

Tesla soul-searching with Adam Jonas

Zen and the art of expectation maintenance



© AP

Bryce Elder APRIL 29 2024

Unlock the Editor's Digest for free

Roula Khalaf, Editor of the FT, selects her favourite stories in this weekly newsletter.

Sign up

“The AI brain is searching for its robot ‘body.’ And the body is the vessel of the AI ‘soul’”, writes Adam Jonas in an actual note to clients. Morgan Stanley’s autos analyst has been moved to aphorise by Elon Musk’s [surprise visit](#) to Beijing.

Less contemplative observers might think Tesla shares are being [short-squeezed up ~10 per cent](#) today after [Bloomberg reported](#) that the company has received tentative clearance to sell full-self-driving in China — a possibility Musk [had flagged](#) during last week’s results conference call.

More important, says Jonas, is the signal that Musk still loves Tesla . . .

Investor concerns around whether Elon Musk was ‘all in’ on Tesla have been weighing heavily on the stock since the compensation package was rejected by Delaware judge. Even the smallest gesture of commitment (an unannounced trip to Beijing) has elevated meaning here, combating concerns over Musk’s commitment to Tesla relative the broader Musk ecosystem of companies (SpaceX/X.AI/etc.).

... and that China can still tolerate Musk . . .

We would assume that Elon Musk’s US national security clearance is higher than that of the typical American CEO due to his control of SpaceX and the range of missions it conducts with NASA, Space Force and the broader [US Department of Defence]. Achieving a potential detente with the PRC on such areas as autonomous driving/FSD (with its obvious national security sensitivity given its ‘dual purpose’ technology) is surprising and deserves greater research and understanding. For now, Musk winning blessing from the PRC for FSD roll-out in the country seems to address embedded fears of Tesla’s China profit (we estimate China accounts for as much as one half of profit).

... so investors can still love Tesla, whatever it might become:

The ongoing LLM/Gen AI revolution is in the early days of crossing over into robotics. LLM and robotics were long seen as vastly different areas of science. But there may be far more overlap in how the advancement of LLM accelerates the training and learning of the robot - whether it is a ‘car shaped’ robot or a human shaped one.

Titled “He’s Back”, the note reiterates Morgan Stanley’s (recently lowered) \$310 share price target on Tesla, of which extant businesses contribute \$67:

Bull Case		
Tesla Auto (Core)	\$104	9 million units by 2030 with 20% EBITDA margin
Tesla Energy	\$60	35% 20yr revenue CAGR, 30% gross margin by 2030
Tesla Insurance	\$11	30% penetration, 20% underwriting margin by 2030
Tesla Mobility/ride-sharing	\$118	1 million car fleet by 2030, 20% OP margin
Tesla Network Services (net)	\$146	25mm MAU at \$200 ARPU by 2030. Net of eliminations
EV P-train 3rd party	\$61	3.0 million units by 2030, 25% EBITDA margin and 25x exit EV/EBITDA
Total	\$500	
Base Case		
Tesla Auto (Core)	\$67	6.1 million units by 2030 at 18.4% EBITDA margin
Tesla Energy	\$36	25% 20yr revenue CAGR, 21% gross margin by 2030
Tesla Insurance	\$5	5% penetration and 12% underwriting margin by 2030
Tesla Mobility/ride-sharing	\$61	~1.7mm fleet by 2035, 18.5% OP margin, \$1.8/mile, 3% terminal growth rate
Tesla Network Services (net)	\$100	15.4mm MAU at \$180 ARPU by 2030. Licensing fleet, 50% probability
EV P-train 3rd party	\$40	1.7 million units by 2030, 25% EBITDA margin and 24x exit EV/EBITDA
Total	\$310	
Bear Case		
Tesla Auto (Core)	\$45	5 million units by 2030 with 12% EBITDA margin
Tesla Energy	\$15	12% 20yr revenue CAGR, 20% gross margin by 2030
Tesla Insurance	\$0	Assumed \$0 value in bear case
Tesla Mobility/ride-sharing	\$6	200k car fleet by 2035, 15% OP margin
Tesla Network Services	\$34	15mm MAU, \$80 ARPU by 2030
EV P-train 3rd party	\$0	Assumed \$0 value in bear case
Total	\$100	

© Morgan Stanley

And if all those 2030 forecasts don’t pan out, there may be an opportunity to open an Etsy shop:



Further reading

- [The best of Morgan Stanley's Adam Jonas](#) (FTAV)
- [Adam Jonas explains why Tesla will be better at being Nvidia than Nvidia](#) (FTAV)

