Investors to decide on TESLA as Q4 and 2022 earnings anticipated on January 25 loom

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Tesla (NASDAQ: TSLA) is a stock that polarizes an audience. People either love it or hate it. Today we look at the positives and negatives of Tesla, then we let you decide in the comments section. Is Tesla a buy, hold or sell?

Tesla's stock price (US$131.49 at the time of writing) has fallen precipitously, down ~62% over the past 1 year. The current PE ratio is ~40x, and the 2023 forward earnings PE ratio is ~27x.

With Q4, 2022 earnings due to be released next week on January 25, 2023 all eyes will be on Tesla's results.

Tesla positives

Tesla continues to grow rapidly. In 2022, Tesla's electric car deliveries grew 40% YoY to 1.31 million while production grew 47% YoY to 1.37 million. So far in 2023, Tesla China EV registrations were 12,654 for the week of January 9 to January 15, 2023 in a big jump from the week prior suggesting the recent EV price discounting may be having an impact.

Tesla's target is to grow deliveries on average by 50% per year over this decade to reach a goal of 20 million vehicles to be produced and sold in 2030.

Tesla has a history of growing earnings and revenues at a rapid rate. As of end Q3, 2022 Tesla's revenue growth rate was at 56% YoY, net income (GAAP) was up 103% YoY, and GAAP EPS was up 98%

YoY. On January 25, 2023 we will see the Q4 and full year 2022 results.

Tesla's 2023 forward PE is now at a record low for the company at ~27x.

Tesla is the leading global fully-electric car seller, with a dominant market share in the USA of ~65%. The new U.S. federal clean vehicle credit of up to US$7,500 that started on January 1, 2023 may potentially boost Tesla's U.S sales of its qualifying (cheapest) vehicles, particularly as Tesla buyers were no longer receiving the previous tax credit.

Tesla is ramping up EV manufacturing at Giga Berlin and Giga Austin.

Tesla is rapidly growing its energy storage business (ramping production of a 40 GWh Megapack factory in Lathrop, California), and is now planning to expand into both cathode production and lithium refining.

Tesla has a huge backlog of orders, notably for Cybertruck claimed to be over 1.6 million orders.

Tesla's positives can be summed up as a company with rapidly growing revenues and earnings, far in excess of most S&P 500 companies. They have a cult-like following led by flamboyant CEO Elon Musk.

Tesla was the global number 1 seller of fully electric cars in 2022 – Tesla Model S shown below

Source: iStock

Tesla negatives

Tesla recently announced global price cuts of up to 20% for its

range of electric cars. Many investors are concerned that this is a sign of waning demand, particularly in China.

Tesla's price cuts could negatively impact Tesla's industry leading automotive margins, last reported at 29.7% in Tesla's Q3, 2022 financials. It should be noted that the Inflation Reduction Act includes the Advanced Manufacturing Production Credit which should apply to certain products Tesla produces such as battery packs. This will be a boost to Tesla's margins and help offset Tesla's price cuts.

Tesla relies heavily on production from Gigafactory Shanghai. It was recently reported that Tesla's Shanghai Gigafactory expansion was in doubt over Starlink concerns from the Chinese government.

A forward PE of 27x assumes Tesla can continue to grow at a rapid rate and meet 2023 earnings expectations. High interest rates and a forecast 2023 recession are casting some doubts on this.

Tesla has failed to deliver on its Full Self Driving promises and timelines, despite investors paying for this service for several years.

Tesla's founder Elon Musk has been very distracted with his Twitter acquisition, not to mention he sold almost $40 billion worth of Tesla shares in 2022 to fund the acquisition. If Twitter continues to bleed cash Elon may be forced to sell more Tesla shares.

A Tesla charging outside a Tesla store in Shanghai

Shanghai.China-March 11th 2022: exterior of Tesla Shop and electric car charging outside store. EV brand

Source: iStock

Closing remarks

Tesla has two very significant events coming soon. The first is Q4 and 2022 earnings results on January 25, 2023 and the second is Tesla 2023 Investor Day on March 1, 2023. The Investor Day will involve Tesla unveiling its much awaited Generation 3 platform. This is said to be the platform that Tesla will use for its so called Model 2 Compact vehicle, thought to be at a much reduced price to Model 3 and Model Y. It may also be the platform used for the Tesla robotaxi autonomous vehicle. Certainly, if Tesla does present a Model 2 compact vehicle under US$30,000 at Investor Day it will be a game changer for the entire auto industry, with potential orders in the millions. Or will we have to wait longer before we finally see Model 2?

So is Tesla a buy, hold, or sell?

Let us know your thoughts in the comments section below.