, congestion at ports, and blackouts:** In the face of such events, the supply chain team has been diligent with addressing needs and delivering success
- **Tesla aims to grow manufacturing rapidly:** The company hopes to achieve a 50% average annual growth in vehicle deliveries; dependent on equipment capacity, efficiency, and their supply chain

## Earnings Call Notes

- **Deliveries:** “Overall, we delivered just over 240,000 cars, 20% higher than last quarter, and 70% higher than the same quarter last year. We were also able to achieve an annualized production run rate of over 1 million cars towards the end of the quarter”
- **Goal is to achieve 50% annual growth for the next 10 years (insane!)**
- **Q&A Notes**
  - \$25,000 model in 2023 is TBD given supply chain shortages and focusing on other models
  - Currently focused on Model Y expansion and in Berlin, ramping S&X in Fremont, and growing 3 and Y in Fremont and Shanghai
  - After model Y in Austin, next product launch focus is Cybertruck
  - Can you reach 20 million annual volumes in 2030? Best selling cars in the world today sell slightly over 1 million units. Answer: Tesla wants to create cars in the small, mid-size, large sedan, SUV, truck space + also for robotaxis
  - Austin and Berlin have significant amount of land so there can be more expansion
  - For model Y, Tesla is trying to get to 5K cars per week as quickly as possibly and then try to get to 10K per week
  - Cybertruck will also be added in Austin
  - Goal is to get to millions of cars per year over next few years and ultimately get to 20 million per year by 2031
  - There are some extended wait times at supercharging places because there has been a quicker transition back to normal after the pandemic than expected
  - Insurance was entered accidentally; customers were complaining the price of insurance was too high. Because Tesla is a computer on wheels, Tesla can better model whether or not if a driver driving a Tesla is a safe driver which allows the company to offer better, more accurate pricing
  - FSD could result in higher pricing as take rates increase and technology improves
  - Cobalt, Nickel, Lithium have all been up 40% and there are long term contracts that mitigate but there have been affects on the costs and this is a significant headwind in terms of margins

## Valuation

- **No great peers to compare with:** Tesla is a hardware + software company, and given the company's valuation, its best peers are the largest companies in the world, which are all tech.
- **Strong revenue growth and surprisingly high margins for a car company:** The comparison amongst the companies is not great given the completely different business models. For a company that focuses primarily on cars, Tesla's EBITDA margins are actually impressive.
- **Extremely expensive valuation:** This should come as no surprise. EBITDA multiples are incredibly high.

Ticker	Company Name	Market Cap	Enterprise Value	Current Price	Revenue Growth		EBITDA Margin		EV / EBITDA		
					'21-'22	'22-'23	'21	'22	'21	'22	'23
TSLA	Tesla	880,509	973,307	894.37	37%	20%	21%	21%	91.4x	64.6x	51.9x
AAPL	Apple	2,466,554	2,567,118	149.45	4%	5%	32%	31%	21.4x	21.2x	20.5x
MSFT	Microsoft	2,326,473	2,300,648	310.53	16%	12%	49%	50%	26.9x	22.6x	19.7x
GOOG	Alphabet	1,903,881	1,818,812	2855.00	17%	15%	40%	39%	18.1x	15.8x	13.8x
AMZN	Amazon	1,740,785	1,795,791	3430.65	18%	17%	15%	16%	25.0x	20.0x	16.0x
FB	Facebook	961,711	924,129	341.89	20%	17%	55%	52%	14.0x	12.4x	10.8x
TCEHY	Tencent	619,355	654,033	65.02	19%	18%	36%	34%	20.6x	18.1x	15.2x
BABA	Alibaba	480,265	457,928	177.16	22%	18%	22%	21%	15.2x	13.0x	10.7x
Mean					16%	15%	34%	34%	23.3x	19.9x	16.9x
Median					18%	16%	34%	33%	21.0x	19.0x	15.6x

## Commentary

- **Very expensive valuation indicates a lot of optimism built into the stock:** Everyone loves Tesla and Elon (except for short sellers). Based on trading comps alone, I would never touch the stock, though I do think there's a pathway for Tesla to keep growing its valuation.
- **Supply chain issues are a HUGE problem:** Tesla actually can't keep up with demand right now because of global supply chain issues. The company could actually be selling more cores if this wasn't an issues, so obviously the company is firing on all cylinders.
- **Path to significant valuation growth will depend on entry into new product categories:** Tesla can grow if it introduces new products that investors are not currently baking into the stock price (i.e. Apple before it introduced the iPhone). This will likely happen given Elon and Tesla's track record, but even that optimism is already baked into the stock.
- **Not a buy based on multiples, but with a significant correction, definitely one to look out for:** Tesla is one of those stocks I would love to own at the right price. I believe in the company but just think the stock is too ahead of itself.