



14 August 2019

U.S. Electric Vehicles

Tesla Inc

Rating

Market-Perform

Target Price



325.00 USD

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TSLA: Executive turnover at Tesla -- how bad is it REALLY?

Tesla's executive turnover has garnered intense interest from investors and public media, with the consensus view that it is extraordinarily high and unhealthy. But is it? In this brief note, we attempt to address this question in a fact-based way.

We performed a detailed benchmarking analysis of executive turnover (~top 50 to 150 executives) at Tesla and at comparable companies that are young, fast growing, and largely Silicon Valley based, including Snap, Uber, Lyft, Airbnb, Netflix, Facebook and Amazon.

Our analysis indicates that Tesla's annualized executive turnover level has been 27%, notably higher than the cohort average of 15% - that said, it is not outlandish - Snap (24%) and Lyft (23%) have experienced turnover that is nearly as high.

By contrast, Tesla's turnover of executives reporting to CEO Elon Musk (44%) has been dramatically higher than the turnover of CEO's direct reports at comparable companies (which has averaged 9%). Interestingly, Elon Musk's span of control (17 - 18 executives) has been much broader than at other companies (typically 8 - 12), which is particularly notable given Musk's other commitments, including SpaceX.

Two other findings are of note: Tesla has experienced unusually high turnover at critical positions over the past two years, including its Chief Accounting Officer, General Counsel, Head of Global Security, and VP of Autopilot Software. We have also seen a higher number of high-profile external hires depart quickly from Tesla. **Both observations are worrisome.**

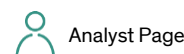
Investment Implications

While one could argue that TSLA's high turnover reflects its unique and demanding culture, we worry that such turnover not only causes instability (at the current rate, the entire executive team of 150+ people would be gone in <4 years!) but could also reflect more significant concerns among senior leaders about the company's direction or workplace practices.

EPS Adjusted	F18A	F19E	F20E
TSLA (USD)	(1.59)	(4.26)	2.72
SPX	159.72	163.86	180.97

Financials	F18A	F19E	F20E	CAGR
Revenues (M)	21,461	24,469	30,229	18.7%
Gross Margin (%)	19.17	14.64	17.73	
Operating Margin (%)	1.68	0.37	4.29	

Close Date	13-Aug-2019			
TSLA Close Price (USD)	235.00			
Target Price (USD)	325.00			
Upside/(Downside)	38%			
52-Week Low	176.99			
52-Week High	379.49			
SPX	2,926.32			
FYE	Dec			
Indicated Div Yield	NA			
Market Cap (USD) (M)	42,095			
EV (USD) (M)	52,852			
Performance	YTD	1M	6M	12M
Absolute (%)	(29.4)	(4.1)	(23.7)	(34.1)
SPX (%)	16.7	(2.9)	6.3	3.7
Relative (%)	(46.1)	(1.2)	(30.0)	(37.8)



Analyst Page



Financials



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Company Page

Valuation Metrics	F18A	F19E	F20E
P/E Adjusted (x)	(147.4)	(55.12)	86.37
P/Sales (x)	1.63	1.68	1.40