

Tesla Inc

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Tesla Inc: Will Plaid be in fashion for 2021 or will rivals rise?

Tesla Inc (NASDAQ:TSLA) joined Wall Street's prestigious S&P 500 index on December 21 as its sixth-largest member, becoming the latest tech inductee alongside the likes of Amazon, Apple and Facebook.

Here in the second of a **three-part series** on the electric vehicle maker, our chief feature writer Oli Haill looks at Tesla's launch plans and competition.

Launching its fastest road car yet

By the end of 2021 Tesla plans to have delivered the first versions of its most powerful vehicle to date, the souped-up version of its Model S electric sports car.

The Model S 'Plaid' will have an estimated range of "more than 520 miles" and a top speed of 200mph from an electric powertrain made up of three motors.

Facing a lot more EV competition

Tesla's current valuation is "like it's operating in a vacuum", an analyst from US broker Roth Capital Partners said recently.

But this vacuum will be more obviously untrue in 2021 as the amount of competition Tesla is facing will step up a level. And it will increase each year, such that by 2024 there are currently around 400 new models pencilled in to launch. This is inevitable ahead of countries like the UK banning sales of new internal combustion engine cars from 2030 and even some US states going all-electric, such as California in 2035.

For example, Tesla's Plaid model, before it is even launched, will come up against Porsche's all-electric Taycan, which is due to start sales in the UK early next year. The Taycan, where the range varies between 250 and 280 miles between existing models, recently set a record lap time at California's classic Laguna Seca racetrack and so can make the powerful marketing claim to be the "fastest four-door, all-electric sports car". Musk is said to want this title for the Plaid - something to watch out for next year too. But the Taycan, which some reviewers say is better built and handles better than a Tesla, is likely to be a very popular competitor.

Two upmarket all-electric models are expected to reach showrooms next year: Mercedes-Benz's flagship EQS saloon and Jaguar's next-generation XJ in electric-only form, both with ranges just topping 300 miles.

For the average motorist who wants a long-range electric car a lot cheaper than a Tesla, Volkswagen will start selling the next models in its all-electric ID series in 2021, the ID.5 coupe SUV and ID.4 hatchback, which will both offer around a 320-mile range.

Price: 675.5

Market Cap: \$648.38 billion

1 Year Share Price Graph



Share Information

Code: TSLA

Listing: NASDAQ

52 week High Low
900.265 70.102

Sector: Manufacturing & engineering

Website: www.tesla.com

Company Synopsis:

Tesla Inc. was founded in 2003 by a group of Silicon Valley engineers who set out to develop a new electric vehicle company. Tesla Inc. uses proprietary technology, world-class design and state-of-the-art manufacturing processes to create a new generation of highway capable electric vehicles. We utilize an innovative distribution model based on company-owned sales and service centers.

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Toyota, Audi, NIO and Rivian

Toyota Motor Corp (NYSE:TM), the second-largest carmaker in the world and the company behind the world's top-selling hybrid, the Prius, is going all-electric too - with the launch of an SUV.

The leading model in Norway, one of the most advanced EV markets in the world, is Audi's e-tron. A new model is due in 2021 and will be one of 12 all-electric models that Audi intends to be offering by 2025.

Elsewhere, the raft of new models includes a new electric Fiat 500, a Mercedes van, the Hyundai Kona Electric, new Nissan Leaf, Skoda's first all-electric, Kia's first bespoke electric car. BMW, Audi, Lexus, Lotus will all be delivering new all-electric models, including direct rivals to Tesla's offering, with saloons, grand tourers, SUVs and more. General Motors is even bringing back its giant Hummer, but in electric form.

China's NIO Ltd (NYSE:NIO) was one of the few companies to challenge Tesla in the stock price gains in 2020 as it skyrocketed from \$3.24 to above \$50, after some sales false starts led to sales in November rising over 100% on last year's. This has been helped by its innovative approach, such as offering a "battery-as-a-service" programme to cut the purchase price. For 2021, the company is introducing its first sedan model to compete with Tesla's Model 3, plus is rumoured to be revealing a 550-mile battery at its Nio Day in January 2021, with boss William Li Bin aiming to enter Europe in the second half of next year.

When Tesla launches its Cybertruck in 2022 it will face a lot more competition than Tesla's earlier models did. Rivals will start staking a claim to this part of the electric market next year, including Rivian's R1T fully electric truck, in which Amazon and Ford are investors. With 750hp, Rivian claims its truck, which will start being delivered next summer, can get to 60mph in three seconds as well as promising a range of 400 miles on one charge. Look forward to seeing them bedecked in Amazon livery and carrying out some last-mile deliveries in future.

In the field of autonomous vehicles, the most serious competition comes in the shape of Cruise, a subsidiary of General Motors (NYSE:GM). Whereas Tesla is seen only as a "challenger" in the autonomous space, with its cars providing some 'Autopilot' features today but with plans for full self-driving capabilities in the future, Cruise is a "leader" in the field, according to analysts at Navigant Research.

Producing the first of its new battery - and facing more battery competition

Based on its recent 'battery day', Musk aims to be producing 10 gigawatts of the new larger, more efficient '4680' battery cells before the end of next year, with full production about three years away.

While the reported launch a new low-cost, long-life battery pack for the Model 3 in China could bring the cost of Tesla's vehicles in line with petrol-fuelled rivals, potential customers are likely to be distracted by some strong competition across the market next year.

With its cars generally able to drive close to 400 miles on a single charge, one of the crucial selling points for Tesla has been to eradicate among its customers the "range anxiety" that is one of the top-most commonly cited reasons by consumers not to buy electric.

But as well as the wide array of new EVs coming to the market with ranges that will reduce anxiety for many consumers, there are also other developments that might enable rivals to take a big bite of the market.

Toyota, for instance, is reported to be planning to unveil a prototype of a new battery that can be fully recharged from empty in 10 minutes and offer the potential of 500km electric vehicle trip on a single charge. The Japanese car-maker's development of a solid-state battery with such specifications could be a game-changer for the automobile industry. Solid state batteries are supposed to have higher energy density, so an improved balance of power and weight compared to one made of lithium cells.

Chinese tech group QingTao will also next year kick off its efforts in solid-state batteries as part of a US\$150mln

investment in various EV battery developments.

Further forward, Volkswagen aiming to roll out solid-state batteries by 2025.

Maybe moving to North East England?

After difficulties with the construction of a Gigafactory near Berlin, Musk has been encouraged to move the factory from Germany to the Tees Valley, which could be ready to break ground as soon as February 2021.

The mayors of Tees Valley and Hartlepool wrote a 'Dear Elon' letter to urge the Tesla boss to choose the post-Brexit North East after delays to the start of construction in Berlin. The area around Middlesbrough offers "hundreds of acres of identified ideal developable land, with the can-do attitude in political leadership necessary to ensure delivery of major projects," the two mayors said.

Hartlepool had been on Tesla's shortlist for the factory but just missed out - with Brexit thought to be part of the reason.

More likely to be starting producing elsewhere...

Tesla's US\$1.1bn Gigafactory in Austin, Texas is slated to open around May 2021 and before long start rolling out Model Y cars and even the odd Cybertrucks next year, with volume production of the Blade Runner-inspired behemoth intended to start in 2022.

Having already chopped down a large swathe of Germany's native pine forest, construction of a sister site near Berlin was recently halted amid over 400 complaints and observations from locals, including from environmentalists concerned about the destruction of habitat of native snakes and lizards.

But this has so far proved only to be a temporary pause and Gigafactory Berlin-Brandenburg is marked down in Musk's calendar to begin producing the Model Y compact SUV in July and ramping up towards full production of 500,000 cars per year.

"We do expect to start delivering cars from those factories next year, but because of the exponential nature of ... the manufacturing plant, especially one with new technology, it will start off very slow at first and then the output will become very large," Musk said in October, with another 12 to 24 months before the factories reach full capacity.

Musk says the factory will have a dedicated battery manufacturing plant that will be the first to use the company's new structural battery pack and 4680 battery cells, plus other new technology involved in the making of these models. However, this means production timing is "harder to predict", he said.

Driving markets (along with the rest of Big Tech)

Whatever Tesla does in 2021, the company is going to be a key element in driving financial markets, let alone the auto industry, says Deutsche Bank strategist Jim Reid, given that the EV-maker's market cap is larger than the next five largest car companies combined.

"Given its colossal size and that of the tech sector, their paths in 2021 will probably be a big macro driver of markets. Investors in all asset classes might have to assess whether valuations are justified and sustainable," Reid said.

Its increasingly enormous size could, maybe, unless Musk and co make any serious missteps, make Tesla impossible to catch by its rivals. With a US\$5bn fundraising in early December as it reached a new all-time high market cap of around US\$616bn, this took its total fresh equity this year to \$12bn even though the company has repeatedly said it is already expanding capacity at the fastest speed possible.

With a very marginal dilution impact of less 1%, Tesla's high valuation "has become a strategic asset" versus other legacy car manufacturers, said analysts at UBS. "None of the legacy players would be positioned to raise such amounts at virtually no dilution. The valuation gap adds to the challenges for legacy carmakers to master the transition to EVs,

because the EV (& AV) investments need to be fully financed by the legacy cash flows from [internal combustion engine] cars, which are set to shrink over time."

Tomorrow Oli will look at Elon Musk's other enterprises

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