



Outline

1. Resources
2. Value vs Growth Story
3. Industry Outlook
4. Qualitative vs Quantitative
5. SWOT
6. Comps
7. DCF
8. Risks
9. Investment Horizon
10. ESB Capital



Resources

Stock Ideas	General	Analysis
<ul style="list-style-type: none">• Stock Screener (FinViz)• Products you use/ like• Biggest losers (Bloomberg, CNBC)• News	<ul style="list-style-type: none">• Investopedia• Corporate Finance Institute• CFA Refresher Reading• <u>Aswath Damodaran</u>• Edspira	<ul style="list-style-type: none">• Stock Screener (FinViz)• SEC Filings (10-K)• Quarterly/ Annual Report• Morningstar• MarketWatch• FT, Handelsblatt, ...

Link to resources: [ESBCapitalxISPC Resources.pdf](#) (Members Folder)



Value vs Growth Story

Value
<ul style="list-style-type: none">• Why is it cheap?• Fair Value < Market Price• Why overlooked / underappreciated?• Very conservative estimates• Limited downside

VS

Growth
<ul style="list-style-type: none">• What is its potential?• Why has it not reached its potential?• Why will it reach its potential?

Qualitative Factors
Quantitative Factors
Risks
Industry Outlook



Industry...

- ... Trends
- ... Opportunities
- ... Challenges

- Best management can not fix a dying industry
- Strong numbers may not show effects temporarily

Industry...

... Trends

... Opportunities

... Challenges

Electric Vehicles (Tesla)

- spreading fast, more infrastructure
- profiting from ESG (long-term trend)
- Technology not very green yet
- Limited driving range
- Competing technologies like hydrogen cars, biofuel
- More demand because of increasing gas prices

Qualitative vs Quantitative

Quantitative
<ul style="list-style-type: none">• Aka Numbers, Financial Strength• Revenues, Cost, Profit• Margins• Leverage• Quality of Earnings



Qualitative
<ul style="list-style-type: none">• Management• Insider Ownership• Brand / Public Eye• Moat





Qualitative vs Quantitative

Quantitative



70% Sales increase



23% LT debt / equity



10% Net Margin



21% Return on Equity

Tesla

Qualitative



Founder is CEO



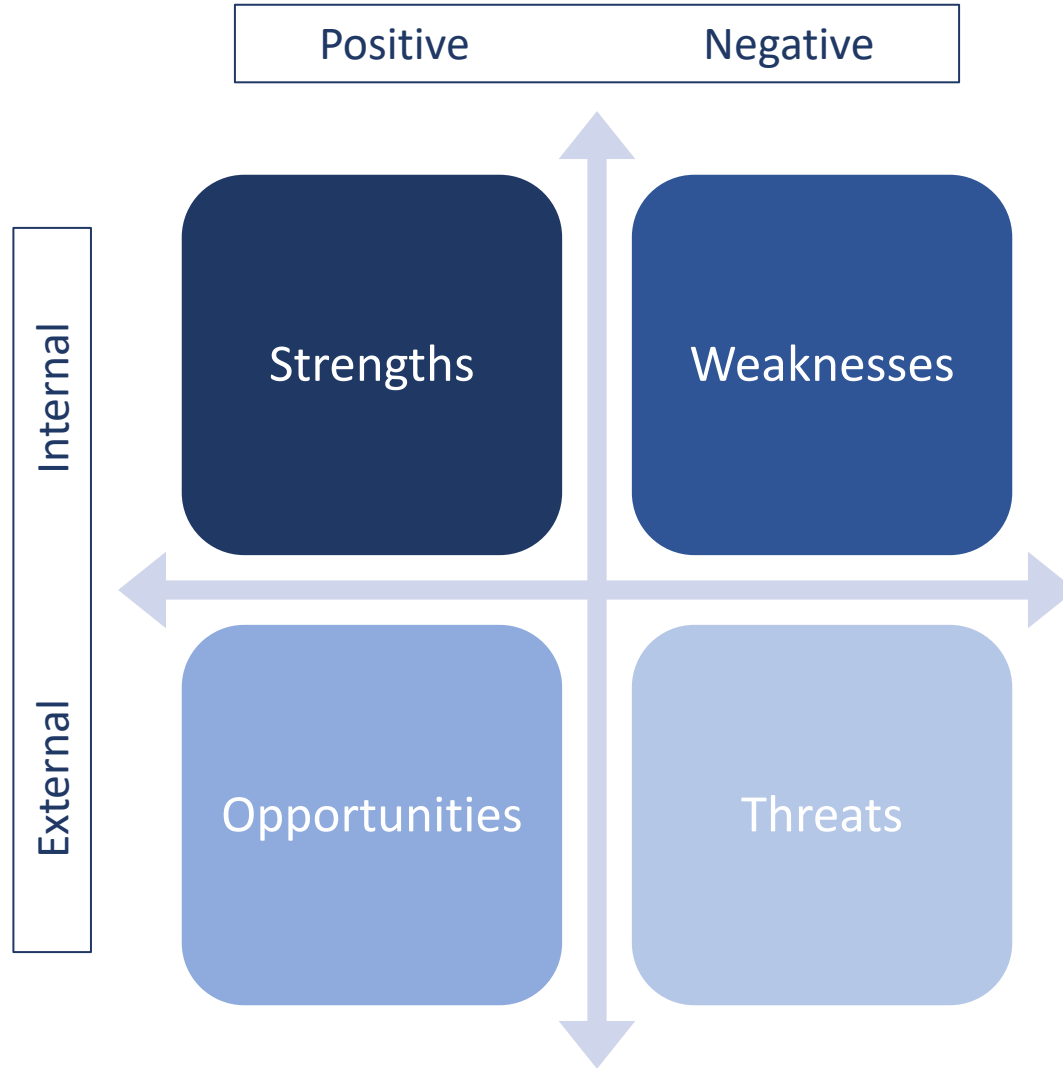
Ø 7 Years Mgmt Tenure



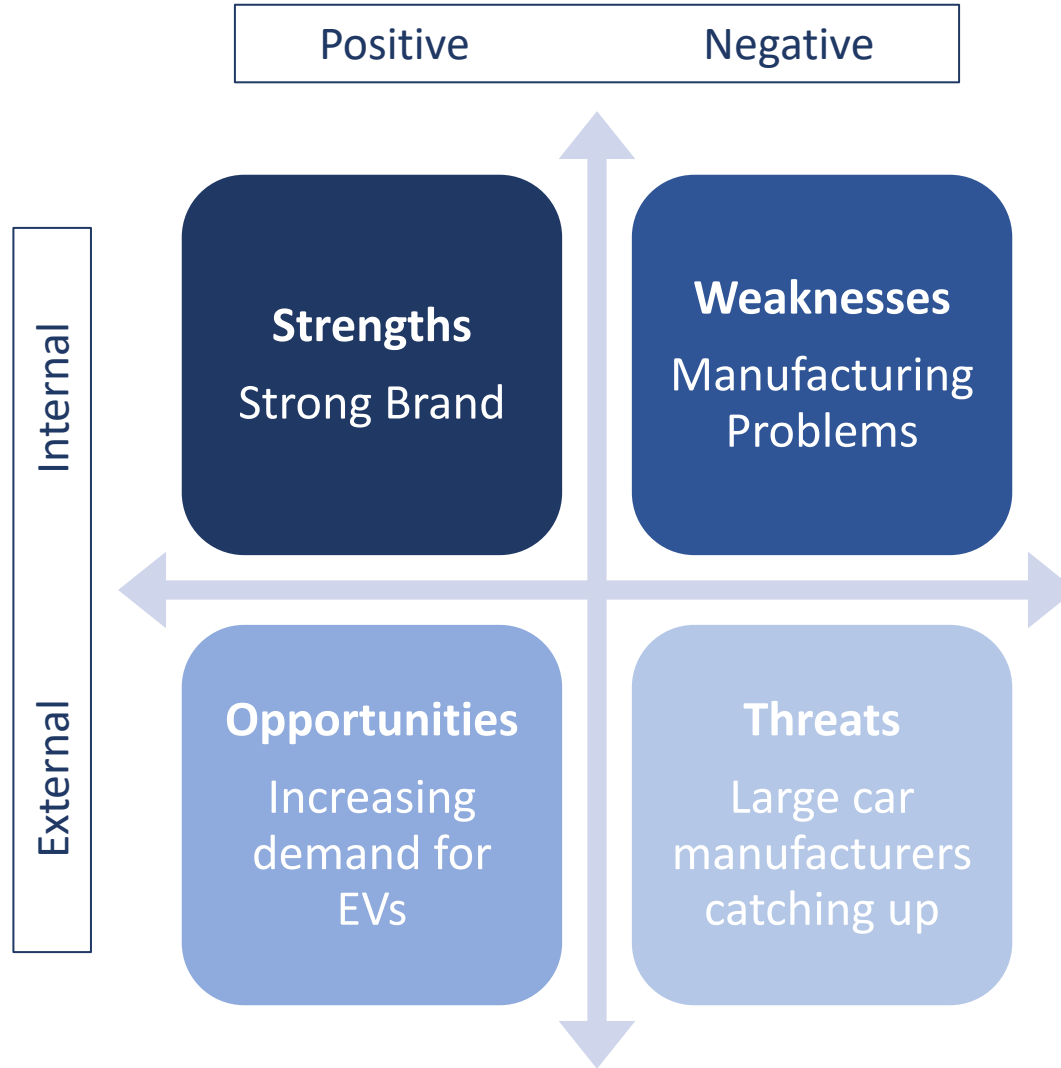
Strong Brand



18% Insider Ownership



Tesla





Comps

Price-to-Sales <ul style="list-style-type: none">• Price relative to Revenue (per Share)	EV / Sales <ul style="list-style-type: none">• Enterprise Value relative to Revenues	Gross Margin <ul style="list-style-type: none">• Gross Profit as % of Revenues
Price-to-Earnings <ul style="list-style-type: none">• Price relative to Net Income (per Share)	EV / EBITDA <ul style="list-style-type: none">• Enterprise Value relative to EBITDA	EBITDA Margin <ul style="list-style-type: none">• EBITDA as % of Revenues
Price-to-FCF <ul style="list-style-type: none">• Price relative to Free Cash Flow (per Share)	EV / EBIT <ul style="list-style-type: none">• Enterprise Value relative to Operating Income	EBIT Margin <ul style="list-style-type: none">• Operating income as % of Revenues
Price-to-Book <ul style="list-style-type: none">• Price relative to Equity (per Share)	EV Market Cap Sales <ul style="list-style-type: none">• Enterprise Value Market Capitalization Revenues	Net Margin <ul style="list-style-type: none">• Net income as % of Revenues

Valuation

Company Name	Ticker	Fiscal Period	FY1 Date	EV (M)	P/E (x)			EV/ (x)			Financial (\$)		
					Actual	FY1	FY2	Sales	EBIT	EBITDA	Sales (M)	EBIT (M)	EBITDA (M)
Tesla	TSLA-US	12/2021	12/2022	1,030,15...	205.26	92.79	68.95	19.14	158.58	109.51	53,823.0	6,496.0	9,407.0
NVIDIA	NVDA-US	01/2022	01/2023	537,232.3	56.62	38.52	32.65	19.96	50.32	45.33	26,914.0	10,677.0	11,851.0
Uber Tech	UBER-US	12/2021	12/2022	69,717.2	-	-	196.68	3.99	-	-	17,455.0	-3,794.0	-2,892.0
Ford Motor	F-US	12/2021	12/2022	152,969.9	3.52	8.11	7.03	1.12	30.39	13.92	136,341.0	5,033.0	10,993.0
Lucid Group	LCID-US	12/2021	12/2022	29,514.0	-	-	-	1,088.63	-	-	27.1	-1,530.4	-1,455.0
NIO A	9866-HK	09/30/20...	12/2022	30,925.5	-	-	-	6.11	-	-	5,059.0	-469.3	-
Great Wall Motor H	2333-HK	12/2021	12/2022	31,487.7	12.95	9.33	6.88	1.54	54.71	21.82	20,493.6	575.5	1,442.8
EnBW Energie	EBK-DE	12/2021	12/2022	36,241.1	60.47	-	-	0.95	18.47	9.53	37,998.2	1,962.6	3,802.9
Average					67.77	37.19	62.44	142.68	62.49	40.02			
Median					56.62	23.93	32.65	5.05	50.32	21.82			

Margins

Company Name	Ticker	Fiscal Period	Gross Margin (%)		EBITDA Margin (%)		EBIT Margin (%)		Pretax Margin (%)		Net Margin (%)	
			Actual	NTM	Actual	NTM	Actual	NTM	Actual	NTM	Actual	NTM
Tesla	TSLA-US	12/2021	25.3	26.8	17.5	23.4	12.1	16.5	11.8	16.4	10.3	14.3
NVIDIA	NVDA-US	01/2022	64.9	67.1	44.0	51.5	39.7	48.0	36.9	47.2	36.2	35.7
Uber Tech	UBER-US	12/2021	31.9	45.2	-16.6	6.4	-21.7	-1.5	-5.9	-2.4	-2.8	-3.1
Ford Motor	F-US	12/2021	18.0	14.3	8.1	9.9	3.7	7.4	13.0	6.5	13.2	5.2
Lucid Group	LCID-US	12/2021	-471.3	-4.9	-5,366.7	-68.7	-5,645.1	-89.6	-9,515.4	-100.0	-9,515.6	-100.0
NIO A	9866-HK	09/30/2021	19.1	19.0	-	-3.8	-9.3	-6.7	-9.9	-6.2	-30.1	-6.4
Great Wall Motor H	2333-HK	12/2021	13.3	16.8	7.0	7.7	2.8	5.3	4.9	5.9	5.1	5.1
EnBW Energie	EBK-DE	12/2021	7.4	-	10.0	-	5.2	-	1.4	-	1.1	-
Average			-36.4	26.3	-756.7	3.8	-701.6	-2.9	-1,182.9	-4.7	-1,185.3	-7.0
Median			18.5	19.0	8.1	7.7	3.2	5.3	3.2	5.9	3.1	5.1

Discounted Cash Flow Analysis

- Business Value = Sum of its Future Cash Flows
- Time Value of Money (Opportunity Cost) -> Discount Rate
- Discount Rate = Weighted Average Cost of Capital (WACC)
- Terminal Value = "Indefinite" Value beyond estimation
- Terminal Growth Rate = close to GDP Growth

Wikipedia

$$DPV = \sum_{t=0}^N \frac{FV_t}{(1+r)^t}$$



Quality of Input =
deciding factor!

Abundance of
calculators on the
web

Derive Unlevered Free Cash Flows

	2021A	2022E	2023E	2024E	2025E	2026E
EBIT	120	126	137	149	159	176
Less Taxes	23%	23%	23%	23%	23%	23%
Add D&A	24	26	27	27	28	27
Less CAPEX	12	13	13	14	14	16
Less Changes in Non-Cash Working Capital	6	6	6	6	7	7
Unlevered Free Cash Flows	98,4	104,02	113,49	121,73	129,43	139,52

Present Value of Future Cash Flows

Year	1	2	3	4	5
PV	98,1320755	101,005696	102,206855	102,520683	104,25746

Sum of Discounted Future Cash Flows

Sum Value 508,12277

Terminal Value

TV 4085,94286

Present Value of Terminal Value

PV of TV 3053,25419

Assumptions:

WACC: 6%

Terminal Growth Rate: 2.5%

Debt = Cash!

Margin of Safety: 15%

Sum of Value of Future Cash Flows and Terminal Value

Sum	3561,37696	Enterprise/ Equity Value
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Amount of Shares

Number	100
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Fair Value Share Price

FV	35,6137696
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Fair Value Share Price Adjusted for Margin of Safety

Target Purchase Price	30,2717042
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Share Price < 30 € = good buy

First FCFF	104.02 €
Second FCFF	113.49 €
Third FCFF	121.73 €
Fourth FCFF	129.43 €
Fifth FCFF	139.52 €
Sixth FCFF	€
Net debt	
Cash	10 €
Outstanding debt	10 €
Growth and discount rate	
Perpetual growth	2.5 %
WACC	6 %
Shares and its market value	
Outstanding shares	100

The projected cash flows, discount rate, and perpetual growth rate give:

- The terminal value of €4085.94
- The value of the firm equal to €3561.38
- The value of the equity equal to €3561.38
- The fair value per share equal to €35.61

No consideration of Margin of Safety!

<https://www.omnicalculator.com/finance/dcf>



Risks

- Decrease in Demand
- Increase in Competition
- Government Intervention
- Supply Chain Disruptions

- Able to meet its Financial Obligations?
- Strong CCA/ Moat/ Pricing Power?
- Diversified Revenue Sources?
- Diversified Supply Chain?

more knowledge = less risk

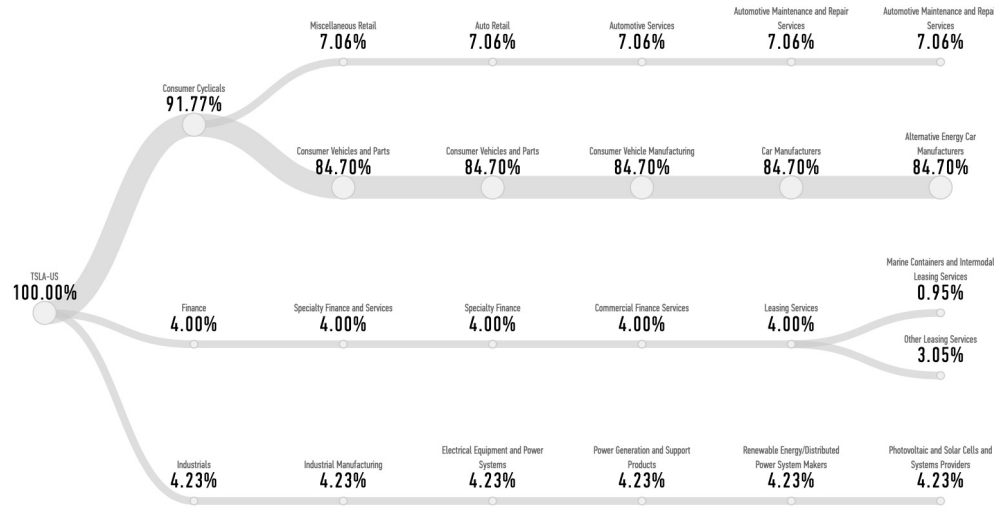


Risks

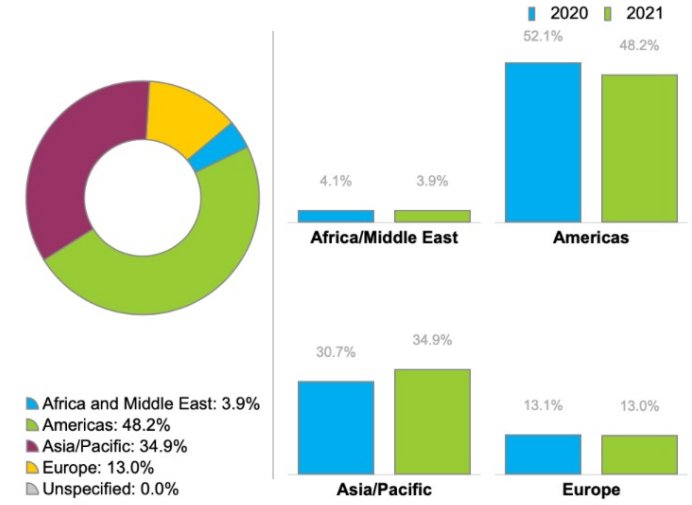
Revenue Exposure by Sector / Industry

Close

TESLA



Revenue Exposure By Super-region



ESG Rank

Long-term ESG performance compared to industry

Laggard



Momentum

Trajectory of ESG performance over trailing 12 months

26 /100



SASB Dimensions

Environment

68 /100 Insight Score

37 Spotlight Events

Social Capital

40 /100 Insight Score

34 Spotlight Events

Leadership and Governance

36 /100 Insight Score

61 Spotlight Events

Human Capital

40 /100 Insight Score

33 Spotlight Events

Business Model and Innovation

61 /100 Insight Score

72 Spotlight Events

Top 5 by Revenue in Alternative Energy Car Manufacturers

Company	% of Revenue	Revenue	Market Value (M)	1 Yr Pr Trend
Tesla, Inc.	84.70	45,590	1,062,601	
NIO, Inc.	97.09	5,440	33,578	
Li Auto, Inc.	100.00	4,188	26,553	
XPeng, Inc.	94.91	3,089	22,911	
BAIC BluePark New Energy Techn	100.00	1,341	4,678	
Acciona SA	1.23	118	11,627	

Showing up to 6 of 22 companies | Excluding private companies | Values in USD
Values are estimated based on FactSet's Revere Industry Classification System



Investment Horizon

Catalyst

Reversion to the mean (Fair Value)

Forever



Expecting short term (rel.) to elevate price to new level



Mispricing by stock market, reversion to intrinsic value



Management expected to grow operations indefinitely