Ticker: TSLA  Recommendation: Buy/Hold
Current Price: $219.31  Target Price: $294.20

Trading Statistics
- 52 Week Price Range: $291.42 - $116.10
- Market Capitalization: $31.84 Billion
- Dividend Yield: N/A
- Short Interest: 20.95 million
- Insider Ownership: 23.43%
- Institutional Ownership: 56.90%

Leadership / Governance: 88
Innovation: 87
Environment: 90
Social Impact: 88
Work Place: 88
Economic Sustainability: 81
Overall: 86

Portfolio Allocation
Where does this fit in our portfolio?
- Large Cap
- Growth
- Domestic Equity
- Consumer Goods

Investment Thesis
- Highest ever quarterly deliveries at 7,785 vehicles, despite factory shutdown in July Q3 2014
- Highest ever peak deliveries in a single day of 907 vehicles
- Majority of Q3 deliveries in North America; 65% increase in NA Sept 14/Sept 13
- Dual Motor and Autopilot introductions further accelerate Model S demand
- Model S orders and deliveries alone expected to increase by 50% in 2015
- A vehicle under $40,000 is expected by 2017

Business Overview
Brief history of Tesla:
- Founded in 2003 in San Carlos, CA (Now in Palo Alto, CA)
- Tesla's long-term strategic goal was and is still to create affordable mass market electric vehicles. (~$20,000)

How does Tesla make their money?
- Tesla has derived all of their revenues thus far from continuing operations. (Sale of products, GHG Credits ~$90 Million)
- Segment Breakdown by Revenues
  - Auto Sales (99.67%) increased by 97%
  - Development Services (0.33%) increased by 143%
## Management and Employee Relations

**CEO Elon Musk:**
- Been with Tesla for 10 years
- Too many accomplishments to count.

What is the composition of the board of directors?
- Brad Buss
- Robyn Denholm
- Ira Ehrenpreis
- Antonio Gracias
- Steve Jurvetson
- Kimbal Musk

## Management Guidance

What has management said in the past and have they been able to deliver?

Yes, See attached articles.

## Recent News

Select pieces of important current news and state explicitly how they affect your company, its stock price, and/or the industry
- GigaFactory
- New Affordable Models

See attached Articles

## Macro Factors

- Economies of Scale are really Tesla’s biggest hurdle to get over in the U.S. market.
- So far in Q1 2000 of Tesla’s deliveries are scheduled to go to China (1/3 of Sales), but questions have arisen about whether Tesla can adapt its technologies to the Chinese standard.

## Competition

Who are their competitors?
- BMW
- Toyota
- Nissan
- Honda

## Sales Growth Rate:

- 2012: 102%
- 2013: 387%
- est. 2014: 150%
- est. 2015: 50%
- est. 2016: 100%

What factors have led you to this conclusion?
- The fact that at the beginning of 20

## Free Cash Flow:

- 2013: -1632
- 2014: -802
- 2015: -1480
- 2016: 281

## WAAC Calculation: 8.76%

Risk Free Rate: 1.9%
Beta: 1.38
Market Risk Premium:5.11%
Cost of Equity
After-Tax Cost of Debt: 2%
Debt to Assets Ratio: 2.49%

## Valuation:

- Enterprise Value:37,266m
- Add Cash: 849m
- Firm Value: 38,155m
- Subtract Debt:-2,981m
- Equity Value: 35,133m
- Number of Shares:119m
- Per-Share Equity Value:$294.20

## Differences between the firms?

These competitors are way behind in technological development of their ZEVs, but do have economies of scale and could easily scale back for future development of ZEV production.
- Toyota & Honda are currently developing Fuel Cell Technologies (Could replace FEVs if Technology is implemented correctly)
Recommendation:

My recommendation for this stock would be to buy and hold for 3 years and reassess the position that we have in this equity then. My main reasons for this are:

1st: My valuation of the company shows that Tesla has been growing at an incredible rate and I expect it to continue to expand and grow into a main player in the U.S. Automotive industry. It primarily generates revenues from consumer purchases, but is now starting to explore selling the GHG Credits that they receive from the CA State government from the new Cap & Trade system where they made over $90 million in revenues last year.

2nd: Tesla is devoted to increasing production and making new more efficient models and I feel with their consistent allocation of funds to R&D and leadership from Elon Musk that they will be able to reach their goal of providing a truly affordable model to the general public within the next 5-7 years (~$20,000).

3rd: Tesla also has the goal of reaching a market capitalization of $43.2 Billion which is about 2/3’s of BMW’s size by 2022. This is an extremely aggressive goal for the growth of the company set by Elon Musk, but I believe that it is within reach. Also, if Tesla is able to reach their goal in the set time frame investors will realize a 10.57% return per year.

4th: Tesla is a very sustainable company according to all of our guidelines of a responsible investment.

Sources Used:

- [https://finance.yahoo.com/q/is?s=TSLA+Income+Statement&annual](https://finance.yahoo.com/q/is?s=TSLA+Income+Statement&annual)
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