



### Company Overview:

Tesla designs, manufactures, and sells electric vehicles, including its high-end Model S and X and mass-market-oriented Model 3, as well as the Model Y and CyberTruck. Tesla also generates revenue from selling zero-emission vehicle credits to OEMs, installing, operating, and selling solar energy systems, and manufacturing and selling energy storage systems to customers. Tesla was founded in 2003, became publicly listed in June 2010, and is headquartered in Palo Alto, California.

<u>Name</u>	<u>Ticker</u>	<u>Growth</u>	<u>Dividend</u>	<u>D + G</u>
Tesla Inc	TSLA	15.00%	0.00%	15.00%

### Recent Highlights:

Investors are becoming more bullish on Tesla's Robotaxi segment, following President-elect Trump's plans to potentially develop a federal framework for self-driving vehicles in the United States, and an update to the company's full-self driving ("FSD") software. If a framework is established by the Transportation Department, then we see Tesla as a major beneficiary.

Moving forward, the market's focus will be on Robotaxi assumptions and FSD penetration, and the introduction of lower-cost vehicles to their models. We continue to see future revenues from Robotaxi and FSD as fundamental to TSLA's bull thesis over the long term.

### Bull Case:

- **Tesla Has a Lot of "Irons in the Fire"** - TSLA has numerous projects underway that could contribute to growth over time. We continue to believe that increased production capacity and new product introductions provide a steady cadence of upcoming catalysts.
  - **Future Vehicle Introduction** - Beyond the Model Y, TSLA's future vehicle production includes Tesla Semi, Roadstar, and the Cybertruck. Management has previously discussed a \$25k vehicle.
  - **Tesla Energy is a Call Option** - TSLA recently received approval to be an energy generator in the United Kingdom and reportedly developed an Auto bidder software product, which provides independent power producers and utilities the ability to autonomously monetize battery assets. We continue to believe Tesla Energy may be underappreciated as it continues to quietly execute its energy business. Despite being cell-starved, TSLA continues to grow its energy business. One recent example is a 360MWh project in Nevada. To put the size of this project in perspective, it can provide power for roughly 60k homes.
- **Increasing Production Capacity** - TSLA continues to ramp capacity at its five factories: Fremont, Shanghai, Austin, Berlin, and Nevada.
- **Increasing Recurring Revenue** - Ultimately, recurring revenue should become a larger part of the TSLA story, whether it is related to software/data (currently charges ~\$10/month for data in its vehicles) or technology to drive a Robotaxi service.

### Bear Case:

- **Biggest Near-Term Caution** - We are a bit surprised by the reduction in SG&A and wonder with the expansion of delivery volumes whether it's sustainable. In addition, we were surprised that gross margins did not reflect the costs of bringing the two new factories online - but to the extent depreciation is charged on a per unit basis that could be part of the explanation. Moreover, CFO Kirkhorn was appropriately cautious of the impact of commodities and supplier price increases - but at the same time noted that some of the pricing moves in the quarter will kick in for later deliveries, offsetting to some extent the price increase.
- **Dependence on Single Source Providers** - A number of the component parts used in TSLA's designs come from single-source manufacturers. The company has not identified/qualified alternative sources for many of these parts and does not as a typical practice enter into long-term supply agreements. As a result, a disruption of its supply chain could negatively impact Tesla's ability to deliver its product.
- **Key-Man Risk** - Elon Musk remains one of the most iconic CEOs in the world and the major driver of Tesla's success.
- **Valuation** - As many do, we have trepidation that TSLA stock may already be priced for perfection (or at least priced for hyperbolic growth), such that near-term earnings beats may be insufficient to get bulls incrementally positive on the stock.

### Overall Thesis:

We believe that investors are bullish on Tesla for the following reasons:

1. The push for EVs is growing globally. In our opinion, Tesla is EV's poster child. We believe there is strong demand for Tesla products even in the face of more EV competition.
2. TSLA's lead, profits, cash generation, and currency are a major advantage that helps it to fund growth and potential acquisitions, vertical integration, or secure supply. This advantage could allow TSLA to remain ahead of competitors.
3. Long-term optionality from energy generation and storage, software, and AI.



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