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**TYLER MATHISEN, CNBC:**

Tesla posted all-time high quarterly revenue, but the shares of the electric vehicle maker are on the decline this day, down more than 7 percent on concerns of slimming margins and cybertruck concerns. Still, our next guest is keeping a bullish outlook, raising his price target today from $270 a share to $300. He’s Emmanuel Rosner, Head Auto and Auto Tech Analyst with Deutsche Bank. Emmanuel, welcome. Good to have you with us. I’m always curious about how Wall Street reacts to earnings reports, and here’s one where quarterly revenues were records. They were up 46 percent year over year. Profits beat estimates, and yet, the nitpickers land on this stock in a heavy way. Why?

**EMMANUEL ROSNER, DEUTSCHE BANK:**

Hi, Tyler. Thanks for having me. I would say the quarter itself was fine. It was probably more than fine. The margins were probably a bit better than people expected. I think a lot of investors were hoping for Tesla to say these are the trough margins, this the end of the price cuts, and now things are looking up from here. Tesla did not say that, but we didn’t expect them to say that, either. Tesla’s message is essentially consistent with what they’ve been saying for the last couple of months, which is this is a challenging environment. They will stay nimble with pricing, which essentially means they will react to market conditions, lower prices as appropriate, but what they did demonstrate in the quarter is that they can also cut costs accordingly and essentially manage to keep margins at a fairly solid level. So I think the disappointment from the market came from they’re not telling us clearly these are going to be trough margins. Our view is it’s not necessarily trough margins; they could easily be plateau margins here because prices will probably come down more, but the costs seem to be coming down quite a bit, as well. So it’s certainly a little bit of an overreaction to this, but pricing will be the key discussion for Tesla going forward.

**MATHISEN:**

Other competitors are talking about having to cut prices as well, as I understand it, because their vehicles are not selling as well as anticipated. Tesla does not seem to have that problem. They seem to be selling plenty of vehicles. To your point about prices and costs coming down, did I read in my note that Tesla has on the drawing board a vehicle that will come out in a year or two that is of markedly lower price and still high capability?

**ROSNER:**

That’s exactly right, and that’s really a key piece of our longer term bullish thesis. Tesla, at the same time as it’s essentially optimizing production and maximizing volume of the current generation vehicle, is also working on the next generation vehicle, which will start production most likely late 2024 or early 2025, first in Mexico but then globally. And the goal for this next generation vehicle is essentially to get the cost of goods sold to be half of the current vehicle, essentially being able to bring vehicles that don’t cost $40,000 to make but only cost $20,000 to make. If they’re successful with this, they would essentially be able to sell that in massive volume, grab a tremendous amount of market share, do it in a way where the competition really wouldn’t be able to catch up for a fairly long time, make very affordable electric vehicles, and sell them profitably in very high volumes.

**KELLY EVANS, CNBC:**

Yeah, but we’ve been hearing about this for years. I think there’s no way it’s 2025. We’re already halfway through 2023. What if it’s 2026 or 2027?

**ROSNER:**

Tesla has a pretty established track record with missing deadlines. They’ve actually not committed to 2025. What they are doing though is they’re breaking ground on the Mexican plant where it will start production. In Shanghai, from brick ground to the start of production, it took them 9 months. I don’t necessarily think they’ll repeat that in Mexico, but even if it takes twice as long, we’re talking about something that could easily start production in early 2025. So this seems realistic, but again, could it be pushed out? Absolutely

**MATHISEN:**

Let me give you a couple of tips you’re free to pass on to Elon the next time you see him. I think they need to refresh their line, and I think the truck is a part of that, and this new more affordable thing would be a part of that as well. I own a Tesla. I’ve been transparent about that with everybody. They have so much of the capital of the car invested in the big touchscreen that takes the place of the dashboard. It takes the place of gauges and so forth. I think they need to bring back the speedometer, the gas thing, and put it right in front of the driver’s eyes. I think they rely too much on that touchscreen. I love the touchscreen. It’s great. But I’ve been in other makers’ cars and they did not go quite so heavily into the investment in the touchscreen. I think they need to have something that is more familiar for drivers.

**ROSNER:**

Let me address your first point at the very least in terms of the refresh because we jumped right away to the next gen vehicle, which to your point is in 2025 or maybe later, but before that, there’s likely going to be a Model 3 and Model Y refresh. The Model 3 piece could come as soon as the 4th quarter, starting from China, and the Model Y probably into next year. So they’re very aware of this. And then the cybertruck is a brand new vehicle, a brand new segment for them. This is starting production now and will start really serious production in the 4th quarter of this year, with a delivery event scheduled for this year. So a lot of that freshness you’re looking for, and I think Tesla fully acknowledges, we’ll probably get that in the next 6-9 months, so well before we have to worry about the next gen vehicle. I think the bull thesis is about the next gen vehicle just because of the potential, how much of the market this could grab, and how affordable this could be.

**MATHISEN:**

Alright, I leave my tip with you there. You can share it with anybody. I’ve just shared it with our viewers, but rely a little less on the touchscreen, which is also a driver distraction.

**EVANS:**

Totally.

**MATHISEN:**

You have to look over: “Where’s my speed? How’s my speed going?”. Anyway, Emmanuel, thank you for your insights. We’ll have you back soon. We appreciate it.

**ROSNER:**

Thank you.

**EVANS:**

I always give the side-eye. Maybe not to all of the Teslas because there are so many of them. But every now and then I’ll see a Rivian and I’ll think maybe I’ll just stay away from it.