



# **GLOBAL RECOMMENDATION**



**TESLA**

**TSLA:NASDAQ**



**November 2024**

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## GLOBAL RECOMMENDATION

### **Tesla Inc TSLA:NASDAQ**

Tesla is a pioneering force in the sustainable energy and transportation sectors, spearheading the global transition away from fossil fuels. The company designs, develops, manufactures, and sells high-performance electric vehicles, solar panels, energy storage systems, and related products.

Tesla's product lineup includes a range of electric vehicles, from the mass-market Model 3 sedan and Model Y SUV to the premium Model S sedan and Model X SUV.

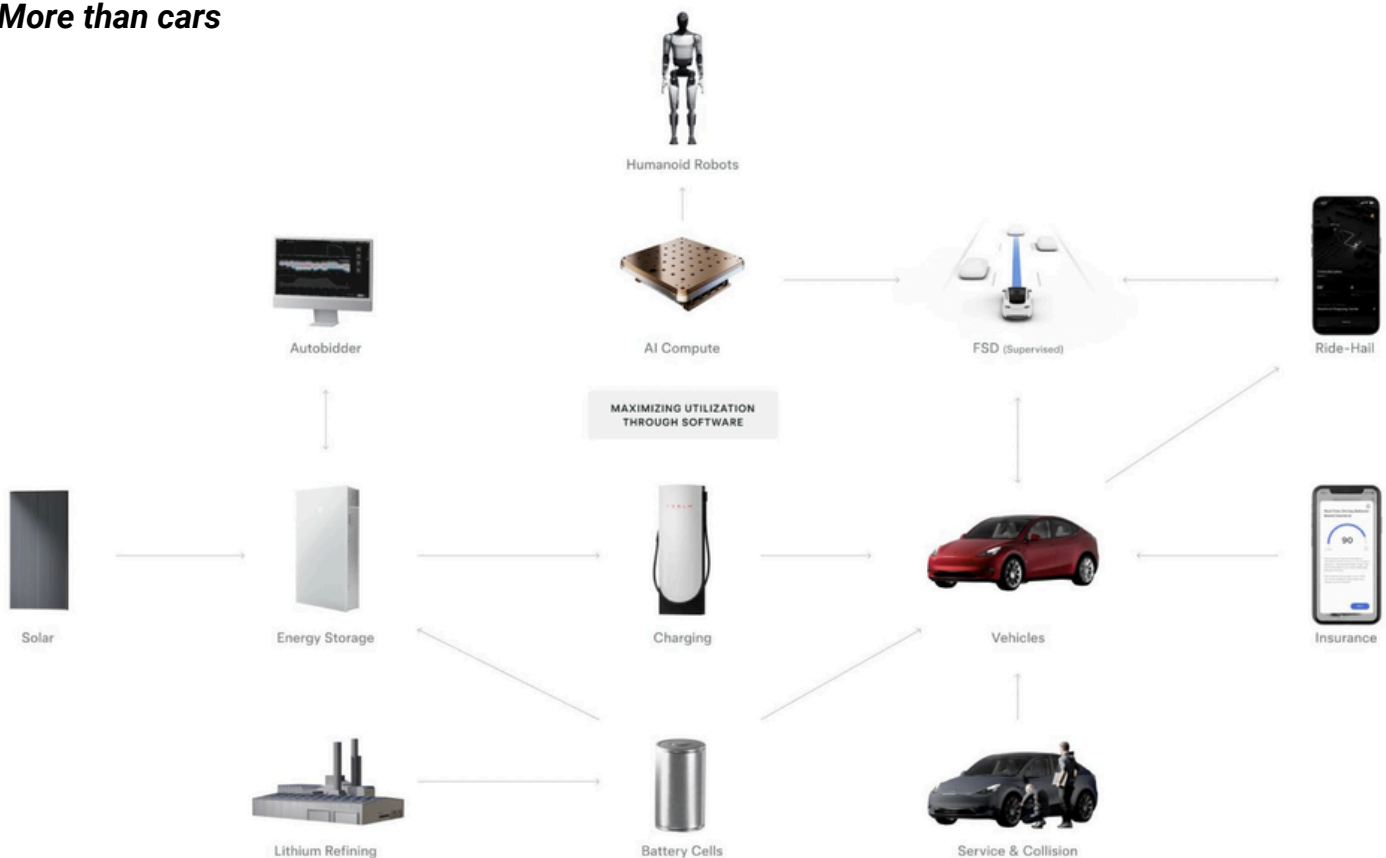
The company has also ventured into the commercial vehicle market with its Semi truck and is set to disrupt the pickup truck segment with the highly anticipated Cybertruck.

Beyond automotive, Tesla's energy generation and storage division offers solar roof tiles, solar panels, and Powerwall home battery systems.

The company's vertically integrated approach encompasses everything from battery cell production to autonomous driving software development.

With a mission to accelerate the world's transition to sustainable energy, Tesla has become synonymous with innovation in the automotive industry and has played a crucial role in popularizing electric vehicles worldwide.

### **More than cars**



## INVESTMENT CONSIDERATIONS

### Leadership

Tesla's leadership is spearheaded by co-founder and CEO Elon Musk, a visionary entrepreneur known for his ambitious goals and disruptive innovations.

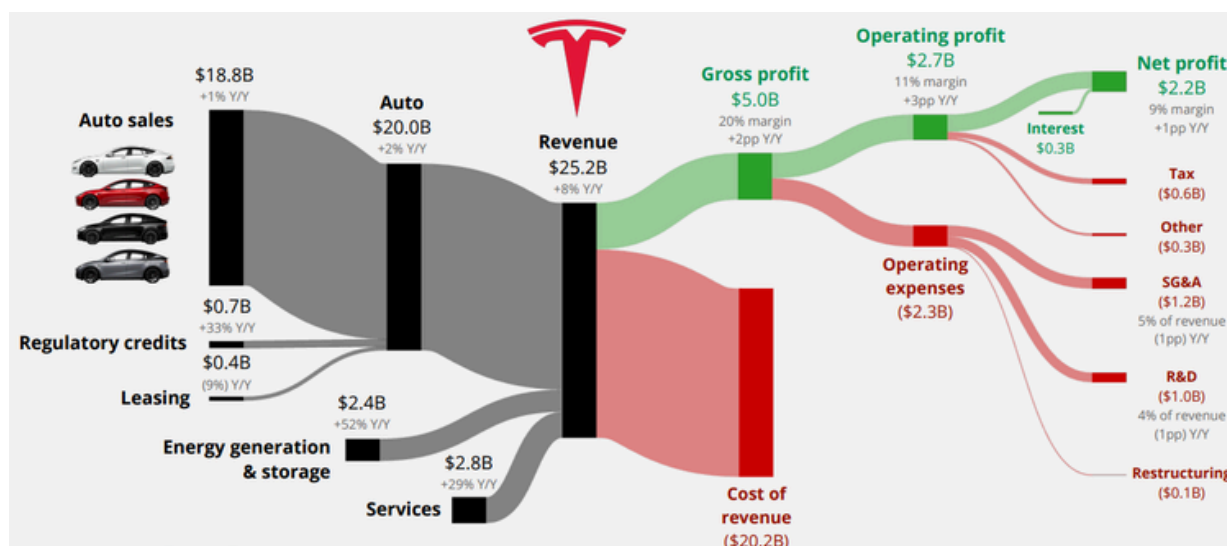
Musk's leadership has been instrumental in driving Tesla's growth and establishing its brand as synonymous with innovation in the automotive and energy sectors. His hands-on approach and ability to rally employees around ambitious targets have been key factors in Tesla's success.

The management team also includes experienced executives like CFO Zachary Kirkhorn and SVP of Powertrain and Energy Engineering Drew Baglino, who bring valuable expertise to support Tesla's expansion.

Despite occasional controversies surrounding Musk's public statements, his leadership has been crucial in transforming Tesla from a niche automaker into a global leader in sustainable technology.

### Valuation & financial performance

Tesla's valuation metrics reflect its position as a high-growth company in rapidly expanding markets. As of the latest data, Tesla's P/E ratio stands at 95.63, with a forward P/E of 93.89. The company's P/S ratio is 9.47, while its EV/EBITDA is 68.42. These multiples are significantly higher than traditional automotive companies, reflecting investor expectations for continued rapid growth and market dominance.



Tesla's financial performance has been impressive, with Q3 2024 results showing strong year-over-year growth. Revenue increased by 8% to \$25.2 billion, operating margin expanded to 10.8%, demonstrating improving operational efficiency. Free cash flow grew by 223% to \$2.7 billion, bolstering the company's strong balance sheet with cash and investments increasing to \$33.6 billion. Tesla's return on capital has been robust, with a return on equity (ROE) of 13.23% and a return on assets (ROA) of 8.38%. These figures highlight the company's ability to efficiently deploy capital and generate profits, outperforming many of its peers in the automotive industry.

## INVESTMENT CONSIDERATIONS

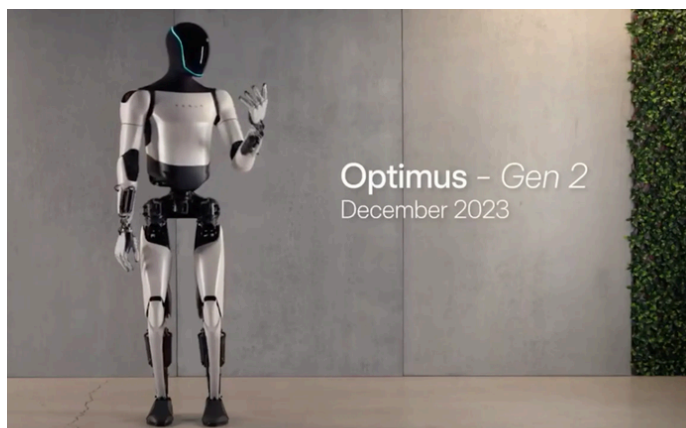
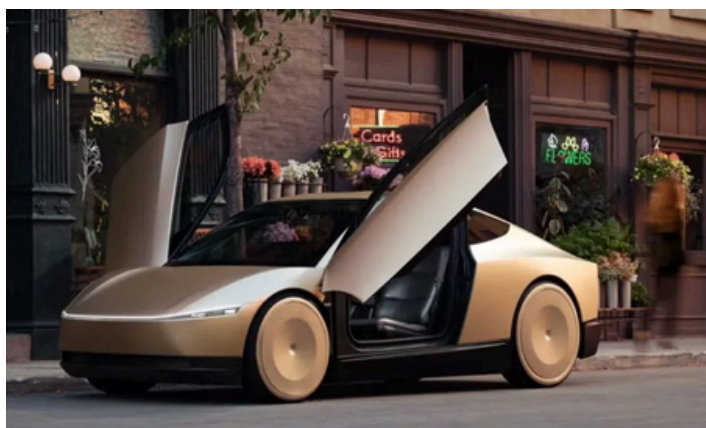
### **Growth prospects & strategic initiatives**

*Tesla's growth prospects remain robust, supported by several key strategic initiatives:*

**Production capacity** - The company continues to expand its production capacity, with ongoing ramp-ups at its Gigafactories in Texas and Berlin. These facilities are crucial for meeting the growing global demand for electric vehicles and energy products.

**Lower price point** - Tesla plans to launch more affordable vehicle models in the first half of 2025, which could significantly expand its addressable market. The highly anticipated Cybertruck has already become the third best-selling EV in the U.S., showcasing strong demand for Tesla's innovative products.

**Full Self-Driving (FSD)** - The company continues to advance its Full Self-Driving (FSD) technology, with over two billion miles driven cumulatively on FSD (Supervised) as of Q3 2024. This progress in autonomous driving technology could open up new revenue streams and enhance Tesla's competitive advantage.



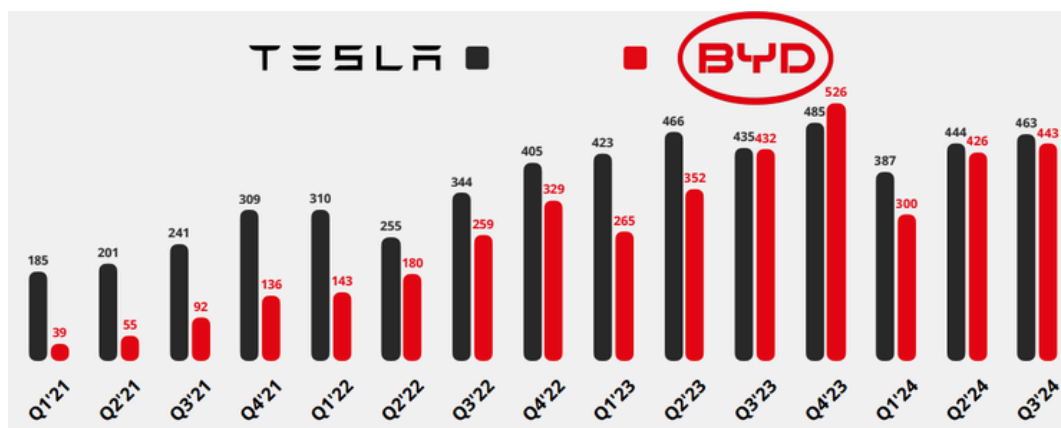
**AI & robotics** - Tesla is making significant investments in AI compute infrastructure and robotics, positioning itself as a leader in real-world AI applications. These initiatives in AI and robotics could lead to new product categories and revenue opportunities in the future, further driving Tesla's growth.

**Energy sector** - In the energy sector, Tesla's generation and storage segment achieved record gross margins of 30.5% in Q3 2024, with plans to double deployments year-over-year in 2024. This growth in the energy business diversifies Tesla's revenue streams and strengthens its position in the broader sustainable energy market.

## RISKS

**While Tesla presents significant growth potential, investors should be aware of several key risks:**

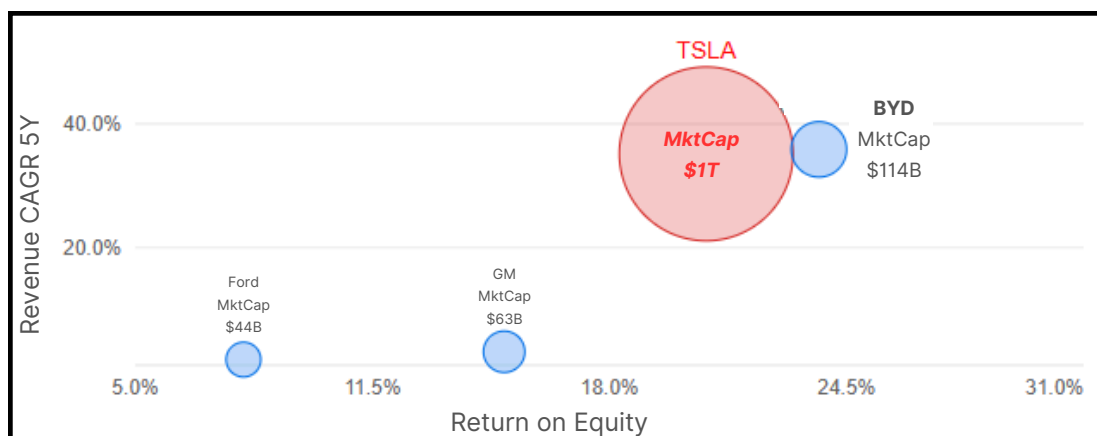
**Competition** - The electric vehicle market is becoming increasingly competitive, with traditional automakers and new entrants ramping up their electric offerings. This intensifying competition could pressure Tesla's market share and margins in the future.



**Production scale** - Production challenges remain a concern, as Tesla may face difficulties in scaling production of new models and improving manufacturing efficiencies, particularly with the complex Cybertruck and future affordable models. Regulatory and legal risks are also significant, with ongoing scrutiny of Tesla's autonomous driving technology and other business practices.

**Cyclical risk** - Macroeconomic factors, including interest rates, consumer spending, and global supply chain disruptions, could affect demand for Tesla's products and its ability to maintain growth rates.

**High Valuation** - Tesla's high valuation multiples leave little room for execution missteps, as any perceived slowdown in growth or market share losses could lead to significant stock price volatility.



## WHY HOLD THE COMPANY?

*Investors should consider owning Tesla shares to gain exposure to the rapidly growing electric vehicle and renewable energy markets.*

**Global leader** - As the global leader in these sectors, Tesla is well-positioned to benefit from the ongoing transition to sustainable energy solutions.

**Expanding product line** - The company's expanding product portfolio, improving operational efficiency, and potential for significant growth in both automotive and energy businesses make it a compelling addition to growth-oriented portfolios.

**Strong Brand** - Tesla's strong brand, technological leadership, and vertical integration provide it with competitive advantages that could lead to sustained market dominance.

**Market disrupting Innovation** - The company's focus on innovation, including advancements in battery technology, autonomous driving, and AI, positions it at the forefront of several transformative industries.

**Financial performance** - Tesla's financial performance has demonstrated its ability to scale profitably, with improving margins and strong cash flow generation. The company's robust balance sheet provides it with the flexibility to invest in growth initiatives and weather potential economic downturns. While Tesla's valuation may appear high by traditional metrics, its potential for continued rapid growth and expansion into new markets could justify these multiples over the long term.

**Future of energy & transport** - For investors seeking exposure to the future of transportation and energy, Tesla represents a unique opportunity to invest in a company that is not only disrupting existing industries but also creating entirely new ones.

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