

TESLA



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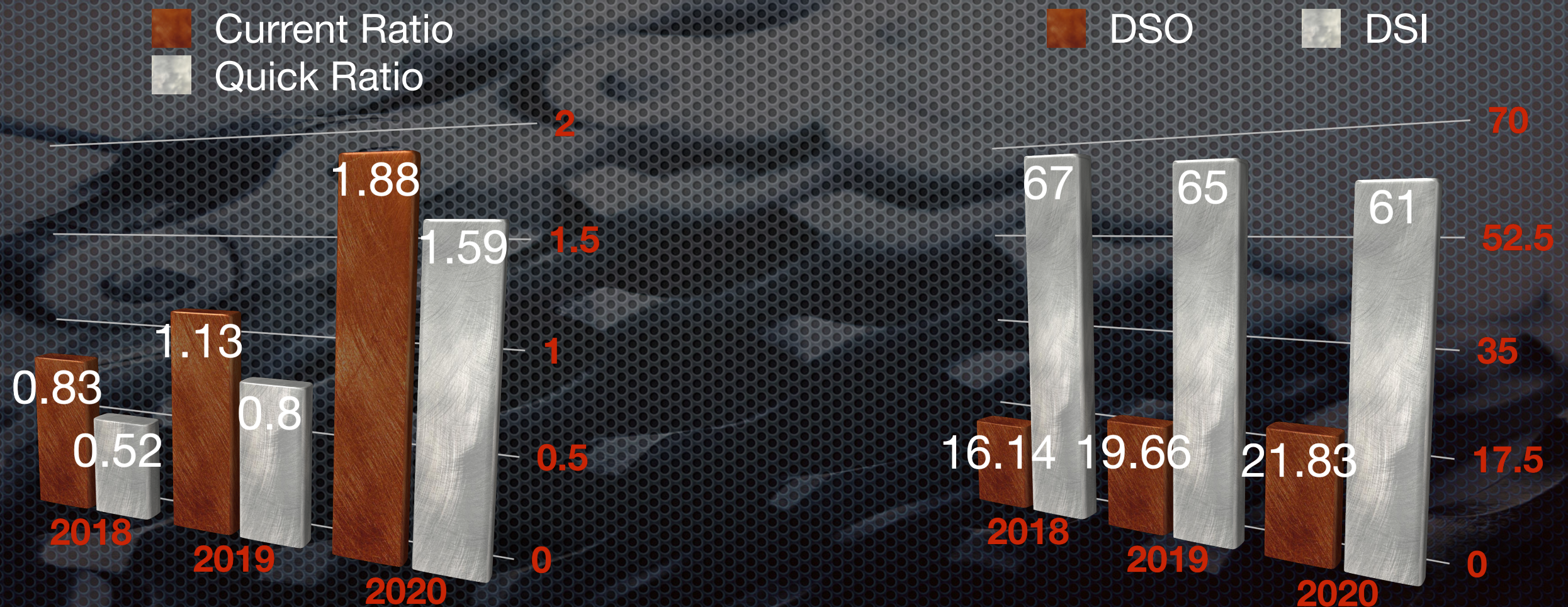
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Liquidity

Tesla has great liquidity, meaning they are able to pay current debts with current assets such as cash and other assets that can turn into cash in a year or less. Their current assets more than doubled between 2019 and 2020, while their current liabilities only increased by 34%.

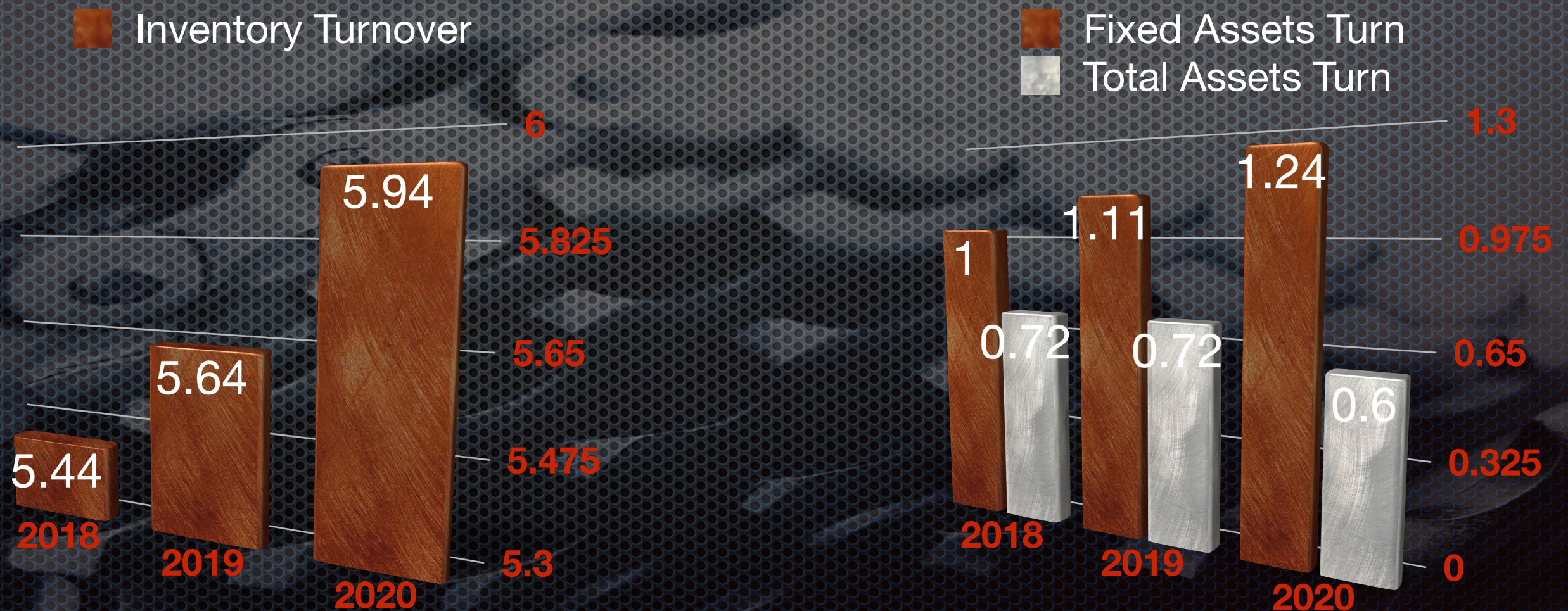
The amount of days Tesla holds onto inventory before being able to sell it went from 67 days in 2018 to 61 days in 2020, which shows there is more interest in buying Tesla cars. However, the amount of days it takes for Tesla to receive payment for sold inventory has increased, going from 16.14 days in 2018 to 21.83 days in 2020.



Asset Management

Great liquidity is often caused by great asset management, which is apparent with Tesla's increasing rate of inventory turnover, or their ability to sell more inventory quicker. Tesla's ability to sell more inventory quicker makes the use of their equipment (or fixed assets) more efficient, which is shown in their increasing fixed asset turnover.

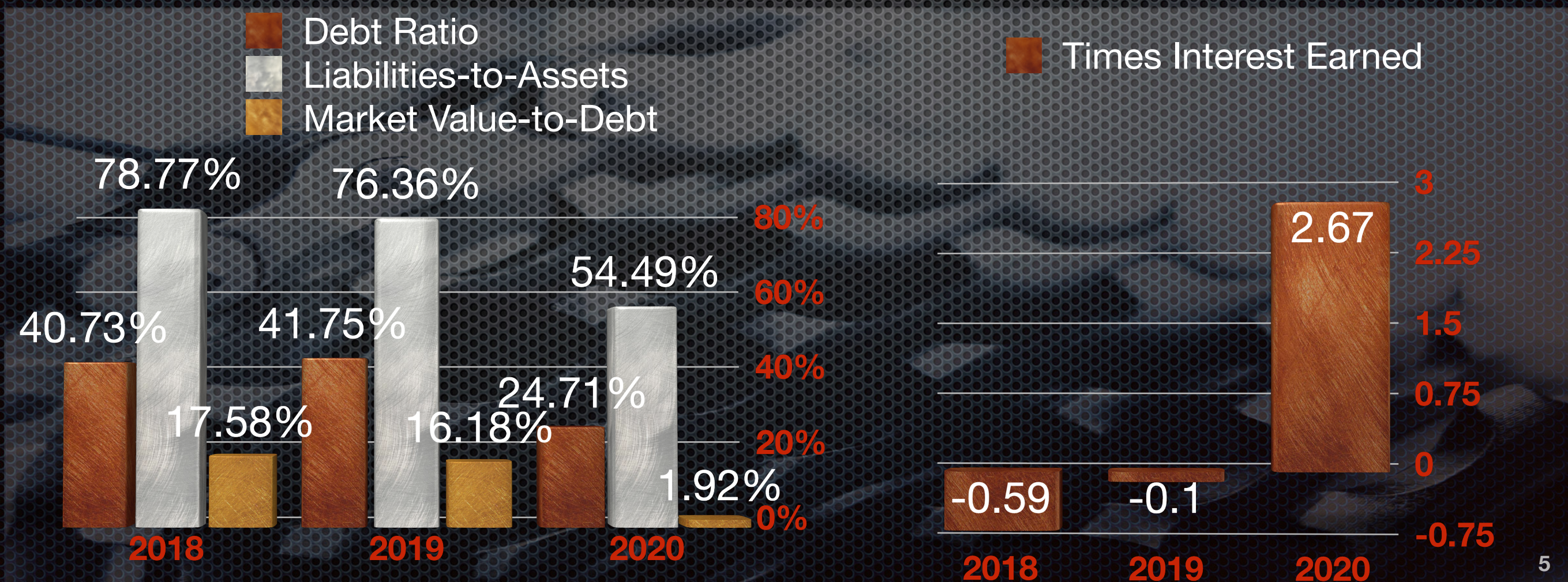
However, Tesla's sales only increase by 28% between 2019 and 2020, while total assets increased by 52%. This shows that the large increase in assets was not matched with an equally as great increase in sales, causing Tesla's total asset turnover to decrease.



Debt Management

While many companies use interest-bearing debt to increase assets, Tesla is decreasing their debt, with a large drop from 41.75% in 2019 to 24.71% in 2020. This makes Tesla an operationally less risky company. Low risk is also shown with the decreasing ratio between liabilities and assets, with assets increasing at a much faster rate than liabilities. Tesla's market value also increased greatly in 2020 while debt decreased causing their market value-to-debt to decrease.

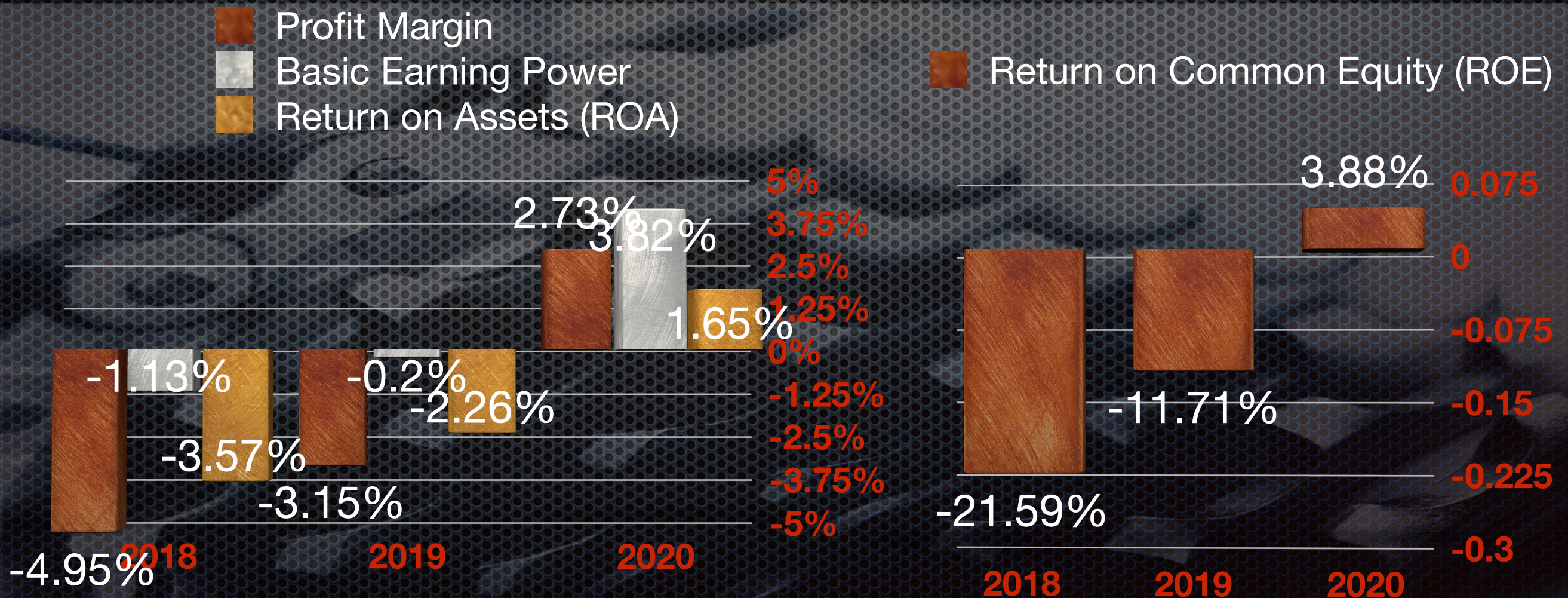
Tesla's EBIT (earnings before interest and taxes) increased from -\$69M to \$1.9B between 2019 and 2020, which is more evidence of great debt and asset management.



Profitability

Tesla had negative profitability in 2018 and 2019, but was steadily increasing. However, Tesla's net income went from -\$775M in 2019 to \$862M in 2020 largely due to a 31% increase in sales leading to a 63% increase in gross profit.

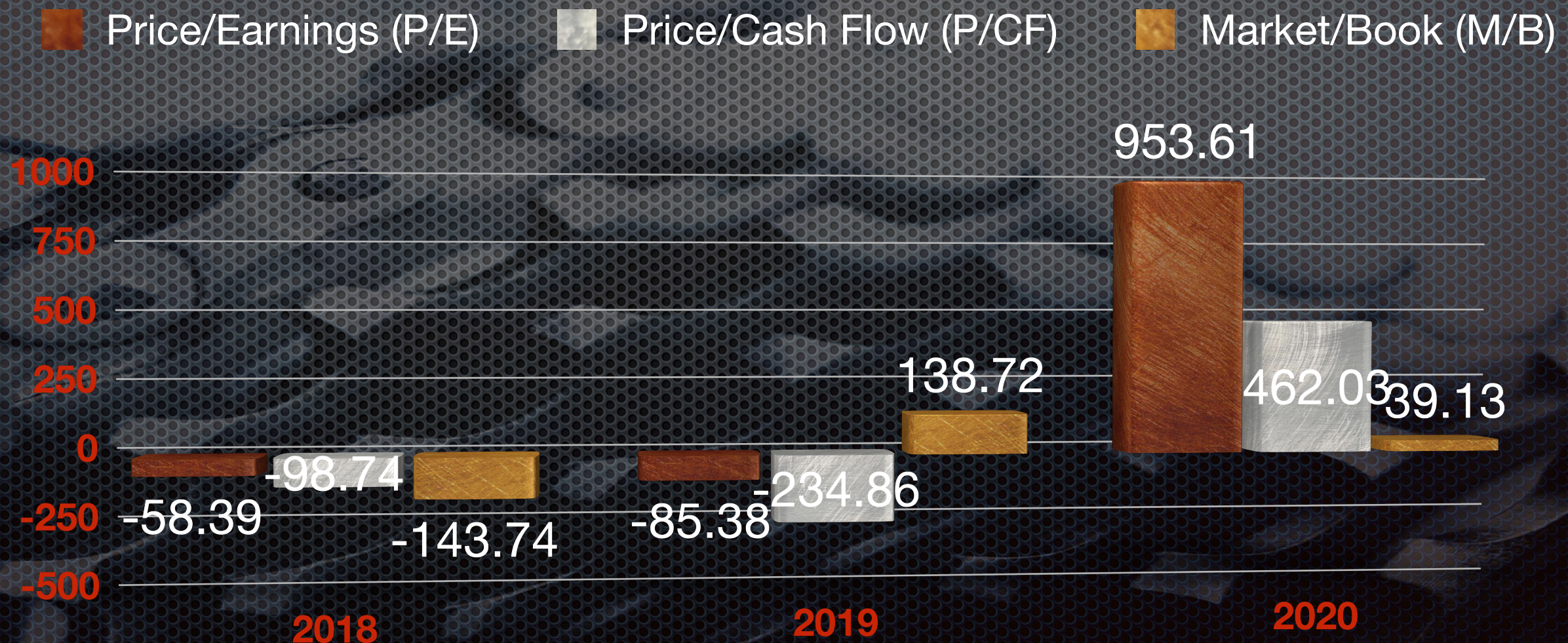
While Tesla's increase in net income is impressive, their increase in common equity (or amount of funding from stock investors) increased by 235.83% between 2019 and 2020. This shows a great interest to invest in Tesla on the stock market.



Market Value

Investor's increasing interest in purchasing Tesla stock is also shown in Tesla's increasing price-to-earnings ratio, with a 953.61 P/E ratio in 2020 from -85.38 in 2019. Although this is a positive sign that investors believe in Tesla's ability to return a profit for their investment, this large ratio is also a red flag indicating investor interest is not solely based on company performance. Their price-to-cash flow also increased from -234.86 in 2019 to 462.03 in 2020, which also shows investor's interest is increasing faster than company performance. Tesla's stock price per share went from \$83.67 on December 31, 2019 to \$705.67 on December 31, 2020.

The market-to-book ratio is a better representation of market value based on company performance, which actually decreased by 72% in 2020.



Conclusion

Overall, Tesla is a great company that is transitioning from heavy debt funding to more equity funding. Increasing their assets, sales, and net income which leads to better return for investors. Tesla has positive liquidity, asset management, debt management, profitability, and market value.

The only concern is the market's very high value of Tesla stock that is growing at a much faster rate than company performance. Possibly, investors are showing a belief that Tesla will continuously perform better based on past performance.