

THE
GRANNY
R E P O R T

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#1 Edition, February 2023

INTELITÉGEN

GEEKY ABOUT **VALUE** | **BOLD ABOUT NETWORKING**

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**TESLA INC.
(TSLA)**

**STOCK VALUATION REPORT
AS AT 31 DECEMBER 2022**

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Managing Founder,
Intelitegen



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Inteligen Limited

13 February 2023

1. THE LAZY SUMMARY

IF NOTHING ELSE, READ THIS ONLY

LISTED COMPANY VALUATION

TSLA

As at 31st December 2022

VALUATION SUMMARY

Indicative Value	86.74 \$/share
<i>Broad Level DCF</i>	116.38
<i>EV/EBITDA</i>	84.38
<i>PE</i>	56.58
<i>Segment/Geographic DCF</i>	89.62

Current Market Price: **\$ 190.21**

Our Best Conviction: **\$ 116.38**

We think Tesla is a company with compelling products in outstanding financial shape and a promising future. However, considering production & delivery capacities, short-medium term demand, and a reasonable growth path, the shares are over-valued at the current market price.

GRANNY SAYS:

“The company is great, but overvalued at the current market price!”

1. OVERVIEW

There is scarcely any doubt over Tesla's ("TSLA") dominance in the Electric Vehicle (EV) space. Sure, the competition is getting wilder – in design, performance, prices. But the canvas on which Tesla's fairly young story is painted, from a start-up to near bankruptcy to a \$ 12 billion-dollar net company in Q4 2022, is unique – "Accelerating the world's transition to sustainable energy." While some are pursuing the reimagination of the driving experience or driving thrills or mobility, their mission is not as strong. With Tesla, the focus is on the development of tech for wider utilities, and cars just happen to be one of them. The focus on battery improvement, for example, will likely lead to such outcomes beyond automotive but incredibly benefit the automotive on its way.

Now, Tesla is also in fantastic financial shape. 50% Compound Annual Growth rate (CAGR) over the past 6 years, EBITDA margin of 23.6%, Net Margin of 15.4%, a Debt-to-Equity ratio of just under 7%, and outstanding liquidity and solvency ratios. Operationally, the company has low receivable days and inventory days, and at close of 2022, was roughly at 54% of what their factories could collectively manufacture, excluding the prospective Cybertruck, Tesla Semi, and new Roadster – this is just in our opinion (you can download our excel model and countercheck it).

And we'll state this: At Tesla, human (robot) resources are highly competent, there's an inherent brand, and the technology is constantly improving. The operational risk of high dependency on the services of Elon Musk has slimmed significantly. Tesla will continue to progress, yes in huge part due to the momentum given by Elon, but not entirely dependent on the key-man.

This said, our task as business valuator is to gauge value. As Tesla stands right now, the shares are trading at X30 EV/EBITDA and X47.25 PE, compared to X12.75 and X14.07 for similar companies. This observed, we turned to estimating future cash flows given the latest narrative. If we pushed Tesla to its full present manufacturing capacity (California, Shanghai, Berlin, Texas, Nevada, including Models S, X, 3, Y, Cybertruck, Semi, and Roadster), on a reasonable growth path, we still get \$116.38/share. At the time of writing, the market is buying Tesla at \$190.21.

Now this price might be justified based on the belief that the expansion will continue, and demand will follow suit. After all, the Shanghai Gigafactory was built in 168 days. We might be in for further surprises. Biases are hard to shed.

2. FINANCIALS

	2016	2017	2018	2019	2020	2021	2022
FINANCIAL PERFORMANCE							
Sales (\$ Million)	7,000	11,759	21,461	24,578	31,536	53,823	81,462
Sales Growth		68.0%	82.5%	14.5%	28.3%	70.7%	51.4%
GDP Growth		2.2%	2.9%	2.3%	-2.8%	5.9%	7.3%
EBITDA (\$ Million)	734	365	2,308	3,072	5,958	11,746	19,217
EBITDA Growth		-50.3%	532.3%	33.1%	93.9%	97.1%	63.6%
Net Income (\$ Million)	(675)	(1,962)	(976)	(862)	721	5,519	12,556
Net Income Growth		-190.7%	50.3%	11.7%	183.6%	665.5%	127.5%
Gross Margin	22.8%	18.9%	18.8%	16.6%	21.0%	25.3%	25.6%
EBITDA Margin	10.5%	3.1%	10.8%	12.5%	18.9%	21.8%	23.6%
Profit Margin	-9.6%	-16.7%	-4.5%	-3.5%	2.3%	10.3%	15.4%
FINANCIAL POSITION (\$ Million)							
Assets	22,664	28,655	29,740	34,309	52,148	62,131	82,338
Liabilities	16,750	23,023	23,427	26,199	28,418	30,548	36,440
Equity	4,753	4,237	4,923	6,618	22,225	30,189	44,704
LIQUIDITY							
Current Ratio	1.1	0.9	0.8	1.1	1.9	1.4	1.5
Quick Ratio	0.7	0.6	0.5	0.8	1.6	1.1	1.1
Days Sales Outstanding	17	16	12	17	19	13	11
SOLVENCY							
Debt-to-Equity	1.5	2.4	2.4	2.0	0.5	0.2	0.1
Interest Coverage	3.7	0.8	3.5	4.5	8.0	31.7	100.6

2. FINANCIALS

FINANCIAL PERFORMANCE

Q4 and FY 2022 were record-breaking for revenue, operating income, and net income. 51.4% in YoY growth in revenue and net income more than doubled from \$ 5.5 billion to \$12.6 billion.

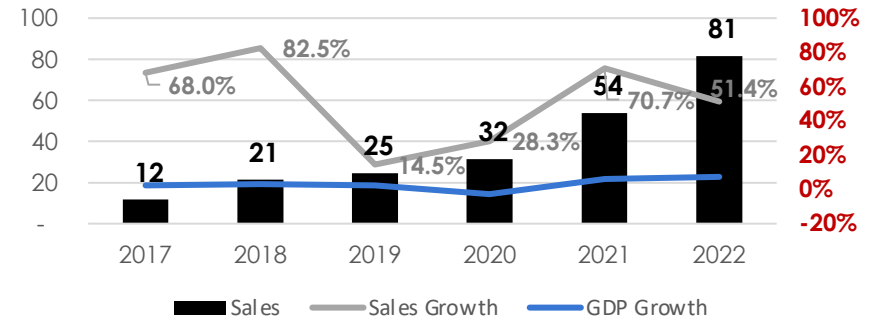
Revenue from automotive grew by 52% and Energy Generation and Storage by 40.2% YoY. The US is still the major contributor to total revenue, although China, and other markets have shown sizeable growth as well, 31.1% and 42.2% respectively.

Automotive regulatory credits represented roughly 2% of total revenue. Skeptics and short sellers (see Michael Burry) may not be disappointed (with the recent price movements) but for the wrong reasons.

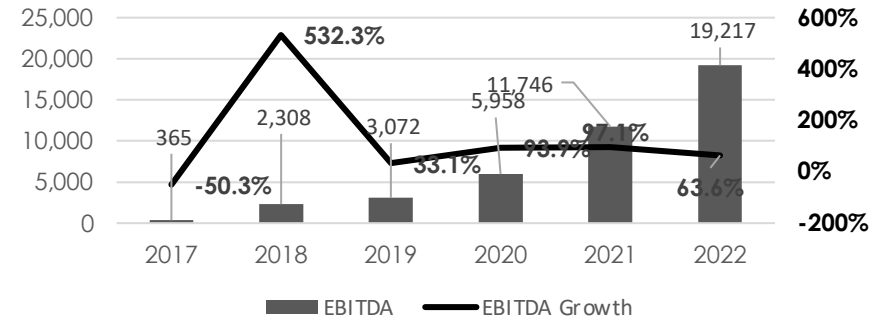
The rolling out of the Model 3 and Y has been visibly a successful strategy, especially in China. The affordability of Tesla vehicles has been a priority for the company. Although margins may be tighter, this market tier has significant potential.

We project a growth path of 40%, 35%, 30% over the next three years, as Shanghai and Berlin move to maximise on capacity.

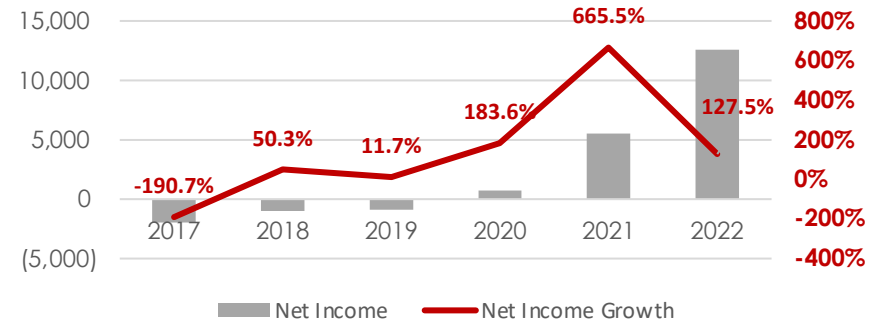
Sales (US\$ m)/Growth (%)



EBITDA (US\$ K)/Growth (%)



Net Income (US\$ K)/Growth (%)



2. FINANCIALS

FINANCIAL POSITION

At the close of FY 2022, the company sat on \$ 16.3 billion of cash and cash equivalent and \$ 5.9 billion of short-term investments. CAPEX 2022 was \$ 7.9 billion and our projected CAPEX 2023, 2024, and 2025 are \$ 5.5, 6.7 and 6.1 billion, respectively. The company has enough cash to continue expansion, and should there be requirements to raise further funds, the financial position is highly supportive of it.

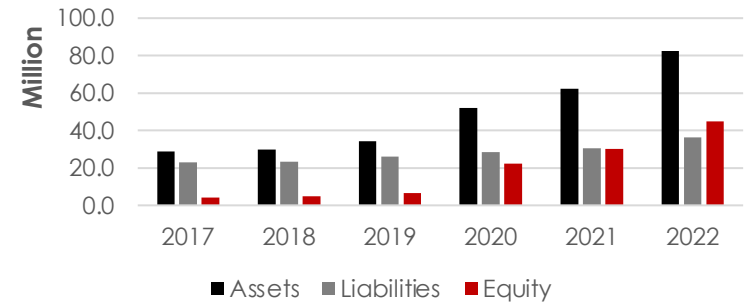
There are no visible intentions to distribute dividends. We think the company is in an ideal position to pursue value added projects. The ones announced are improvements in FSD, improvements in 4680 batteries, production of Cybertruck and Tesla Semi, and the launch of the Roadster and Robotaxi.

We are positive on 4680 batteries, Cybertruck, Tesla Semi, and Roadster, but less on FSD and Robotaxi. Regulations, applicability, and necessity will be enormous hurdles to the success of the latter two.

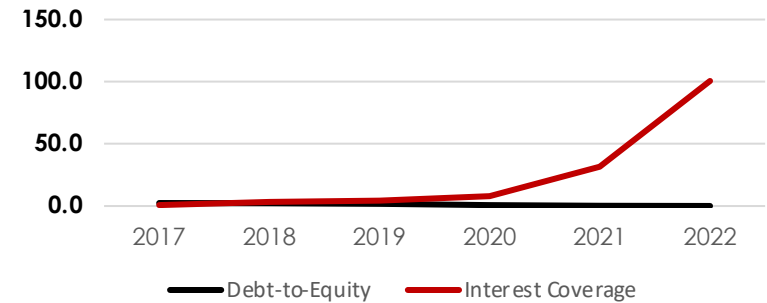
GRANNY SAYS:

“There’s not enough capacity right now to justify current valuation. I cannot see the relevance of FSD and Robotaxi. These are not actually solving hindrances or problems. They are an ‘unnecessity’, not even a luxury.”

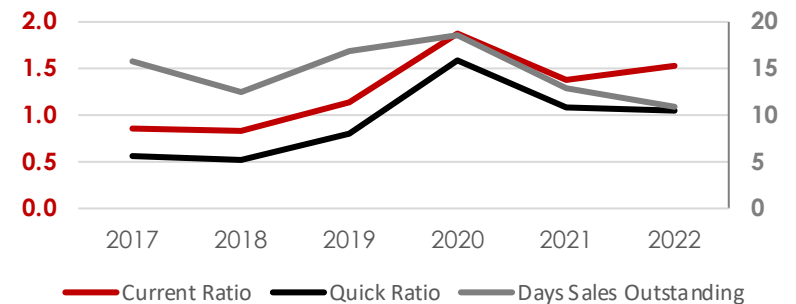
Balance Sheet (US\$ m)



Solvency Ratios



Liquidity Ratios



3. VALUATION

GEOGRAPHIC & SEGMENT DCF

TOTAL COMPANY	
AUTOMOTIVE - CHINA	19.98
AUTOMOTIVE - OTHER	8.38
AUTOMOTIVE - US	53.02
SOLAR	8.24
EQUITY VALUE/SHARE	89.62 \$

3. VALUATION

EV/EBITDA MULTIPLE

EV/EBITDA Multiple	X12.75
EBITDA	19,217.0
Enterprise Value	245,017
Less: Debt	(3,099)
Plus: Cash & Investments	22,185

EQUITY VALUE **264,103**

Number of shares outstanding **3,130**

EQUITY VALUE/SHARE (\$) **84.38**

PE MULTIPLE

PE Multiple	X14.07
Net Earnings	12,587.0

IMPLIED EQUITY VALUE **177,099**

Number of shares outstanding **3,130**

EQUITY VALUE/SHARE (\$) **56.58**

CONCLUSION:

Current Price: **\$ 190.21**

Our Best Conviction: **\$ 116.38**

There could be premium uncaptured by our analysis or investors generally are over-hyped about the latest publication Q4, 2022, which was after all very positively record-breaking.

This said, we remain grounded by the limitations on production and delivery capacities and future demand. We will not go as far as shorting the stock, but we will remain alert to future developments. For sure, there is little upside to be captured at these levels. But if you own the stock, then it's not an entirely bad place to be.

GRANNY SAYS:

“Numbers and narratives are both great tools for fiction.”

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