

## Tesla: A major winner of Coronavirus

With the outbreak of Coronavirus encouraging consumers to think and spend increasingly ethically, ESG companies, specifically Tesla, have flourished under the current epidemic. Tesla Inc. engages in the development, manufacture and sale of fully electric vehicles, energy generation and the self-driving capability. The nature of the firm is to innovate for a sustainable future while conducting ethically through their market leading carbon footprint, pollution prevention and corporate governance procedures. MSCI (Morgan Stanley Capital International) rated Tesla as one of the top global car manufacturers when it comes to ESG.

The car manufacturing industry looked dismal heading into 2020, with wall street analysts predicting a global downturn in car sales and deliveries. With the likes of General Motors, Fiat Chrysler and Ford experiencing first-hand the 8.3% decline in market sales. But Tesla provided the industry with a glimmer of hope, the hugely anticipated Model Y was to be available to the market. The global pandemic has seen a shift in public opinion in favour of a more sustainable and 'greener' living, thus popularising the use of electrical cars. With the model Y's release, Tesla posted its strongest first-quarter sales ever, delivering 88,400 vehicles globally, a 40.3% increase over last year's Q1 deliveries. After the release of Tesla's Q1 statistics, an independent research company, Argus, raised their stock evaluation of Tesla from \$556 to \$808. As a result of their valuation, Tesla stock soared 19.9%, breaking

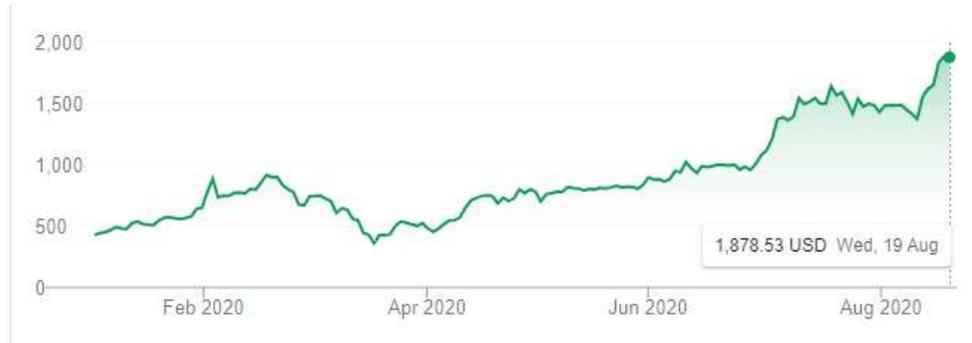
the largest single day stock gain since 2013. One successful quarter followed another amidst the peak of the outbreak. Once again overcoming expectations, Tesla made over \$6 billion in revenues alone and recorded a lower operating income as workers' wages were furloughed.

Although Tesla is based in California, China seems to be where it has found its biggest supporters. After a record 161% increase in sales, the Chinese government granted Tesla tax exemptions and invested billions of dollars into the Tesla Gigafactory based in Shanghai. China alone delivered around 30,000 vehicles representing around one-third of Tesla's entire global deliveries, thus benefiting from economies of scale. Despite the recent slowdown in America, Elon Musk has attributed a considerable amount of the recent growth Tesla have made in China's automotive industry.

Tesla started off the year with a stock price of \$430 and have flourished over the year. A strong first two quarters, with help from China, Argus and Tesla's latest release helped Tesla power through despite the burden Coronavirus has had on the car manufacturing industry. However, Elon Musk has made remarks that the recent success of Tesla has pushed the stock price up too high, bordering entry to S&P 500. Tesla has consequently decided to perform a 5:1 split stock, meaning one stock splits into 5 separate stocks at a lower price, thus not affecting the overall investment. Upon announcement, Tesla's fortune grew \$19.04 billion to give the company an estimated valuation of \$272 billion. CEO Elon Musk holds 20% of the Tesla shares, as a result, he indirectly profited \$3.8

The chart shows a selected extreme scenario and is for illustrative purposes only. Past performance is not a reliable indicator of future returns. The value of investments and the income from them can go down as well as up, so your clients may not get back what they invest. Investors should note that the views expressed may no longer be current and may have already been acted upon. Changes in currency exchange rates may affect the value of an investment in overseas markets. Investments in small and emerging markets can also be more volatile than other more developed markets.

billion in a single day. Tesla have been in the right place at the right time and the market has rewarded them greatly. Almost as if they are becoming a more of a tech company as well as a car manufacturer.



It comes as no surprise that Tesla might be experiencing a bubble. They have had a sharp run-up in stock price, 58% in the past month, 155% in the past 3 and 365% from year to date. We have seen sharp astronomical growth before with the likes of Bitcoin seemingly rocketing out of nowhere and then unknowingly crashing. In both instances we see a common trend, 'Investor FOMO' (Fear of missing out). Initially Tesla displaced themselves from the market with their electrical cars falling in favour of the public. Subsequently throughout the year Tesla's stock has slowly been building momentum from favourable price revaluations to extreme media coverage. Then came euphoria. Asset prices skyrocketed, investors were jumping on the electrical car bandwagon, willing to pay more and more for their lucrative stocks. Tesla stocks had reached an all-

time high stock price of \$1,300 and a market capitalisation of over \$200 billion, surpassing Toyota as the most valuable automaker in the world. Since then Tesla announced a split stock, which saw their stocks rise 7% in the following day and 11% thereafter. Analysts have predicted it to exceed the \$2,000 mark whereas other optimistic investors see it rising as high as \$2,500. Either way it will not be long until they reach this estimation given their current level of growth. No one will be able to predict if and when the elusive bubble will pop and the level of mass hysteria that will follow, there may be a case of Tesla delaying the inevitable.

The chart shows a selected extreme scenario and is for illustrative purposes only. Past performance is not a reliable indicator of future returns. The value of investments and the income from them can go down as well as up, so your clients may not get back what they invest. Investors should note that the views expressed may no longer be current and may have already been acted upon. Changes in currency exchange rates may affect the value of an investment in overseas markets. Investments in small and emerging markets can also be more volatile than other more developed markets.