

# MCINTIRE INVESTMENT INSTITUTE

AT THE UNIVERSITY OF VIRGINIA



**(NASDAQ: TSLA)**

Prepared by James and Robert Lanigan | 13 November 2012

# AGENDA

- Company Overview
- Financials
- Thesis Points
- Misperceptions
- Risks
- Looking Forward
- Recommendation



## COMPANY OVERVIEW

- Designs, manufactures, and sells fully electric vehicles
- Sells powertrain components, such as lithium ion battery packs, electric motors, and gearboxes
- Founded in 2003, IPO in 2010
- Headquartered in Palo Alto, California
- 34 retail and service centers around the world

# ROADSTER





# MODEL S



# MODEL X



# STOCK CHART & FINANCIALS



- Share price: 31.07
- 52 week range: 22.64 - 39.95
- Market cap: 3.54B
- P/E: N/A
- EPS: (3.69)
- Beta: 0.4
- EV/Sales: 26.24
- 2011 revenue: 204.24M
- 2012 Q3 revenue: 50M
- 2012 Q3 EPS: (1.05)

# THESIS POINTS

- Unique business model
- Innovative selling strategy
- Changing the nature of the auto industry



## UNIQUE BUSINESS MODEL

- Marketed expensive sports car to wealthy early adopters
- Didn't mass produce cheap cars like other auto manufacturers
- Moving towards more affordable electric vehicles
- Allows time to optimize EV technology



# INNOVATIVE SELLING STRATEGY

- Sells vehicles online
- Educational showrooms
- Manufacturer-owned dealerships
- No franchised dealerships





# CHANGING THE NATURE OF THE AUTO INDUSTRY

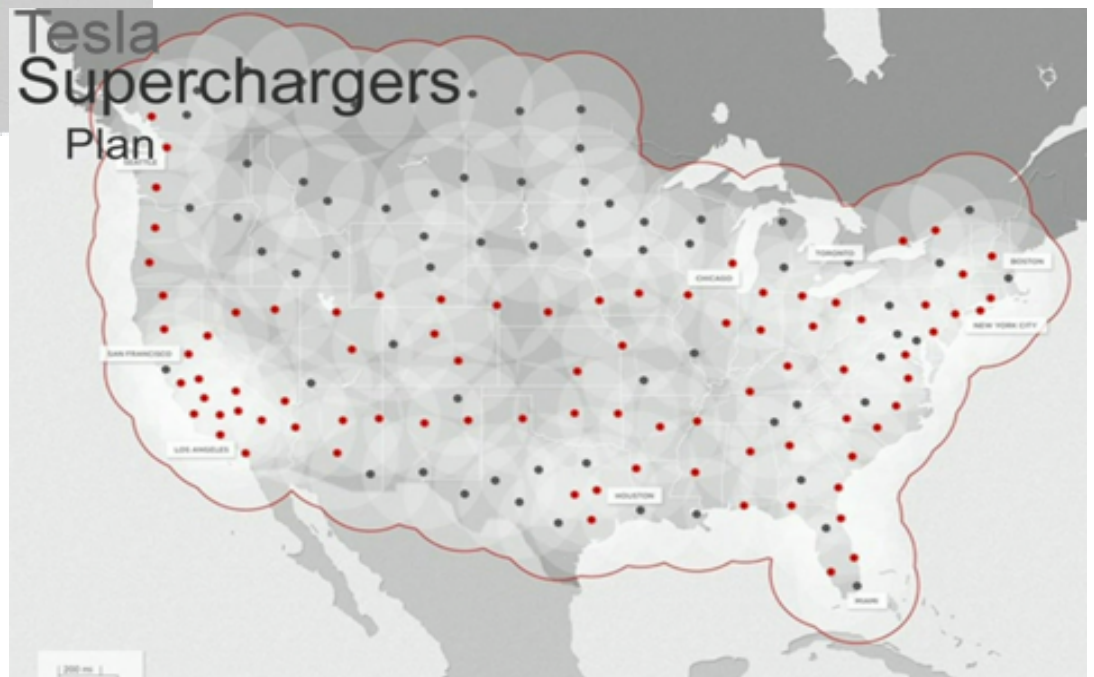
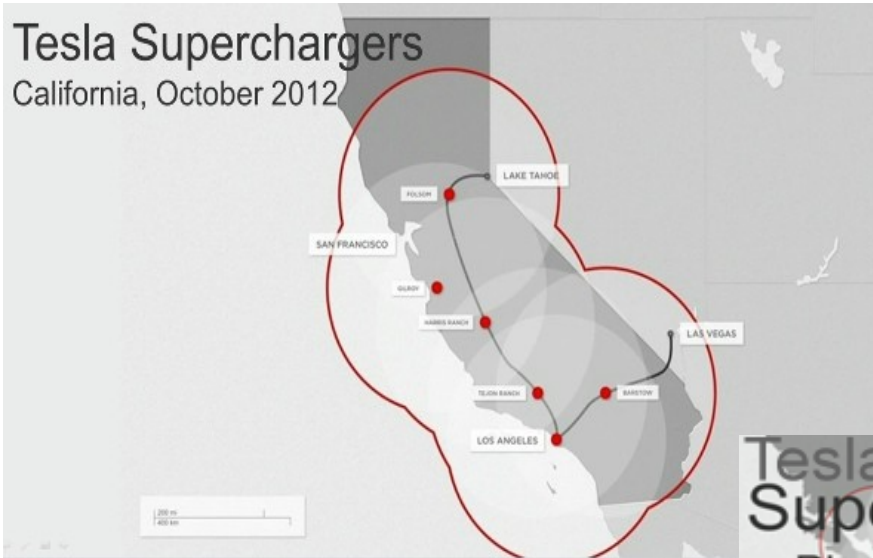
- Catalyst for the electric vehicle industry
- Largest EV manufacturer
- Sells proprietary electric powertrain components
- Little focus on EVs by traditional automakers
- Supercharger stations





# SUPERCHARGER STATION LOCATIONS

Tesla Superchargers  
California, October 2012



## BENEFITS FROM FOCUS ON SUSTAINABILITY

- Proposed legislation to double the average mileage by 2025
- Target mpg is 50.54; Tesla's Model S get an equivalent 89 mpg
- Tax credits for driving EVs
- Reduce dependence on oil and gasoline

TESLA

# VISIONARY LEADER

- Elon Musk
  - Paypal
  - SpaceX
  - Tesla
  - SolarCity
- Largest shareholder



# MISPERCEPTIONS

- Company won't be profitable
- Trouble paying off debt burden
- Long distance travel isn't feasible
- Small market for EVs
- Vehicles are too expensive
- Margins on vehicles are very low



# RISKS

- Supply chain and logistical issues delay production and rollout
- Factory stores are deemed illegal
- EV market doesn't grow as expected
- Competitors develop and sell EVs



## LOOKING FORWARD

- Positive FCF in Q4 and 2013
- 2500 deliveries in Q4
- 20,000 deliveries in 2013
- 25% GM by 2013
- 2012 Revenue 400-450 mil
- Strong reservation flow
- More supercharger stations
- Strong backing by the DOE
- High operating expenses



## RECOMMENDATION

- Very similar to Apple
  - Leadership
  - Innovation
  - Product attributes
  - Selling strategy
- MII's portfolio has no exposure to the auto industry
- Initiate a long position at 2.5%





# QUESTIONS?

