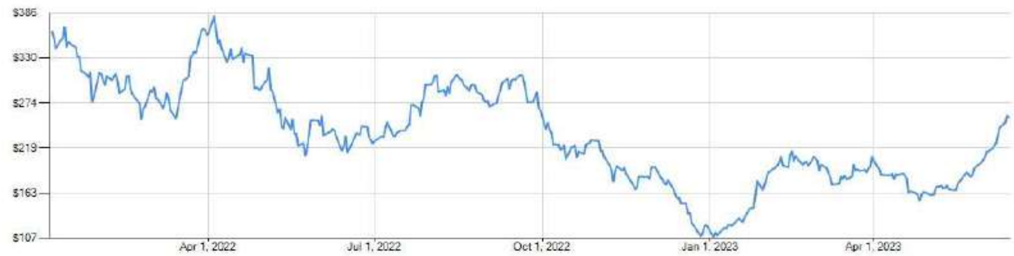
ARGUS® RESEARCH

TESLA INC
(NAS:TSLA)

Report Date: June 14, 2023



Over the past year, TSLA shares are up 20.5%, versus a gain of 19.2% for the broader market. The 52 week trading range is $101.81 to $314.67. The Argus A6 target price is $270 representing a 5.1% gain from the current level.

Founded in 2003 and based in Palo Alto, California, Tesla is a vertically integrated sustainable energy company that also aims to transition the world to electric mobility by making electric vehicles.

Growth Analysis

	GAAP Data					Growth Rates		
	2018	2019	2020	2021	2022	1-Year	3-Year	5-Year
Revenue (B)	21.5	24.6	31.5	53.8	81.5	51%	231%	593%
Gross Margin	19%	17%	21%	25%	26%	1%	55%	35%
Operating Income	-252.8M	80.0M	2.0B	6.5B	13.8B	113%	NM	NM
Interest Expense (M)	663.1	685.0	748.0	371.0	191.0	-49%	-72%	-59%
Pre Tax Income	-1.0B	-665.0M	1.2B	6.3B	13.7B	116%	NM	NM
Net Income	-976.1M	-862.0M	690.0M	5.5B	12.6B	128%	NM	NM
EPS	-.38	-.33	.21	1.63	3.62	122%	NM	NM
Dividend/Share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Shares Outstanding (B)	2.6	2.7	3.2	3.4	3.5	3%	31%	40%
Market Cap (B)	851.3	1110.7	2292.7	3579.3	428.1	-88%	-61%	NM
Book Value (B)	4.57	6.08	21.71	28.47	44.11	55%	625%	NM

Financial Condition

	GAAP Data					Growth Rates		
	2018	2019	2020	2021	2022	1-Year	3-Year	5-Year
Cash / Short Term Inv. (B)	3.7	6.3	19.4	17.7	22.2	25%	254%	559%
Current Assets (B)	8.3	12.1	26.7	27.1	40.9	51%	238%	523%
Current Liabilities (B)	10.0	10.7	14.2	19.7	26.7	36%	150%	248%
Working Capital (B)	-1.7	1.4	12.5	7.4	14.2	92%	889%	NM
Short-Term Debt (B)	2.2	1.4	1.8	1.1	1.0	-7%	-27%	13%
Long Term Debt (B)	8.4	10.4	8.5	4.3	1.0	-76%	-90%	-89%
Total Debt (B)	13.8	14.7	13.3	8.9	5.7	-35%	-61%	-53%
Shareholders Equity (B)	4.9	6.6	22.2	30.2	44.7	48%	575%	NM

Ratio Analysis

						Trend		
	2018	2019	2020	2021	2022	1-Year	3-Year	5-Year
Operating Margin	-1%	0%	6%	12%	17%	Higher	Higher	Higher
Net Margin	-5%	-4%	2%	10%	15%	Higher	Higher	Higher
ROE	-21%	-15%	5%	21%	34%	Higher	Higher	Higher
ROA	-3%	-3%	2%	10%	17%	Higher	Higher	Higher
Current Ratio	.8	1.1	1.9	1.4	1.5	Higher	Higher	Higher
Interest Coverage	-.5	.0	2.5	18.1	72.8	Higher	Higher	Higher
Dividend Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
L-T Debt/Equity	226%	191%	49%	23%	8%	Lower	Lower	Lower
Total Debt/Total Cap	69%	66%	33%	19%	8%	Lower	Lower	Lower

Valuation Analysis

						Trend		
	2018	2019	2020	2021	2022	1-Year	3-Year	5-Year
Price - Year End	332.80	418.33	705.67	1056.78	123.18	Lower	Lower	Lower
52-Week High	5361.30	430.94	11193.75	1229.91	2783.88	Higher	Higher	Lower
52-Week Low	250.56	178.97	330.21	558.70	109.10	Lower	Lower	Lower
P/E High	Nil	Nil	52470.8	753.0	769.0	Higher	Nil	Nil
P/E Low	Nil	Nil	1547.9	342.1	30.1	Lower	Nil	Nil
P/S High	778.3	46.3	1213.0	89.5	Nil	Nil	Nil	Nil
P/S Low	36.4	19.2	35.8	40.7	Nil	Nil	Nil	Nil
P/B High	3078.6	193.8	2011.0	140.9	Nil	Nil	Nil	Nil
P/B Low	143.9	80.5	59.3	64.0	Nil	Nil	Nil	Nil
Yield High	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Yield Low	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Return	-93%	26%	69%	50%	-88%	Lower	Lower	Nil

Argus Rating:	HOLD
Rating Since: 04/12/23	
Current Price:	$256.78
Target Price:	$270.00
Market Cap:	$813.9 billion
Dividend:	Nil
Yield:	Nil
Beta:	1.53
Sector:	Consumer Discretionary
Industry:	Automobiles and Parts

Argus A6 Sub-component Scores

H High M Medium L Low

H Industry
Earnings revisions, analyst conviction, performance and historical industry weighting.

L Management
Consistency of growth & financial strength.

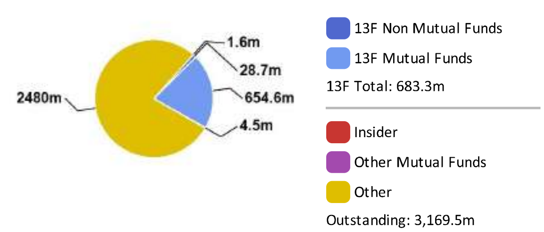
M Safety
Liquidity, dividend yield, market cap, debt leverage and stock price beta.

M Financial Strength
Balance sheet debt and liquidity ratios.

L Growth
Normalized earnings estimates and sales trends.

M Value
Price/earnings, price/sales ratios, trend lines, and DCF valuation.

Vicker's Institutional & Insider Holdings



Peer Comparison Table: Consumer Discretionary

Ticker	Company	Price($)	Market Cap (Millions $)	5-yr EPS Growth Rate	Current FY P/E	Net Margin	1-yr EPS Growth Rate	Argus Rating
TSLA	TESLA INC	256.78	813,865.31	Nil	74.64	14%	122%	HOLD
F	FORD MOTOR CO	14.37	57,490.67	Nil	6.78	2%	Nil	HOLD
GM	GENERAL MOTORS CO	37.71	52,421.56	Nil	5.17	6%	-9%	HOLD
APTV	APTIV PLC	102.73	27,787.77	-61%	32.73	3%	1%	BUY
GPC	GENUINE PARTS CO	159.75	22,447.23	99%	18.63	5%	33%	HOLD
Peer Average			194,802.5	8%	28	6%	30%	

Our rating on the Financial Services sector is Over-Weight. The Fed's extended rate hike campaign is expanding banks' net interest margins. We also look for recovery in fee-based businesses, bond issuance, and M&A as the rate cycle winds down. At the same time, with inflation running hot, companies may cut back on hiring and investments, and thus on business loans.

The sector accounts for 13.1% of the S&P 500, down from 16.3% following the exclusion of REIT stocks. Over the past five years, the weighting has ranged from 10% to 15%. We think the sector should account for 13%-14% of diversified portfolios. The sector is underperforming the market thus far in 2023, with a decline of 3.2%, after a decline of 12.4% in 2022. It outperformed the market in 2021, with a gain of 32.5%, and underperformed in 2020, with a loss of 4.1%.

The projected P/E ratio on 2023 earnings is 14, below the market multiple. As for earnings expectations, analysts expect earnings to rise 19% in 2023 after falling 43% in 2022. Earnings rose 81% in 2021 and fell 25% in 2020. Yields are slightly above the market average. Dividends and share repurchases also remain subject to regulatory approval for large banks deemed too-big-to-fail.

Key Sector Trends

Banking

- Rising interest rates have had a positive impact on net interest margins for the past year. Combined with loan growth, this has improved results in lending operations. The Fed, which had kept interest rates near zero since the earliest days of the pandemic, has been aggressively raising rates in order to tame inflation; however, recent data suggests that rates will go higher than most analysts anticipated amid continued economic strength. We look for improvement in net interest margins through at least mid-2024 as higher rates work their way onto bank balance sheets.
- The capital markets businesses of large banks remain under pressure, with no clear rebound in sight. Reduced market valuations and diminished liquidity have caused initial public offerings to be postponed. Higher transaction financing costs, greater economic uncertainty, and geopolitical tensions have also trimmed merger and acquisition activity. Bank trading operations remain a bright spot, as volatility across equity, fixed-income, and commodity markets has led to elevated trading volumes.
- Credit quality, which often tracks the employment picture (i.e., higher unemployment translates to a diminished ability to repay loans), remains a concern in 2023, as banks become much more cautious about the economy and add to loan loss reserves. Delinquencies for credit cards and auto lending have begun to move higher, and bear watching as they are often the first signs of credit stress.
- The banking industry remains in a strong capital position, as evidenced by a clean bill of health from the Federal Reserve during the most recent CCAR (stress test) cycle, which also included healthy increases in capital returns.

Insurance

- As interest rates rise, life insurance companies should see improved investment income, offset by lower equity and alternative asset valuations.
- Institutional asset management revenues continue to grow, offset by retail ouflows.
- Property-Casualty (P&C) insurers continue to struggle in managing their combined ratios, with many seeing ratios well over 100%. Combined ratios are expected to remain high in 1H23.
- With inflation elevated, P&C companies have faced pressure from higher home and auto repair costs. Supply-chain bottlenecks and parts shortages are delaying repairs, and labor and litigation costs have also risen substantially.

Argus A6 Quantitative Universe

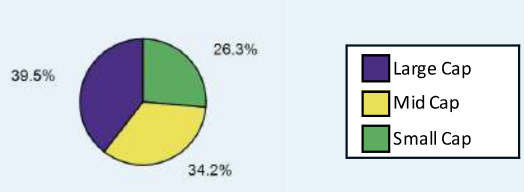
Our A6 Quantitative Universe includes more than 1,500 companies that are diversified across all asset classes and industry sectors. Ratings for these companies are derived through a proprietary algorithm we have designed and tested so that the ratings are based on our fundamental Six-Point System. Our A6 Quantitative Ratings include sub-ratings for each of the six factors.

The A6 algorithm is designed to capture and analyze financial trends for each company under coverage. Companies are measured against their historical record, peer group, and the broad market. For each covered company, the A6 algorithm generates a subrating for growth, financial strength, industry outlook, management, risk/safety and valuation. These scores are totaled and provide an overall rating for each company. The A6 algorithm rates stocks on growth based on normalized earnings estimates and sales trends, among other factors. Our financial strength ranking is based primarily on balance sheet debt and liquidity ratios. For risk, we factor in liquidity, dividend yield, market cap, debt leverage and stock price beta. Our valuation subrating includes factors such as price/earnings and price/sales ratios, trend lines, and discounted cash flow valuations. Ratings are reviewed weekly.

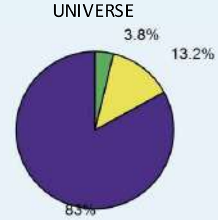
RATING DISTRIBUTION SECTOR

MARKET CAP DISTRIBUTION

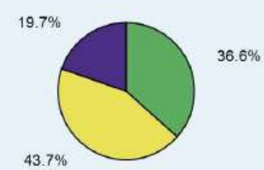
ALL STOCKS



ARGUS FUNDAMENTAL UNIVERSE



ARGUS A6 (QUANT) UNIVERSE



CURRENT RATING DISTRIBUTION

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