

Blue Line Capital

Nonfarm Payrolls Review Ahead Of CPI & PPI

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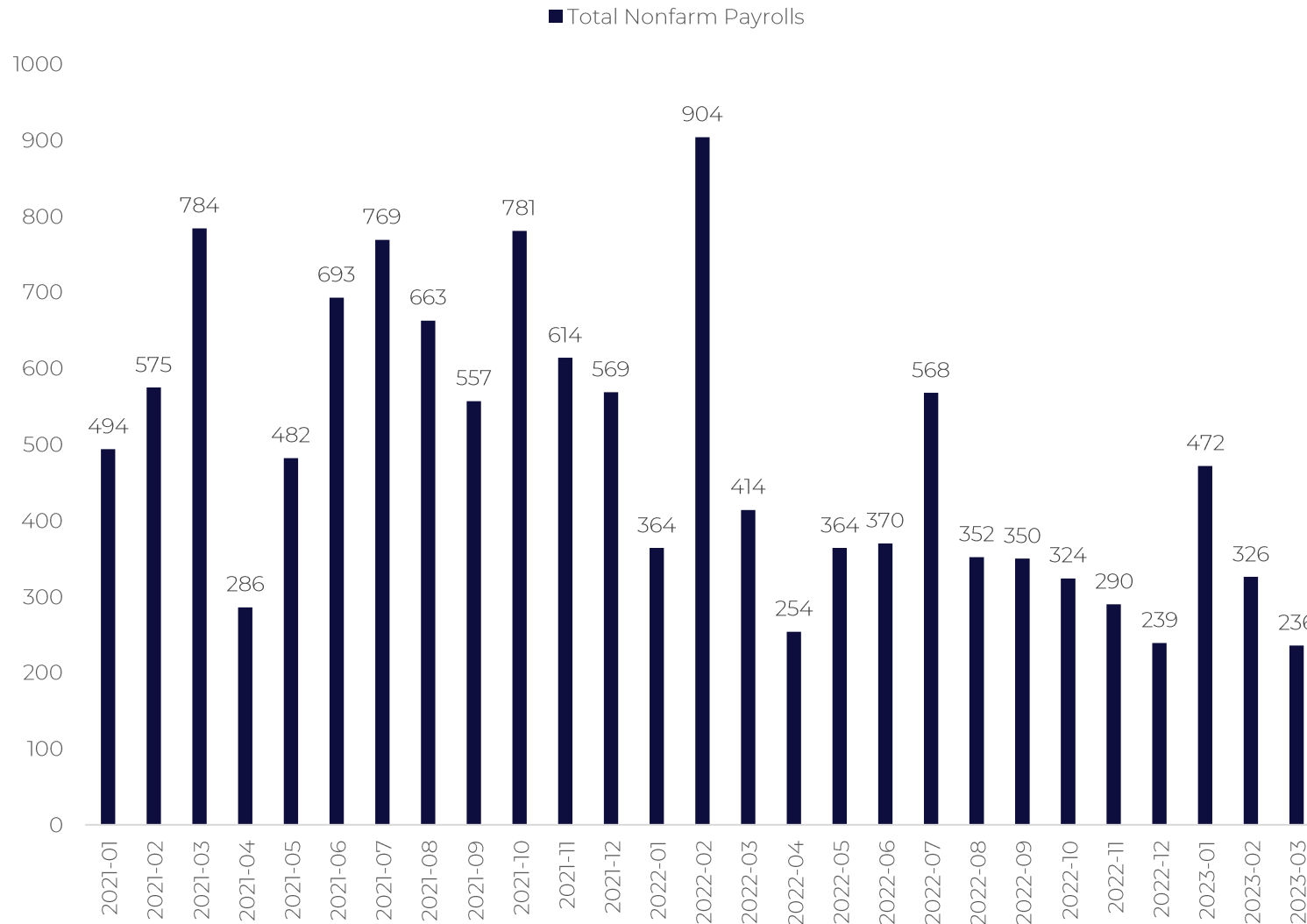
The background is a dark blue gradient with a diagonal split from the bottom right corner to the top right. A vertical streak of light, resembling a rocket launch, runs down the center of the image. The text is white and positioned on the left side.

Macro Dynamics

Nonfarm Payrolls & The Economy

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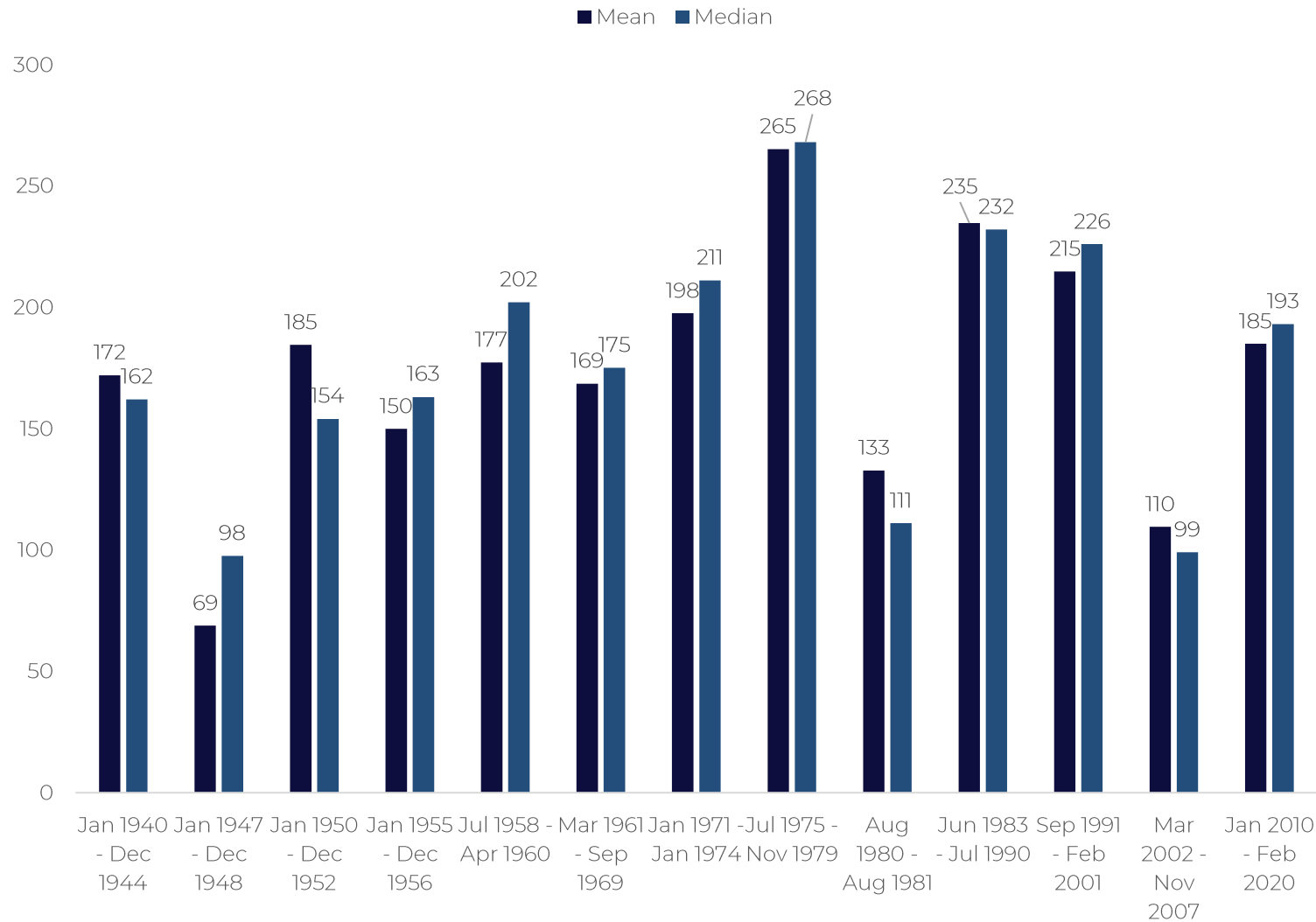
Jobs Growth Remains Above 200k



- The economy continues to add jobs at an above recession rate, last at 236k in March.
 - January has been revised lower from the initial 517k jobs added to 472k, a number that sparked fear among investors.

Sources: FRED, Blue Line Capital, Blue Line Futures

Today's Job Growth Exceeds Prior Expansions

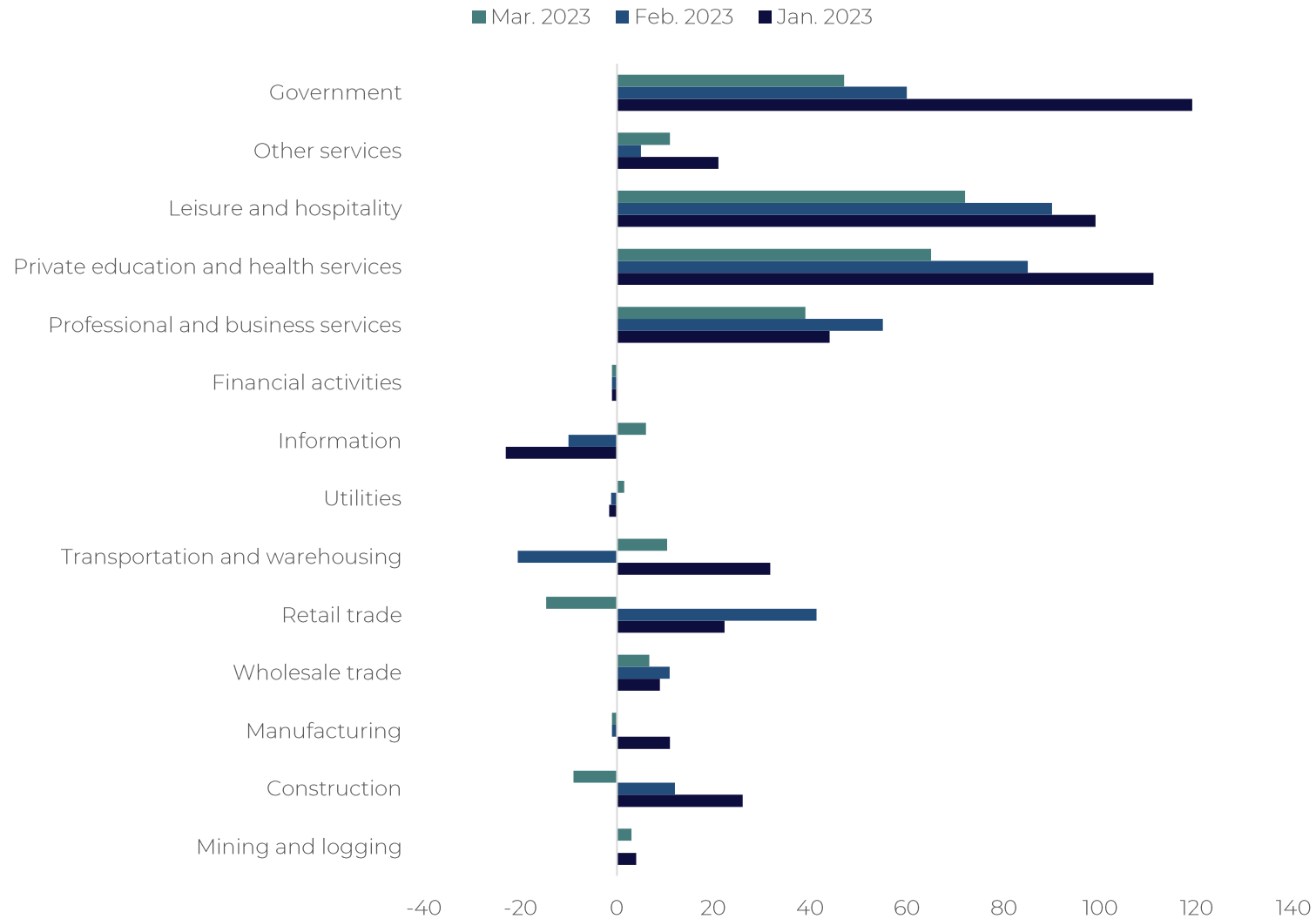


- Despite concerns around the Fed and potential ripple effects from the banking crisis, today's job creation at +236k exceeds the mean and median of prior expansions.

Sources: FRED, Blue Line Capital, Blue Line Futures

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Job Gains By Sector

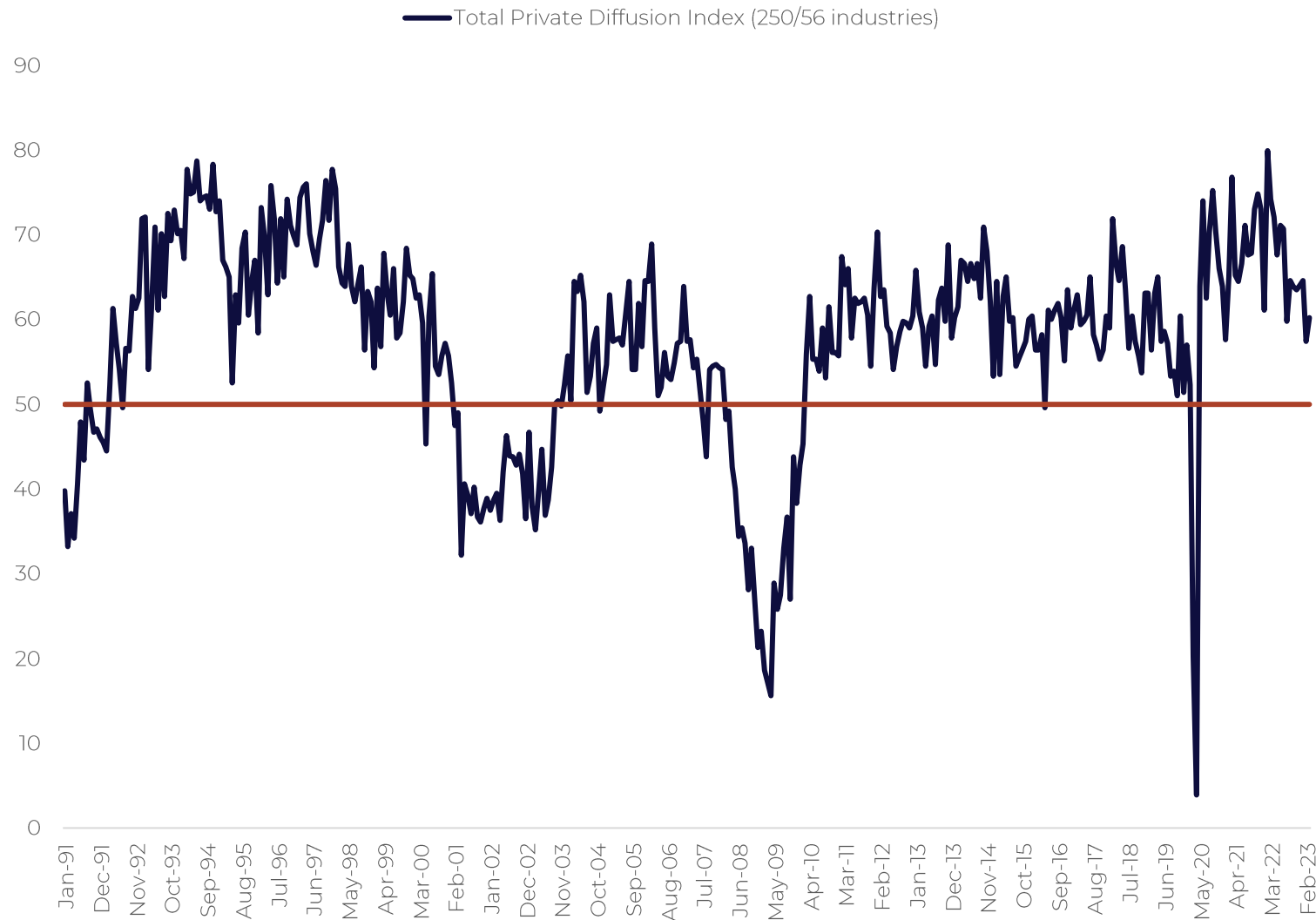


- Job Gains have slowed across the board with construction losing 9k jobs despite high inflation in the sector. After more than 41k jobs added in December, retail showed a loss of 14.6k jobs. Leisure and hospitality has slowed from 99k job additions in January to 72k in March.
- Government job adds followed gains in leisure and hospitality, accounting for 47k additions after 60k in February and 119k in January.

Sources: FRED, Blue Line Capital, Blue Line Futures

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More Industries Are Hiring Than Firing

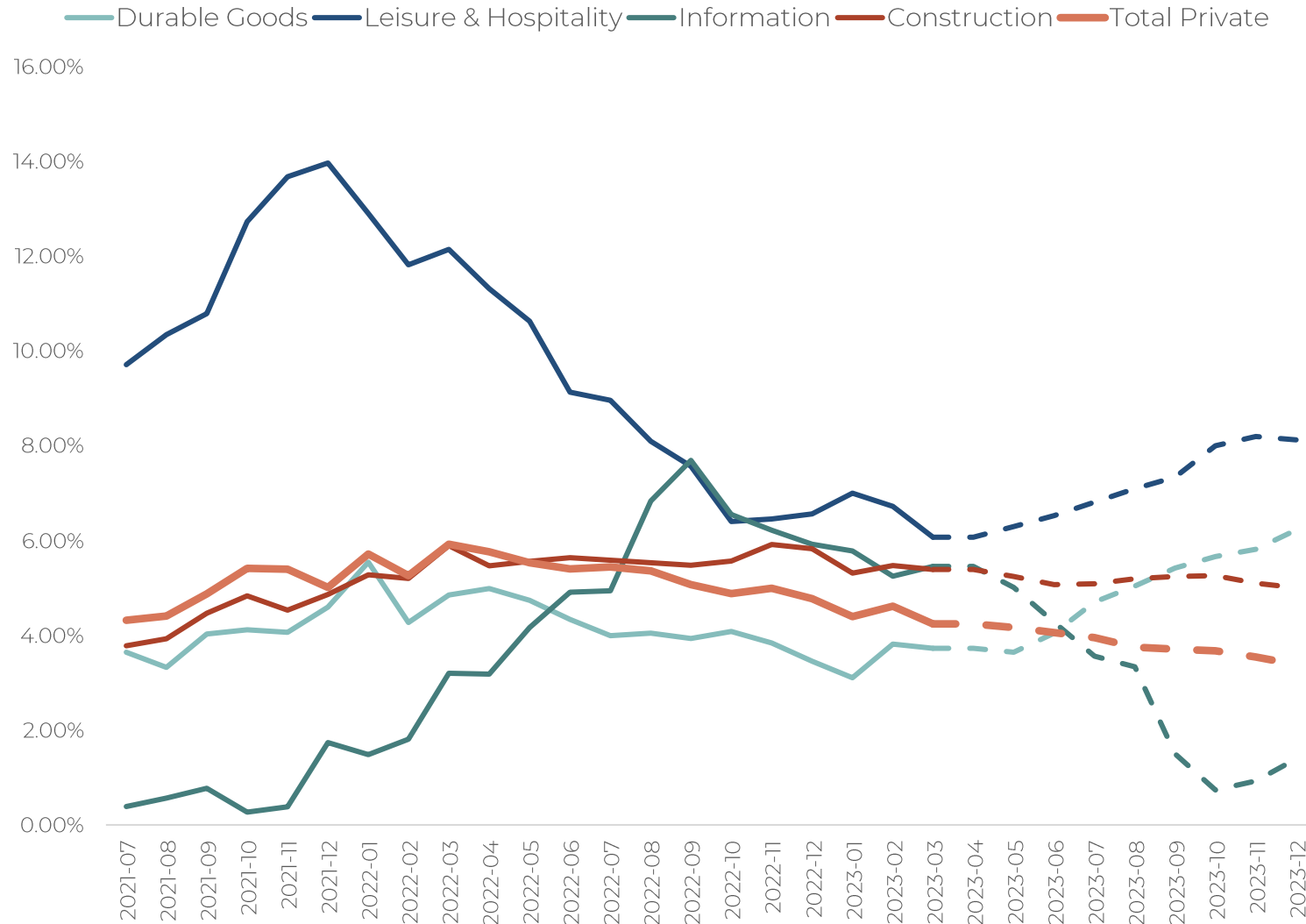


- The number of industries increasing employment exceed the number of industries firing workers.
 - The 50 line indicates equal number of industries increasing vs. decreasing employment.

Sources: BLS, Blue Line Capital, Blue Line Futures

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Current & Projected Y/Y Average Hourly Earnings

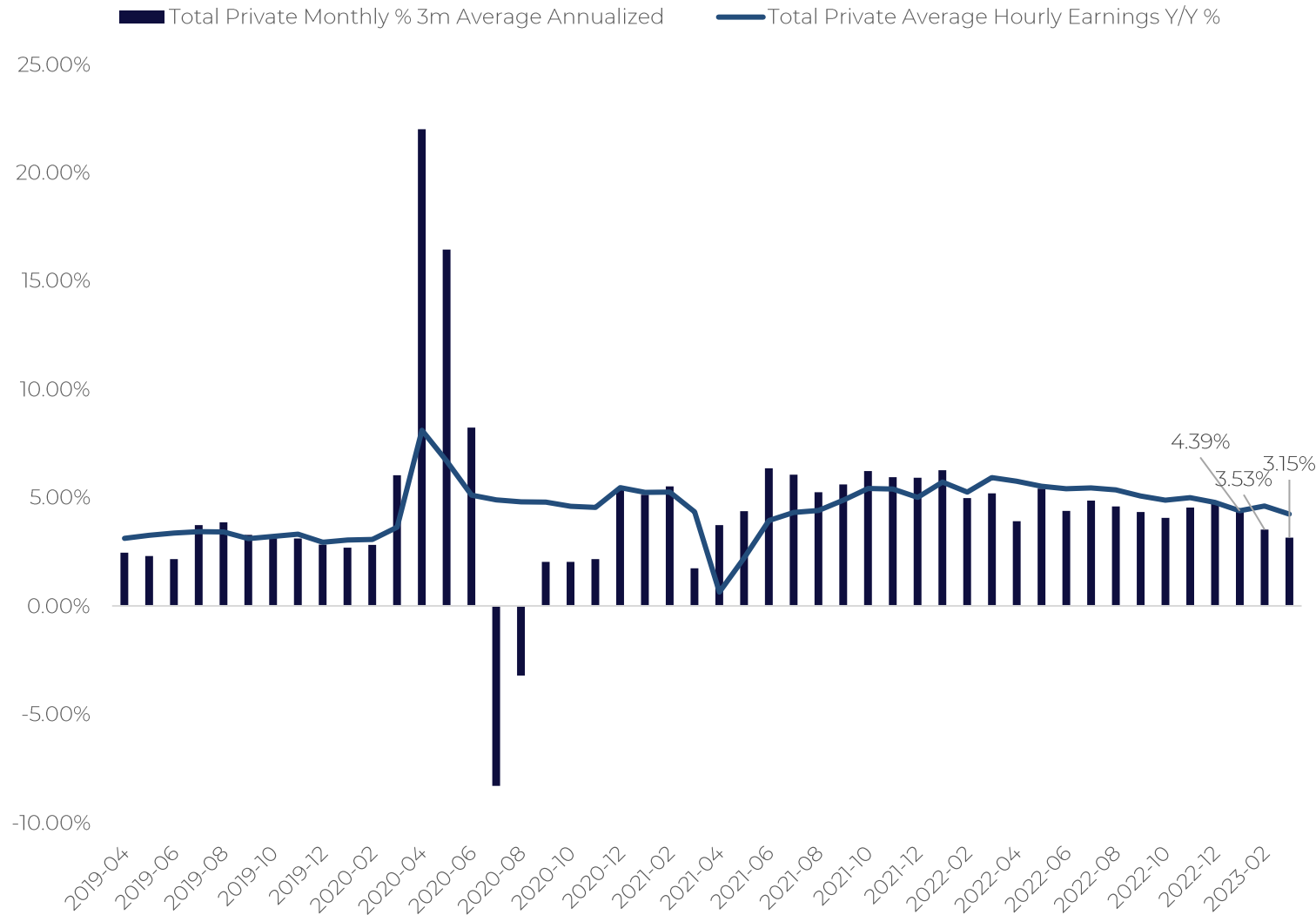


- At last month's rate, average hourly earnings on a yearly comparison are projected to fall to 3.38% by December, consistent with the Fed's inflation target of 2% (2% inflation + ~1% productivity growth = 3%).
- Leisure & Hospitality and Durable Goods accelerated significantly from 0.1% to 0.77% and 0.03% to 0.60%, respectively (Feb. to Mar.)

Sources: FRED, Blue Line Capital, Blue Line Futures

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Total Private Yearly Average Hourly Earnings

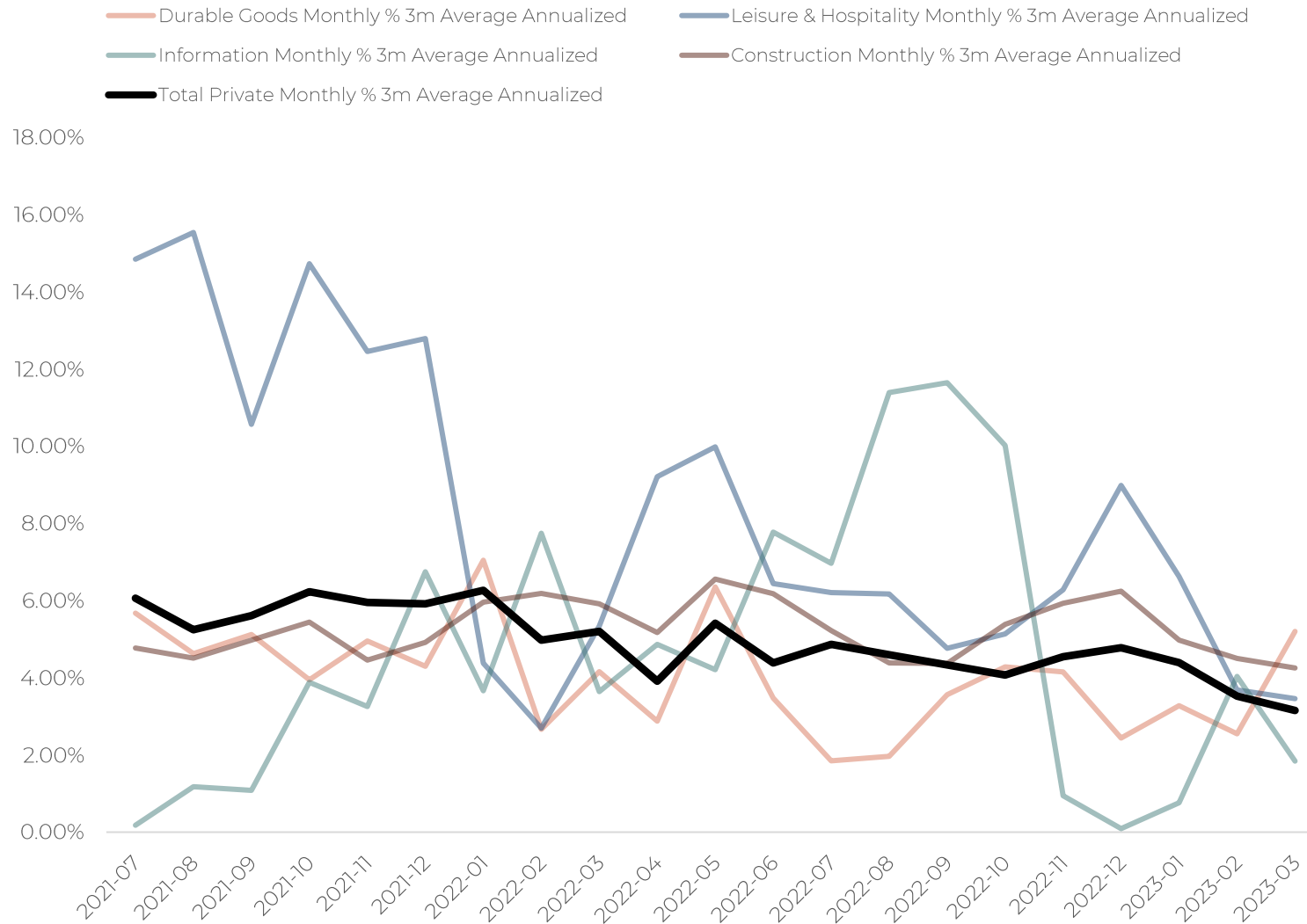


- Total private nonfarm payrolls average hourly earnings have decelerated from 4.6% in Feb. to 4.2% in March Y/Y (after 4.4% in Jan.)
- 3-month average annualized average hourly earnings data has slowed to 3.2%, down from 3.5% in Feb. and 4.4% in Jan.

Sources: FRED, Blue Line Capital, Blue Line Futures

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3-Month Average Annualized Average Hourly Earnings

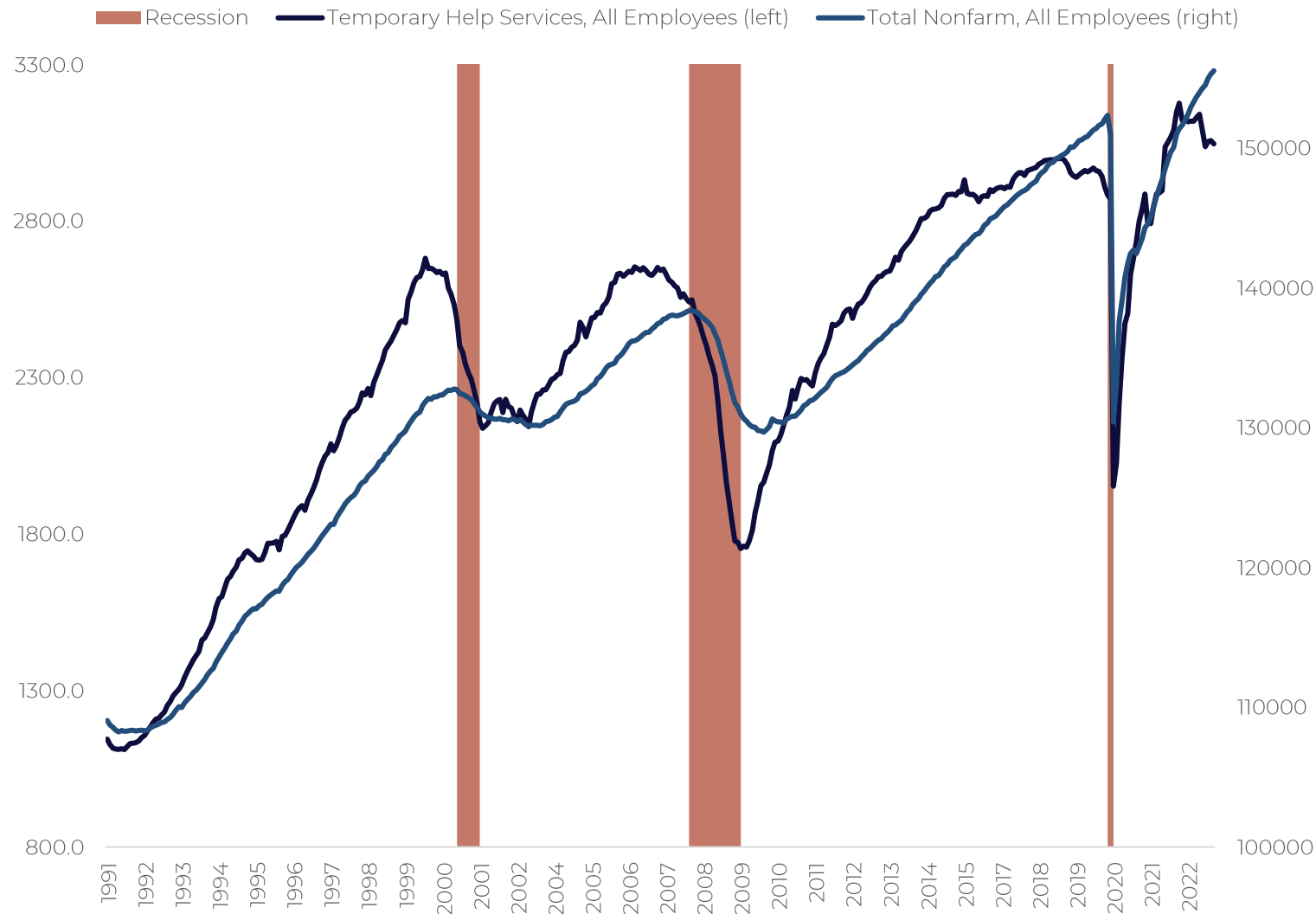


- 3-Month Average Annualized Average Hourly Earnings By Sector: Mar [Feb|Jan.] %
 - Total Private 3.15 [3.53|4.39]
 - Durable Goods 5.20 [2.55|3.28]
 - Leisure & Hospitality 3.46 [3.68|6.63]
 - Information 1.84 [4.04|0.77]
 - Construction 4.25 [4.50|4.97]

Sources: FRED, Blue Line Capital, Blue Line Futures

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Temporary Help Services Lead Aggregate Employment

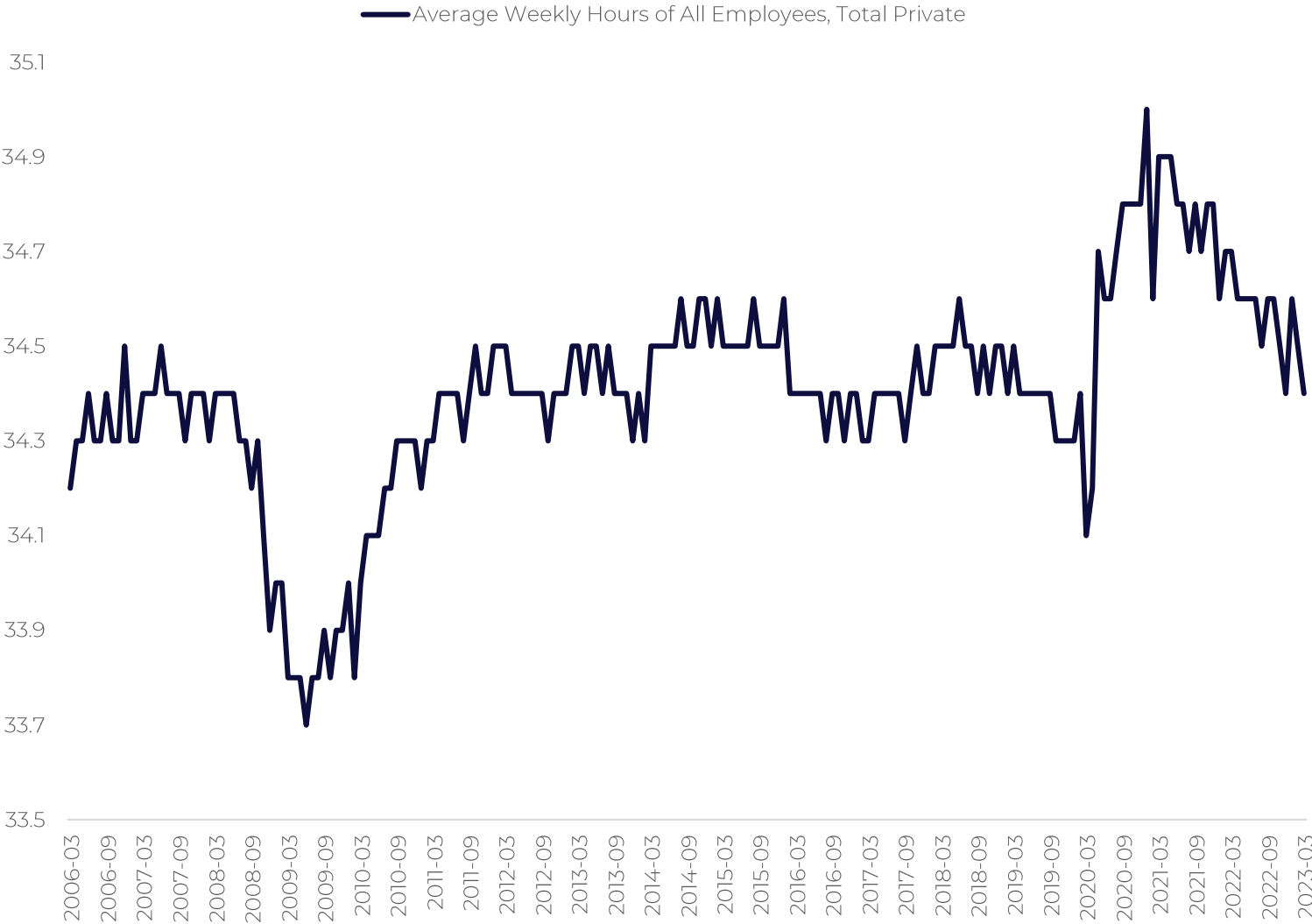


- Temporary help services have declined by ~100k workers since February of 2022.
- During prior recessions, a rollover in temporary help services has led the job market in the aggregate.

Sources: Fred, Blue Line Capital, Blue Line Futures

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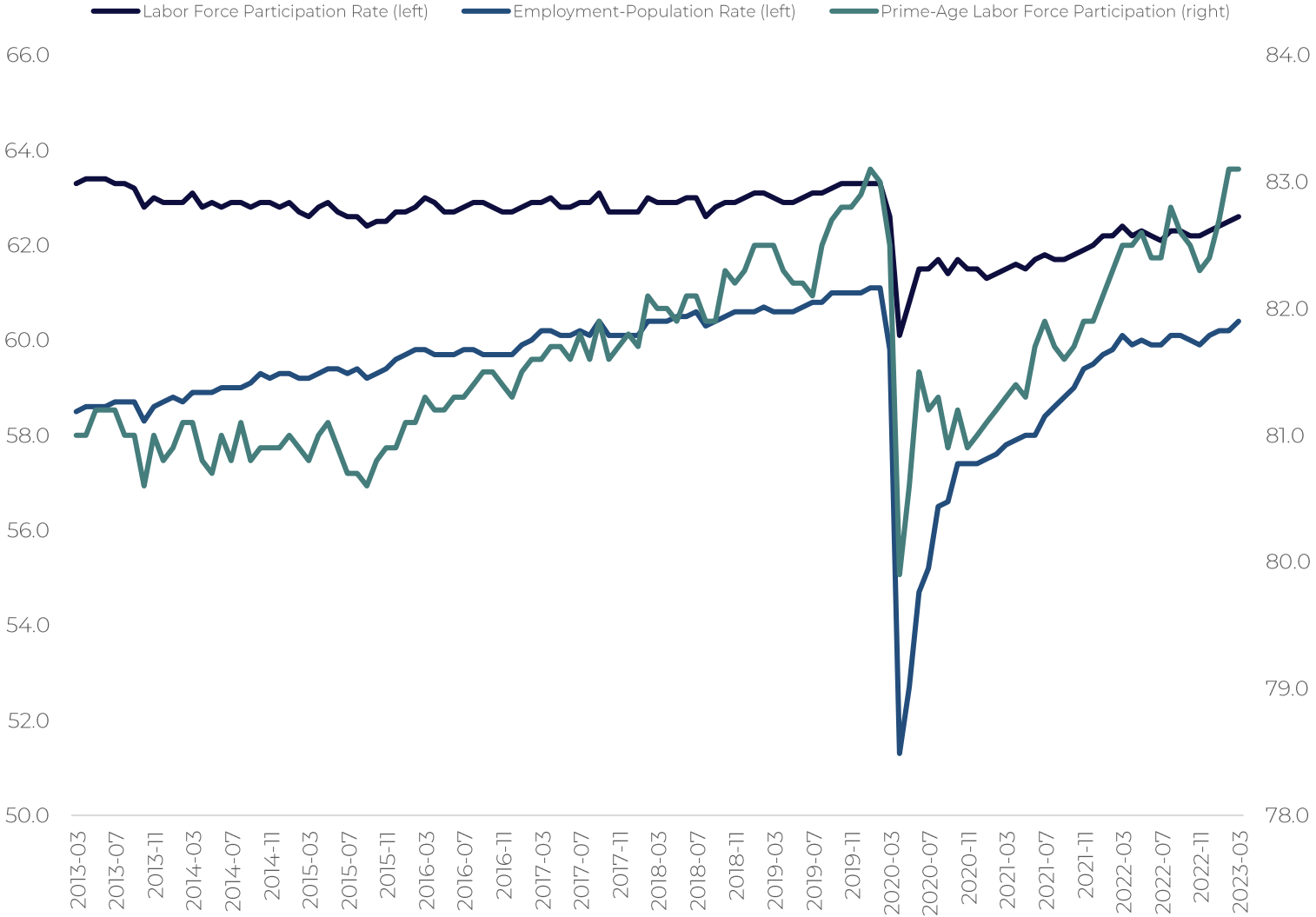
Average Weekly Hours Declining, Indicating Looser Job Market



- Average weekly hours spent on work have declined from 35h/week in January 2021 to 34.4h/week in March.

Sources: Fred, Blue Line Capital, Blue Line Futures

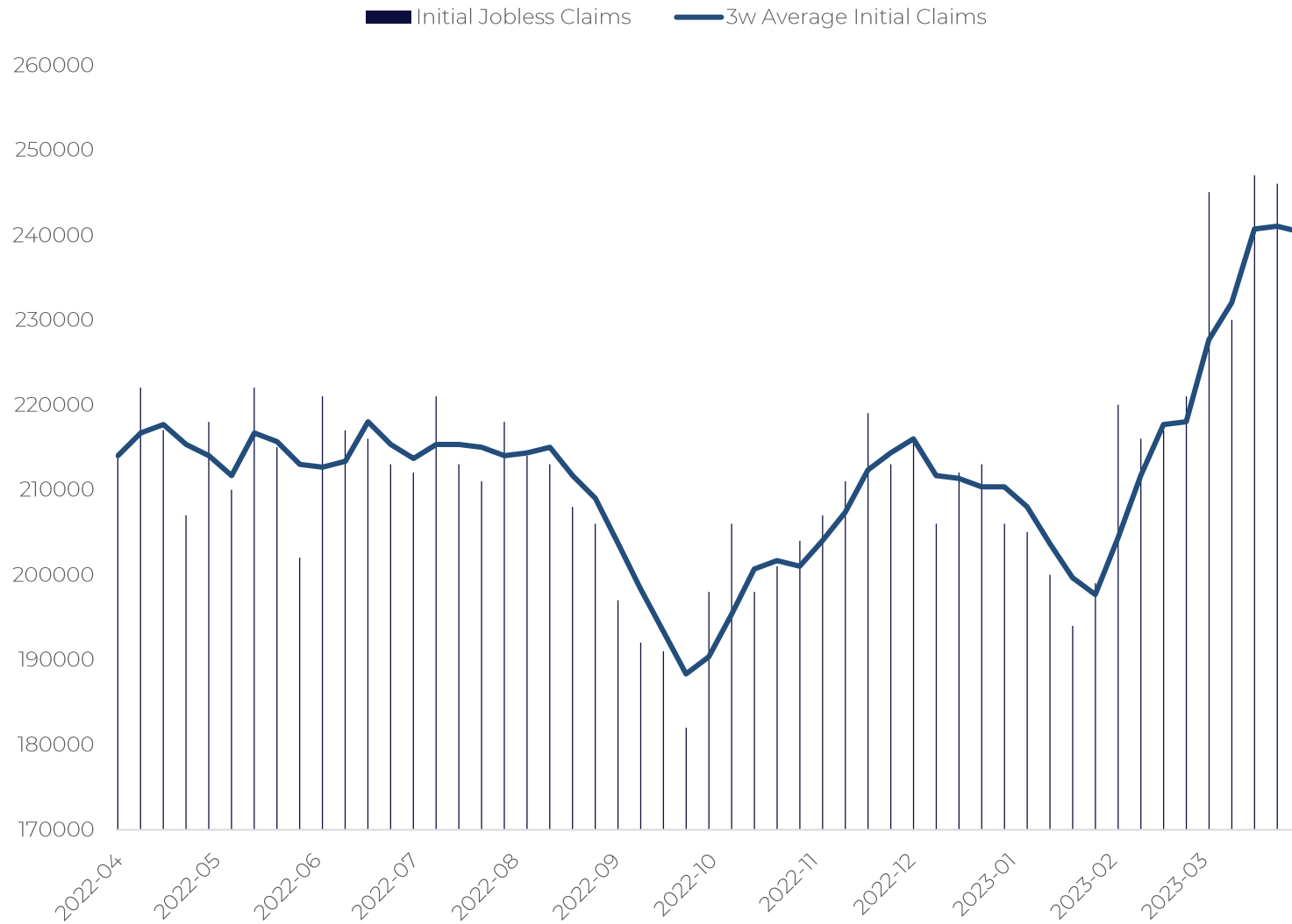
Labor Force Participation



- Labor Force Participation troughed at 61.3% in January of 2021, and now stands at 62.6% (compared to 62.5% in February).
- The Employment To Population Ratio troughed at 57.4% in October of 2020 before climbing back to 60.4% as of March (compared to 60.2% in Feb.)
- Prime-Age Labor Force Participation has now exceeded February 2020 levels, coming in at 83.1% compared to 83% in Feb. 2020.
 - Troughed at 79.9% in April 2020.

Sources: FRED, Blue Line Capital, Blue Line Futures

Initial Jobless Claims Higher But In-Line With Pre-Covid



- The Department of Labor changed its seasonal adjustment of initial claims, resulting in a jump higher of initial claims across the board.
- Unemployment insurance filings ticked down to 228k last week, down from 246k a week prior and 247k the week before (3 week average at 240k).

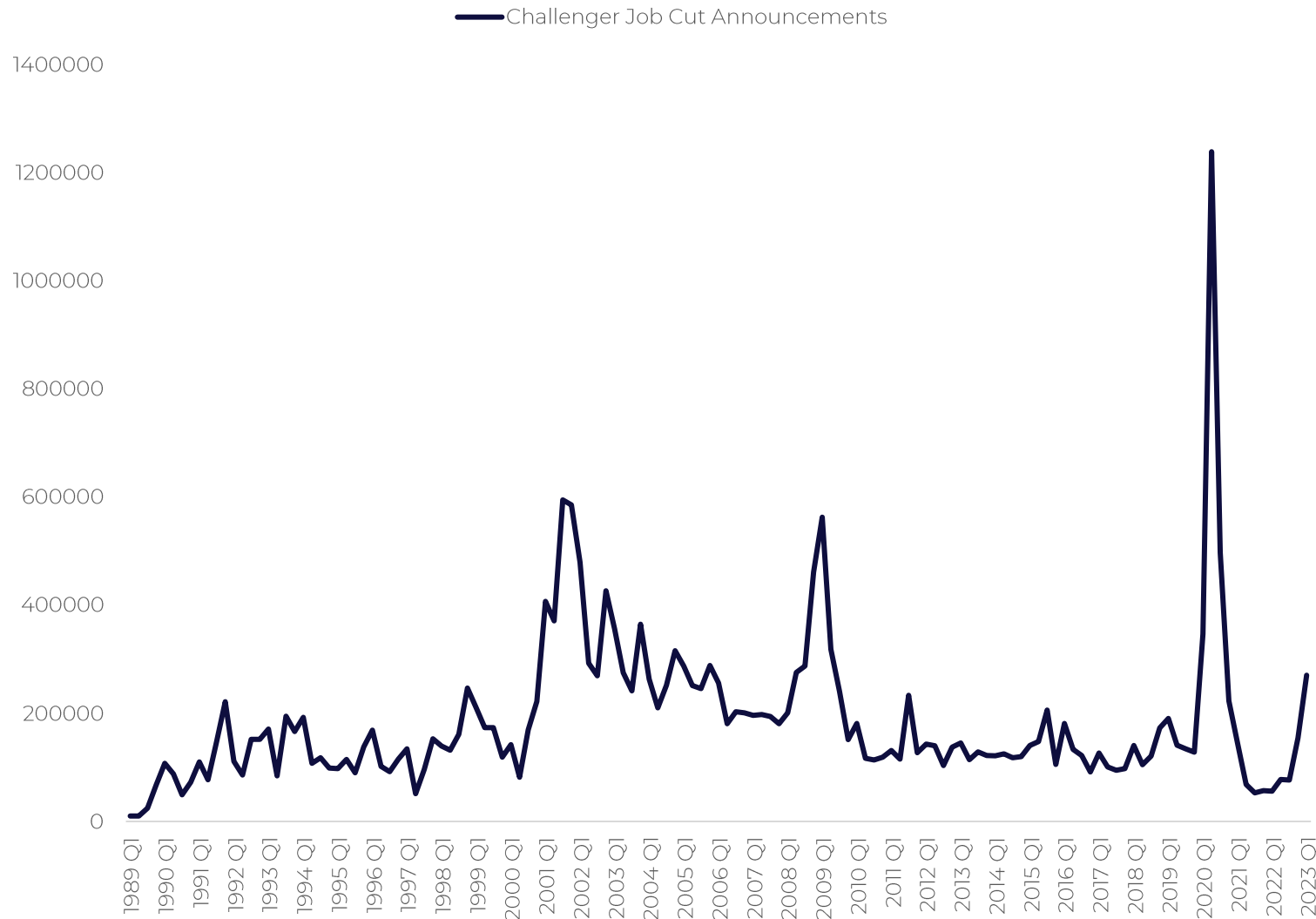
Sources: BLS, Blue Line Capital, Blue Line Futures

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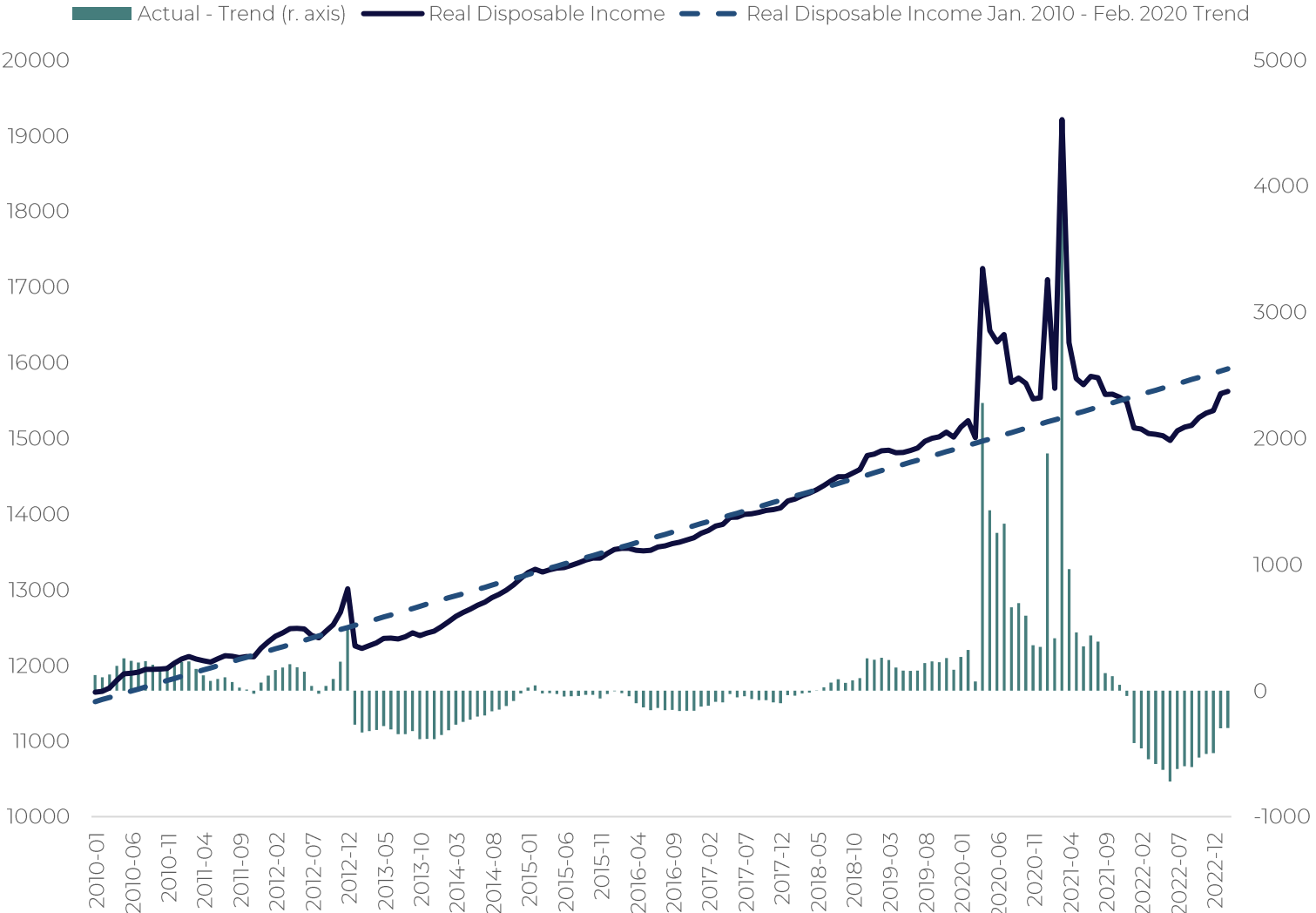
Challenger Job Cut Announcements Spiking In Q1



- Challenger Job Cut Announcements were at the highest level since Q3 2020 in Q1.
- Job cuts come in the face of close to 10 million open jobs still, however (JOLTs).

Sources: Challenger, Gray & Christmas, Blue Line Capital, Blue Line Futures

Real Disposable Is Rising Towards Pre-Covid Trend



- When CPI was at 8.9% in June '22, the gap between pre-Covid trend real disposable income and actual widened to \$720bn. As of February, the gap has closed to \$297bn.

Sources: Fred, Blue Line Capital, Blue Line Futures

Equity Trends Research



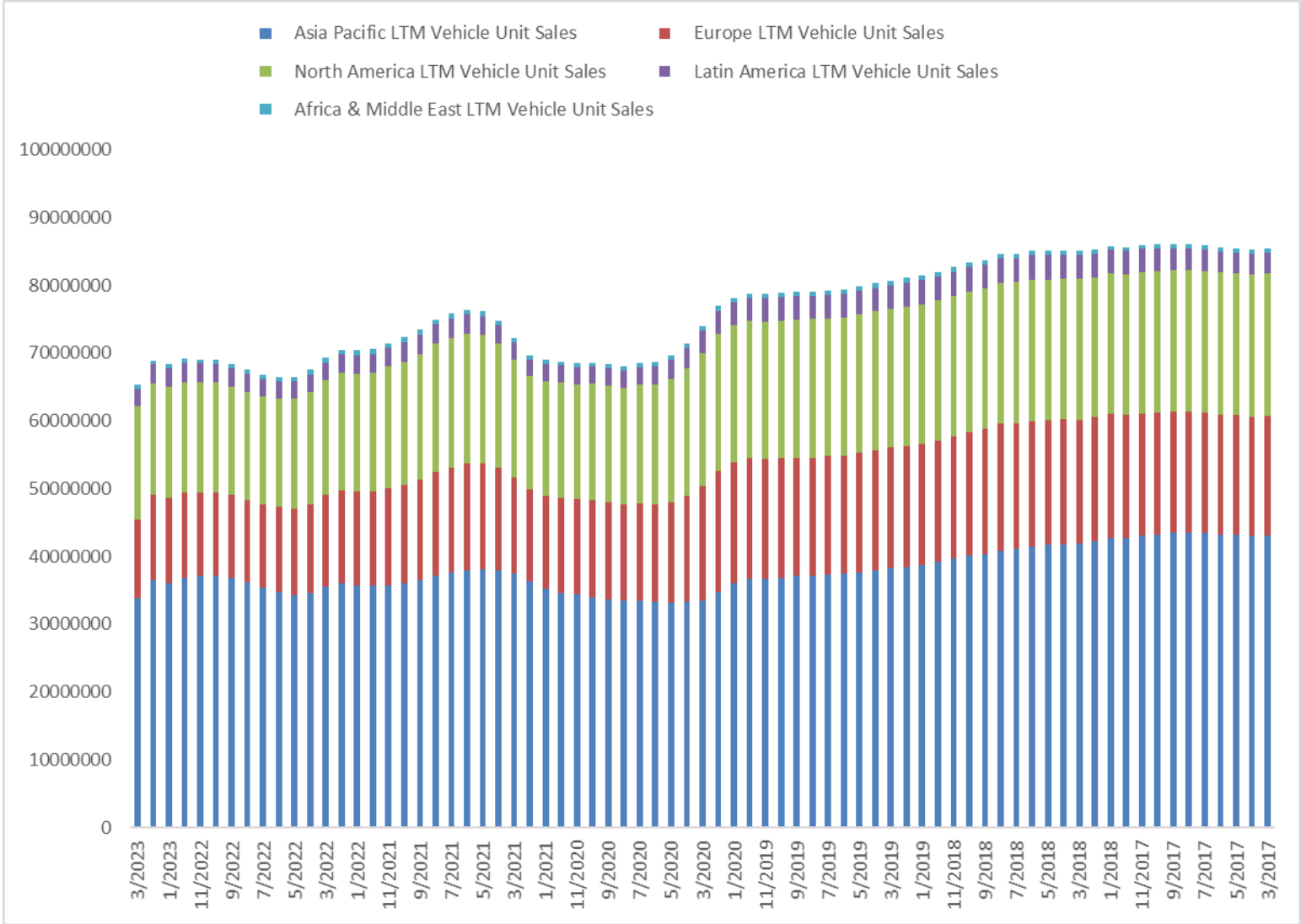
Ford

General Motors

Tesla

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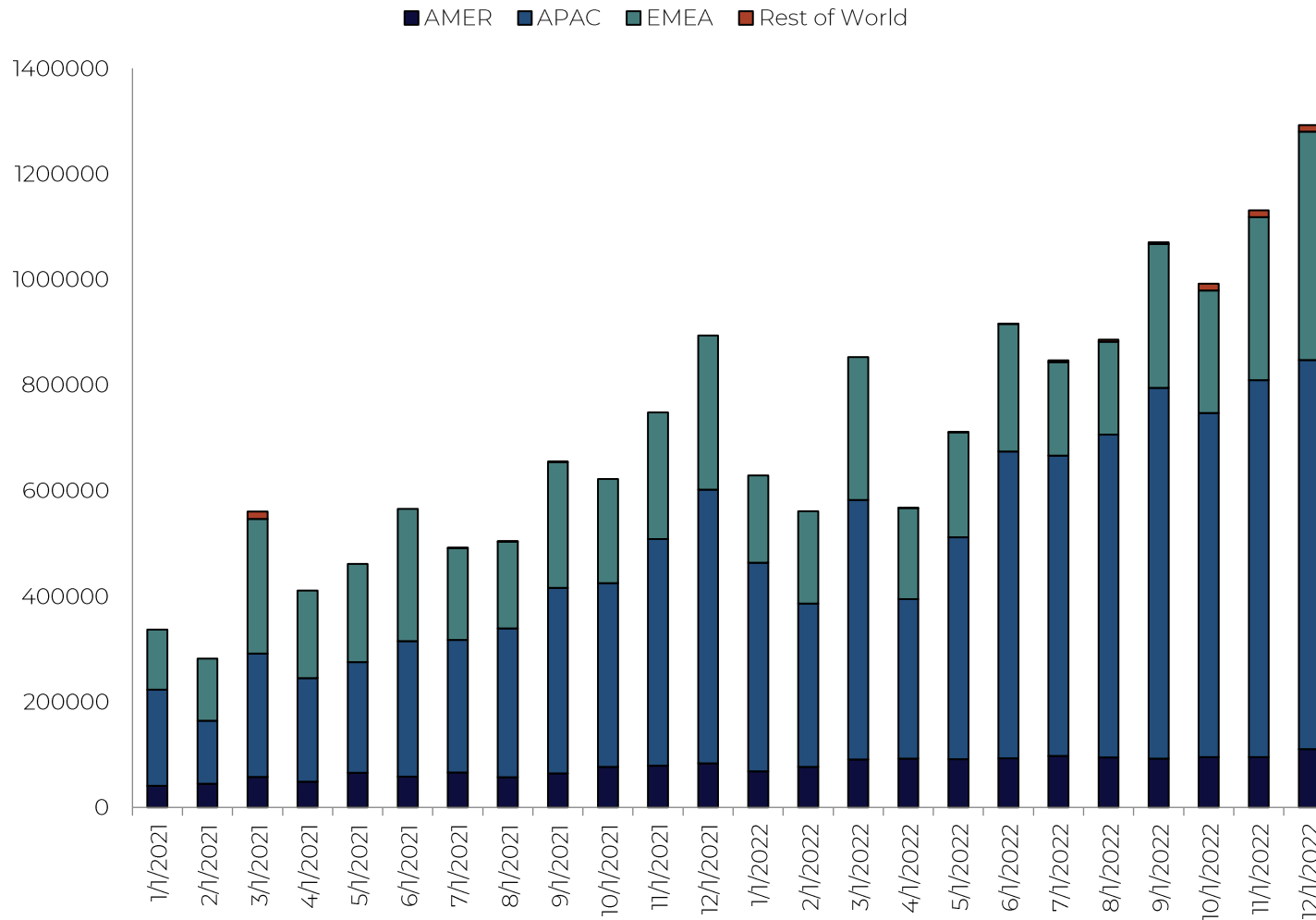
Global Vehicle Run-Rate Of 65m Vehicles



- Global vehicle sales run-rate down to 65m vehicles/year, from what was a 85m vehicle market back in 2017

Sources: Bloomberg, Blue Line Capital, Blue Line Futures

Global EV Sales

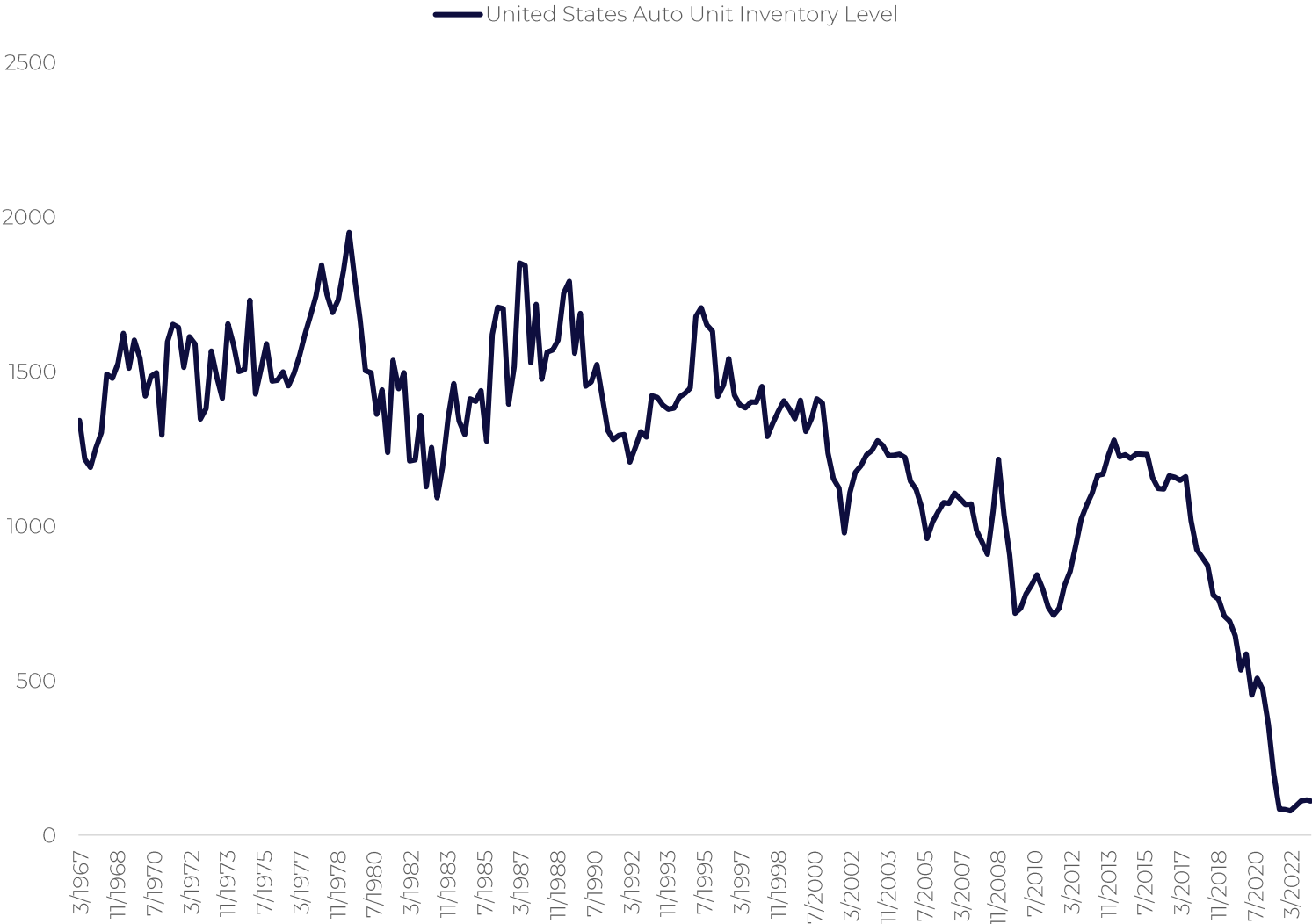


- Monthly global EV sales have grown by ~45% since the end of 2021. More than 1.2m EVs sold in December 2022 (~14% market share during all of 2022).
- Dec. 2021 – Dec. 2022 Growth Rates
 - AMER growth of 32% from
 - APAC growth of 42%, but leading on a volume basis
 - EMEA growth of 48%
- EVs gained 14% market share in 2022, compared to 9% in 2021.

Sources: Bloomberg, Blue Line Capital, Blue Line Futures

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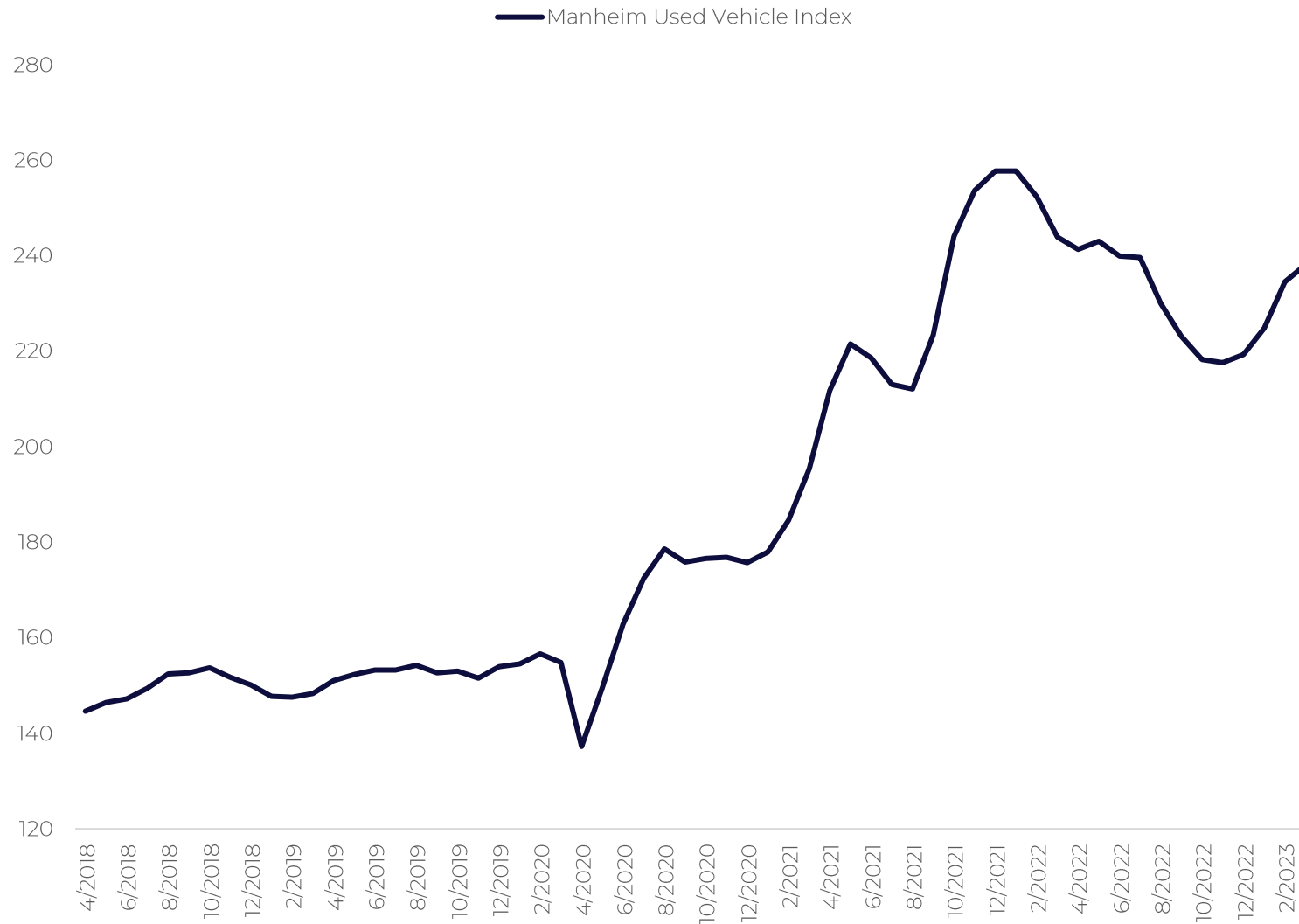
Domestic Auto Inventories At Record Lows



- While domestic auto inventories are at record lows, inventory levels at auto-manufacturers have steadily climbed higher, indicating that there's a mismatch between finished and intermediate-stage vehicles.

Sources: Fred, Blue Line Capital, Blue Line Futures

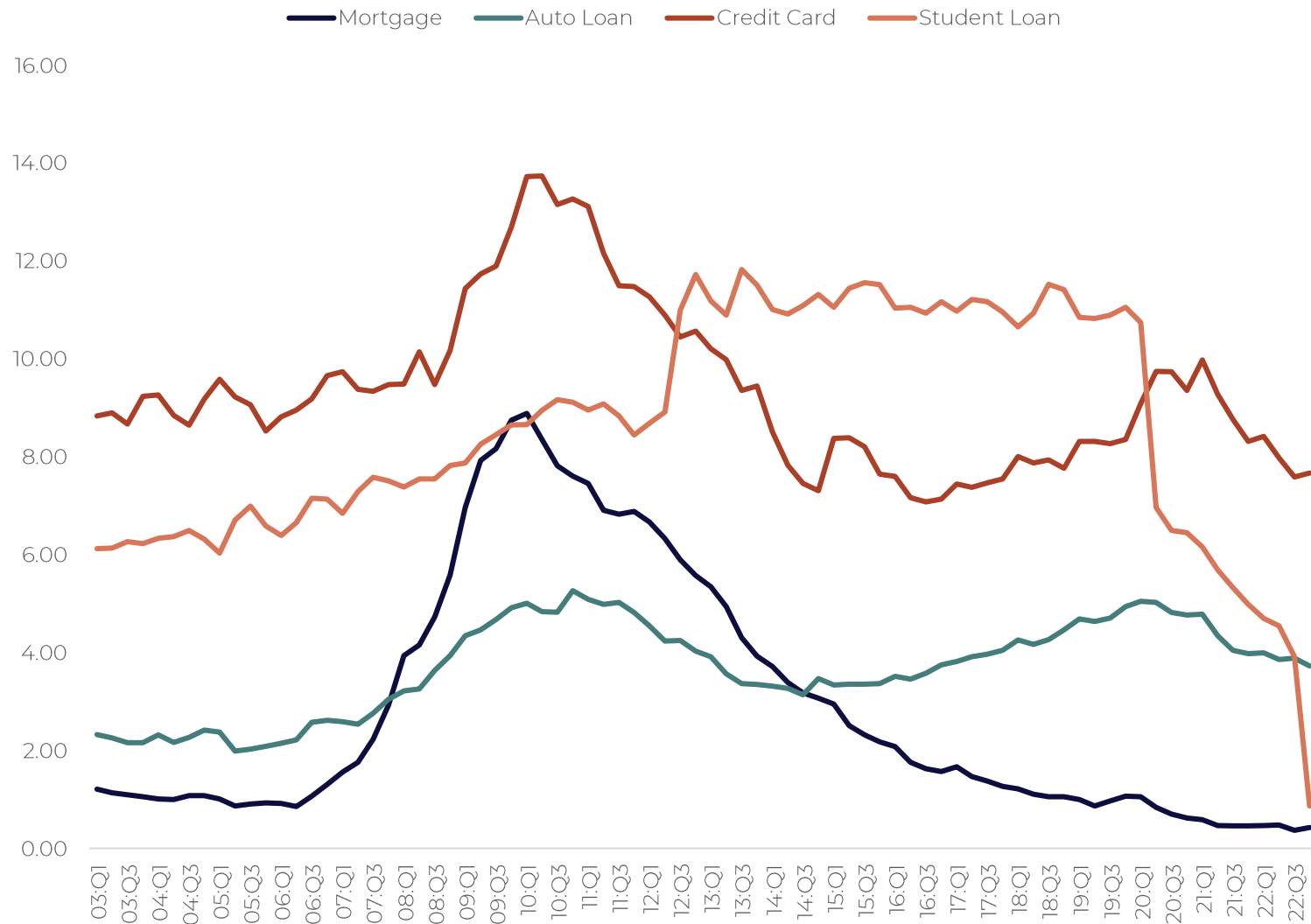
Manheim Used Vehicle Index



- Semiconductor shortages led to a lack of new vehicles on the market, coupled with consumers that were flushed with cash.
- Used car prices are down 2.4% Y/Y, although that's an acceleration from down 14.9% in December.
 - Monthly price changes have accelerated higher.

Sources: Manheim, Blue Line Capital, Blue Line Futures

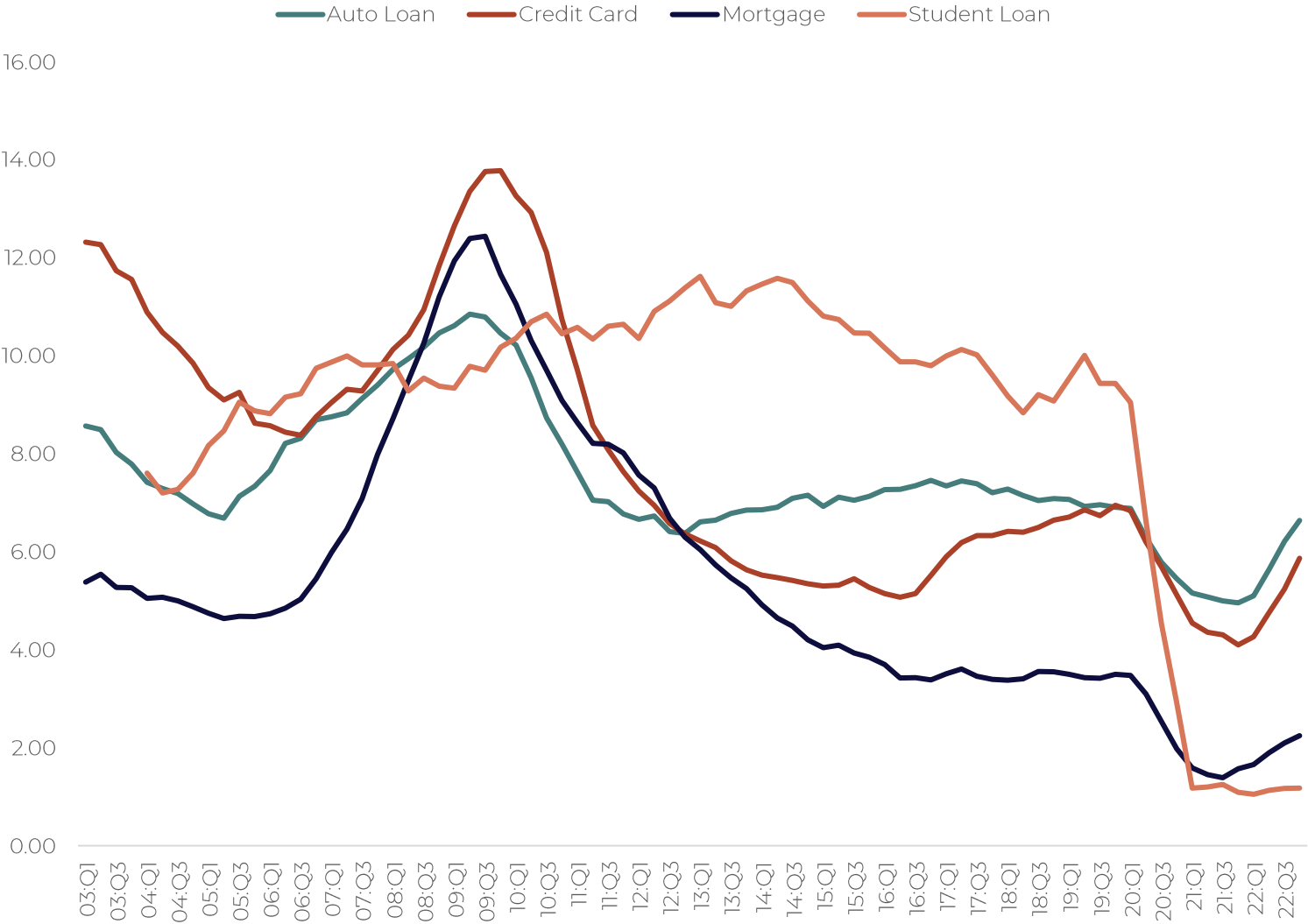
90d+ Auto Loan Delinquency At Low Levels



- Delinquency rates across the board have been at extraordinarily low levels throughout the Covid period.

Sources: NY Fed, Blue Line Capital, Blue Line Futures

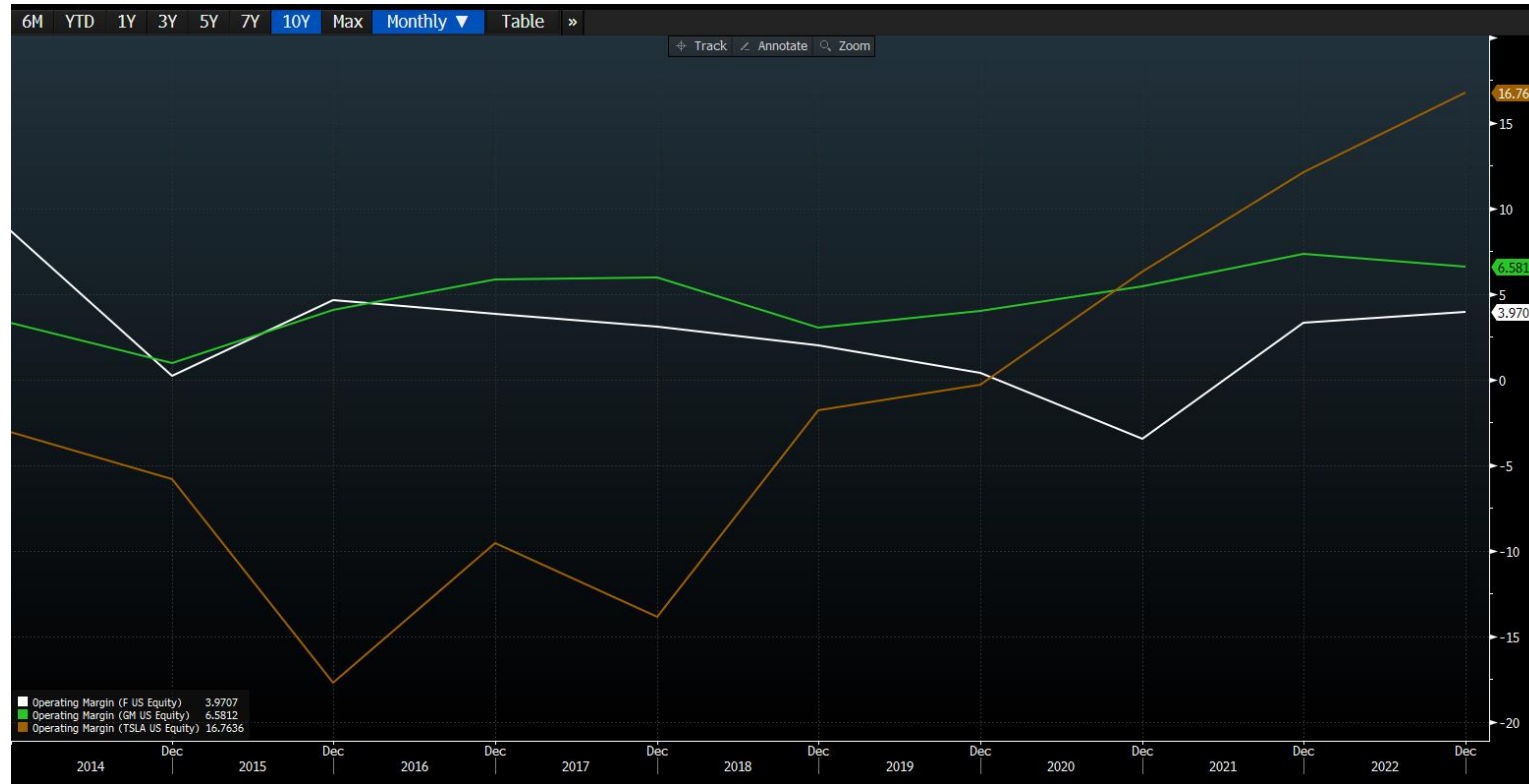
Transition into 30d+ Auto Loan Delinquency Rising



- Transition into 30d+ delinquency has seen an uptick in the back half of 2022, expected to rise further as rates go up.
- Real disposable income gains should dampen some of the negative effects from a slower economy

Sources: NY Fed, Blue Line Capital, Blue Line Futures

Tesla's Operational Excellence Reflected In Operating Margins



- Tesla's operating margins have climbed from ~-15% in 2015 To +16.8% In 2022
- Ford's operating margin has stagnated around 4% over the same time frame
- General Motors has been able to improve from low single-digits to 6.6%

Sources: Bloomberg, Blue Line Capital, Blue Line Futures

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Vehicles Sold Divergence



- Tesla is only capturing 1.3m vehicles in a global market of 65-70 million cars
 - The company outlined a goal of 1.8m – 2m vehicles in 2023
- Ford vehicles sold have declined from ~6m cars in 2017 to 4.2m cars in 2022.
- General Motors vehicles sold have declined from ~10m in 2016 to 5.9m vehicles in 2022.

Sources: Bloomberg, Blue Line Capital, Blue Line Futures

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Growth Comes At A Cost



Sources: Bloomberg, Blue Line Capital, Blue Line Futures

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Ford

An EV Transition That Began With
The F-150 Lightning



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Ford Earnings Highlights & Stock Performance

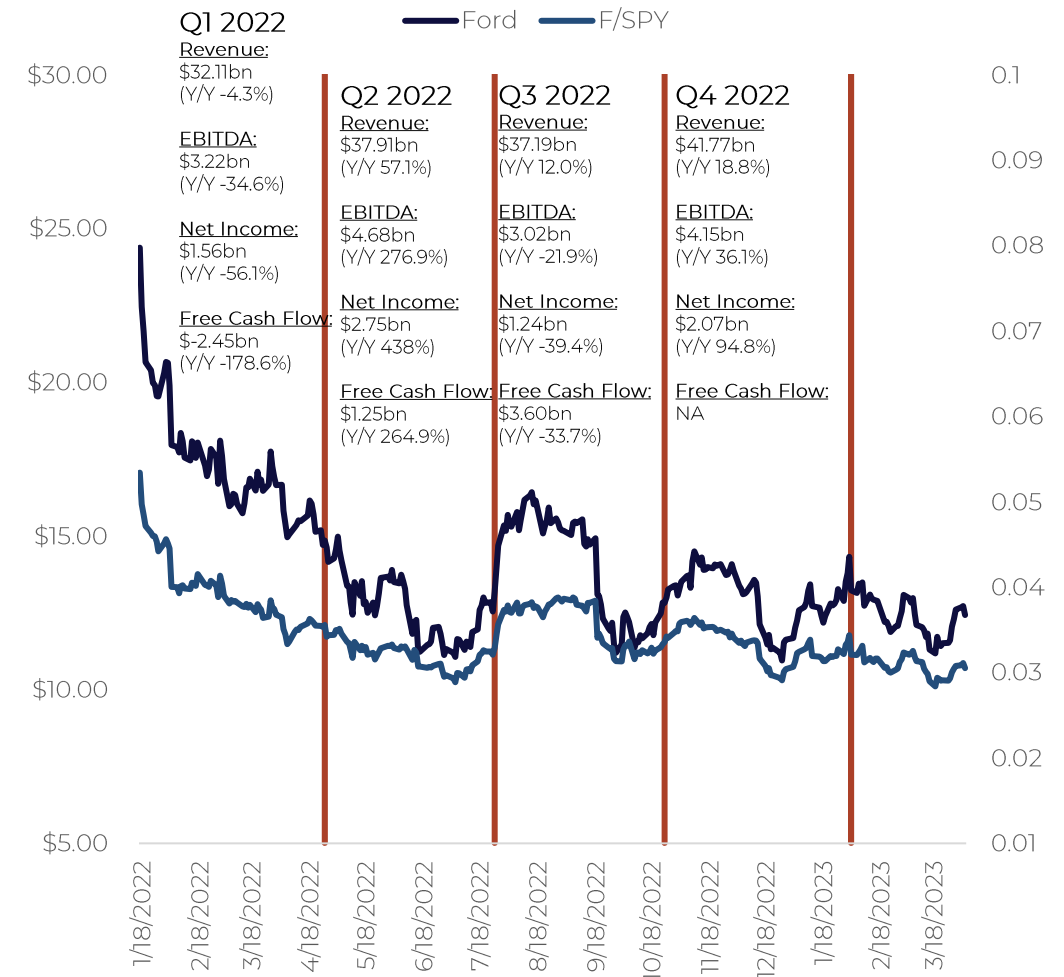
Management Commentary From Q4 2022 Earnings Call

- 2-Fold EV and Autonomous Transition:** 1.) Completely overhaul our industrial system, product development, manufacturing and supply chain management to deliver better cost and quality. 2.) The growth part is going better than I imagined. At this point in our journey, I did not expect to be #2 in EV sales in the U.S. I didn't know that Lightning would be completely sold out. And I didn't predict that BlueCruise would be the best hands-free autonomous system in the market, or the Ford Pro software sales would be growing off the charts.
- E-Transit Van:** E-Transit is already America's top-selling electric van, with 73% market share. 60% of all of our U.S. fleet managers plan to add an electric vehicle within the next 2 years to their fleet. And that's even before the \$7,500 IRA tax credit that was announced and applied irregardless of the location and raw materials of batteries.
- F-150 and EV Customers:** More than 60% of our Model E customers are new to Ford. The F-150 Lightning has been America's best-selling electric pickup since launch. We remain on track to reach our annualized EV production capacity of 50,000 units per month or 600,000 units globally by the end of this year.
- Ford Pro:** Ford Pro's high-margin software business will continue to grow, especially software for fleet management, telematics and charging. Last year, these subscriptions for software grew over 70%, reflecting new software offerings, better platform for our software and contracts and growth in fleet charging attach rates, which are close to 50% now.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	7.6	0.32	11.04	10.44	NA
TTM	-24.98	0.31	69.85	11.14	1.14
*Levered FCF					

Sources: Ford IR, TIKR, Blue Line Capital

Quarterly Data



Significant Ford Revenue Estimates Decline



Sources: Bloomberg, Blue Line Capital, Blue Line Futures

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Blue Line Capital maintains no position in Ford.

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Significant Ford EPS Estimates Decline



Sources: Bloomberg, Blue Line Capital, Blue Line Futures

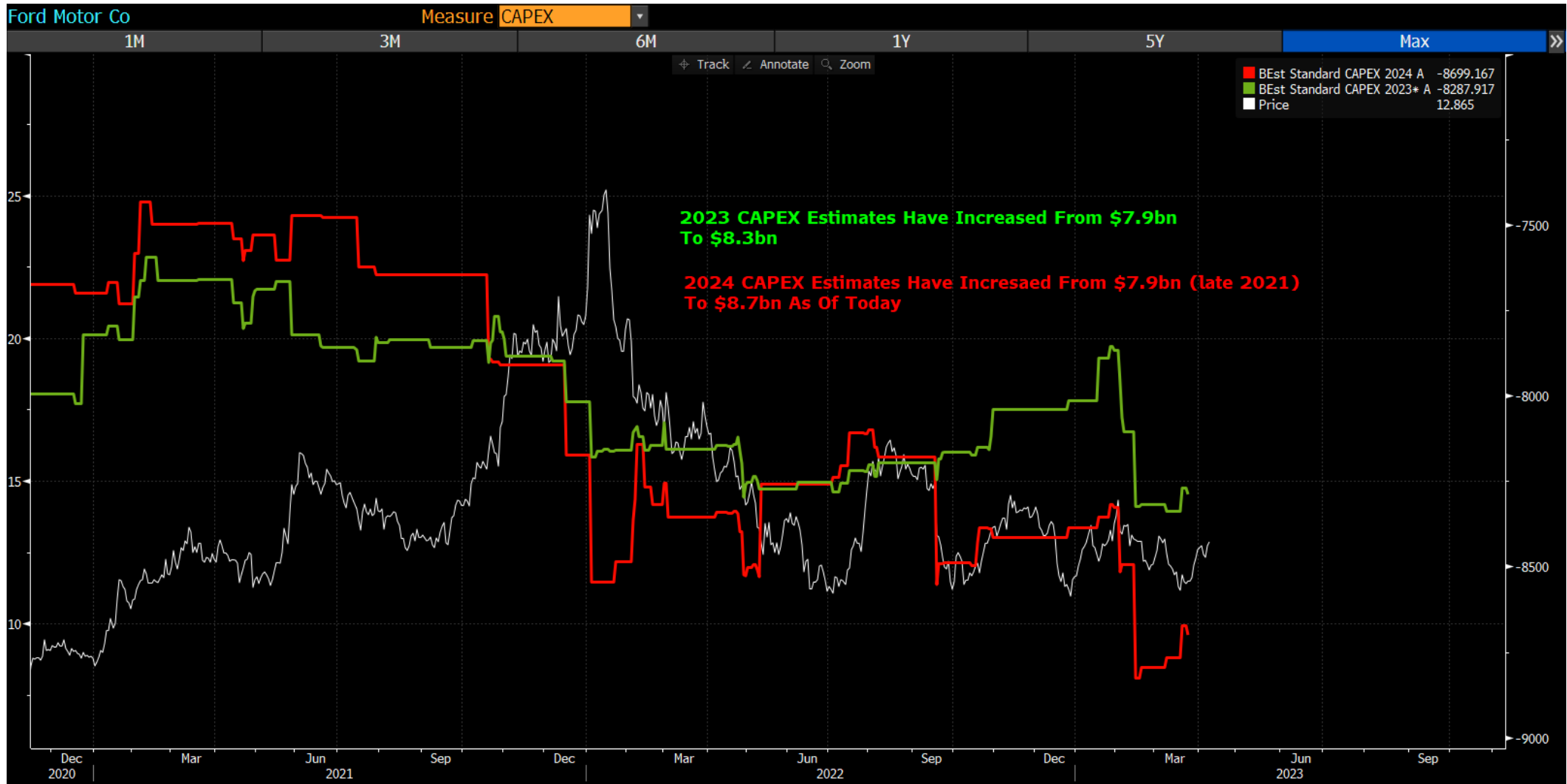
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Blue Line Capital maintains no position in Ford.

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Ford CAPEX Estimates Rising For 2023 & 2024



Sources: Bloomberg, Blue Line Capital, Blue Line Futures

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Blue Line Capital maintains no position in Ford.

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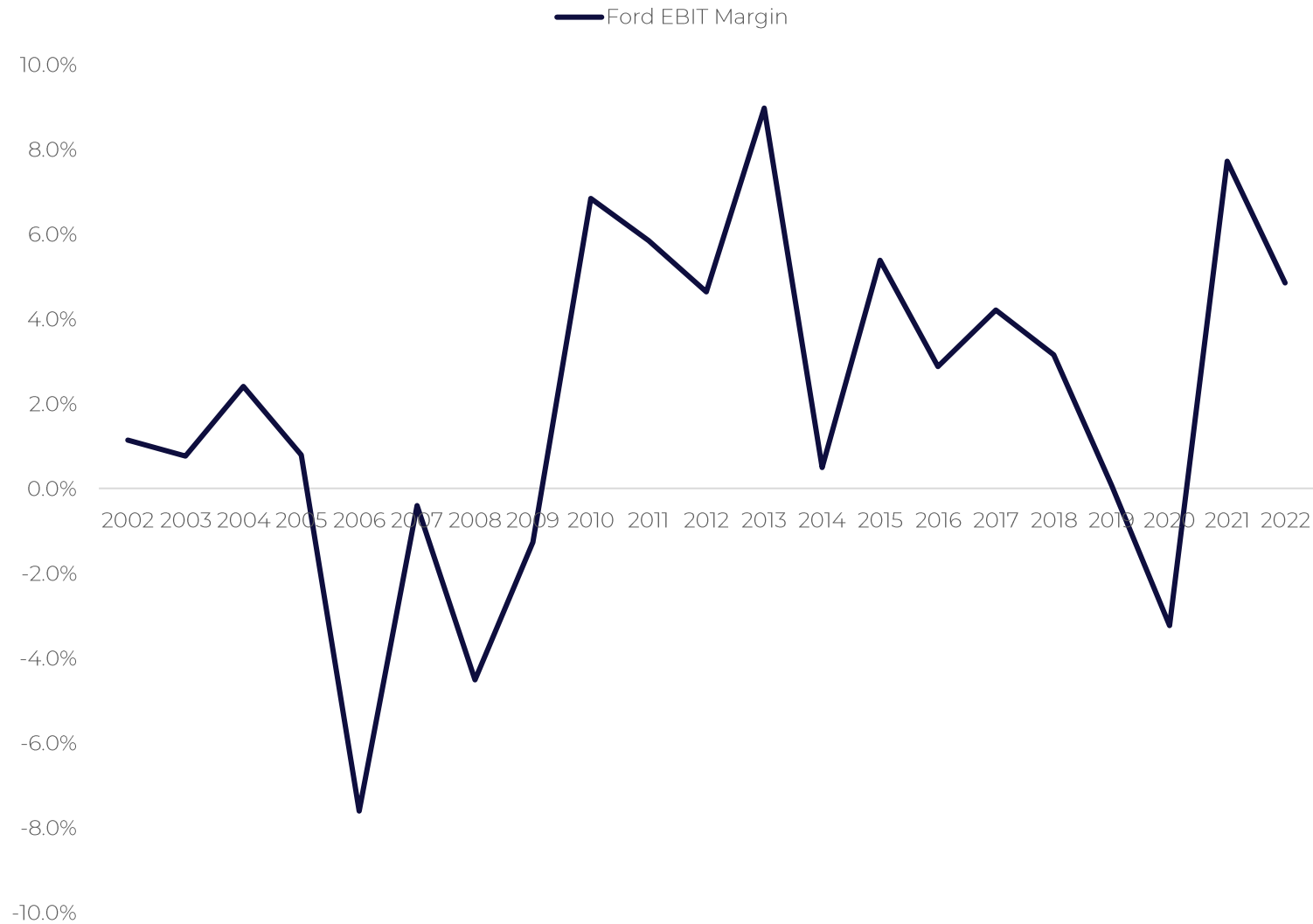
Ford Inventory – Sales Ratio



- A rising inventory – sales ratio indicates that there will be pricing pressure.

Sources: Capital IQ, Blue Line Capital, Blue Line Futures

Ford EBIT Margin



- Funding for Ford's 600,000 EV production run-rate by year-end will have to come from somewhere (2,000,000 units goal by 2026).
 - Operating margin will be crucial in the process (funding from ICEs)

Sources: Capital IQ, Blue Line Capital, Blue Line Futures

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Blue Line Capital maintains no position in Ford.

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Ford Expectations & Returns

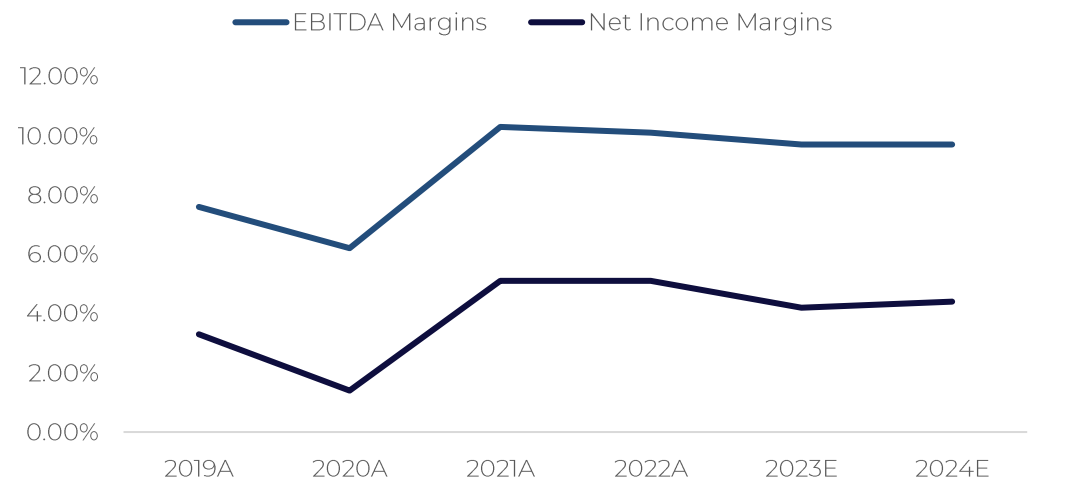
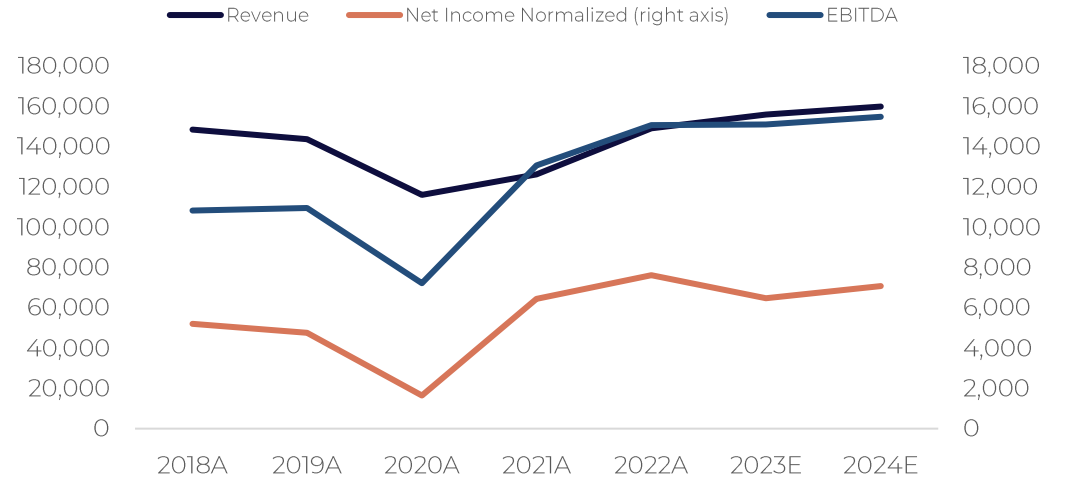
Return Ratios Compared To 2019

Margins and return on capital have improved since 2019 as the company's solvency position has become more robust.

		LTM	2019
Return Ratios	RoA	1.90%	0.00%
	RoC	4.20%	0.10%
	RoE	-4.70%	0.20%
Margins	Gross Profit Margin	10.90%	8.30%
	EBITDA Margin	8.90%	5.50%
	Net Income Margin	-1.30%	0.00%
	Levered Free Cash Flow Margin	0.40%	2.20%
Asset Turnover	Asset Turnover	0.62	0.6
	Fixed Asset Turnover	4.07	4.03
	Receivables Turnover	18.7	14.06
	Working Capital Turnover	8.06	9.8
Solvency	Total Debt/Equity	325.40%	471.60%
	Total Debt/Capital	76.20%	82.30%
	EBITDA/Interest Expense	11.42	8.68
	(EBITDA - Capex)/Interest Expense	6.07	1.41

Sources: Ford IR, TIKR, Blue Line Capital

Revenue and Net Income Estimates



Ford Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Ford (F)	10.44	7.6	1%	3%	10%
General Motors (GM)	6.64	5.63	0%	3%	13%
Tesla (TSLA)	28.17	46.31	70%	-19%	-17%
Toyota (TM)	12.27	9.35	2%	4%	-9%
Volkswagen	5.68	3.91	NA	NA	NA
Ferrari (RACE)	21.39	40.46	21%	42%	43%
O'Reilly Auto Parts (ORLY)	16.97	23.34	3%	18%	32%
Median	12.27	9.35	2%	4%	12%
Mean	14.51	19.51	16%	9%	12%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains no position in Ford.

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Ford Chart



Sources: Trading View, Blue Line Capital

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Blue Line Capital maintains no position in Ford.

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General Motors



Cruise Autonomous Driving &
\$225bn Sales Target By 2025

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General Motors Earnings Highlights & Stock Performance

Management Commentary From Q4 2022 Earnings Call

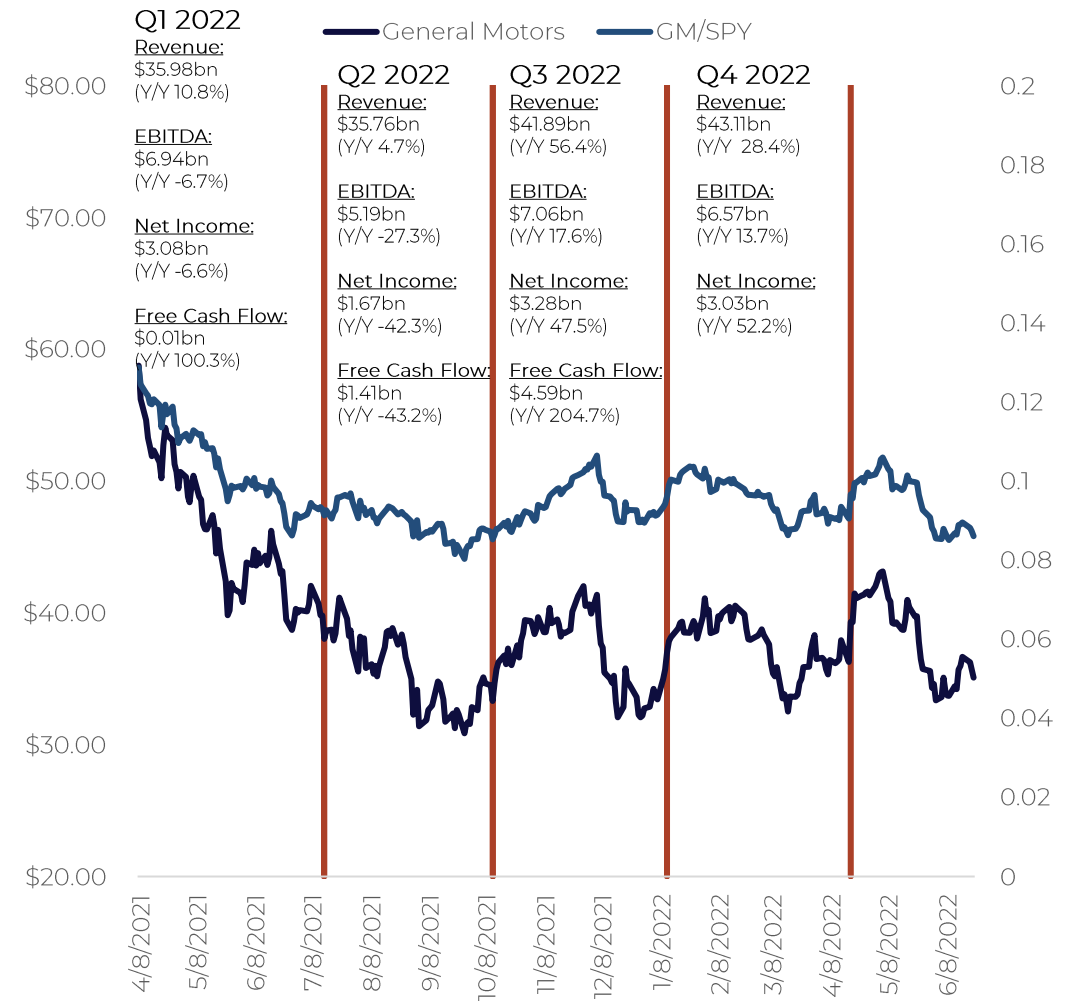
- **Pick-Ups:** Chevrolet and GMC delivered more than 1.1 million full-size pickups, full-size SUVs and midsize pickups in the U.S., which is about 350,000 units more than our closest competitor.
- **EVs:** This year, we will have 9 EVs in the market in North America, including the Chevrolet Bolt and EV and EUV, which saw record sales. They were the best-selling mainstream EVs in the second half of the year, and we plan to build more than 70,000 this year for North America and other markets. Achieve EV profitability in 2025.
- **EV Materials Investments:** This cadence of cell production and product launches, combined with strong demand for the Bolt EV and EUV keeps us on track to produce 400,000 EVs in North America from 2022 to mid-2024, and with the Ultium platform volumes increasing significantly in the second half of this year. Announced the largest ever investment by an automaker in battery raw materials; equity investment of up to \$650 million in Lithium Americas; could support annual production of up to 1 million EVs.
- **Cruise:** Introduced in 2022, Cruise taxi fleet serving thousands of rides and first fully-driverless deliveries.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	5.63	0.3	9.41	6.64	NA
TTM	5.64	0.31	-15.55	7.93	0.71

*Levered FCF

Sources: General Motors IR, TIKR, Blue Line Capital

Quarterly Data



GM Revenue Estimates For 2023 & 2024 Declining



Sources: Bloomberg, Blue Line Capital, Blue Line Futures

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Blue Line Capital no position in General Motors.

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GM EPS Estimates For 2023 & 2024 Declining



Sources: Bloomberg, Blue Line Capital, Blue Line Futures

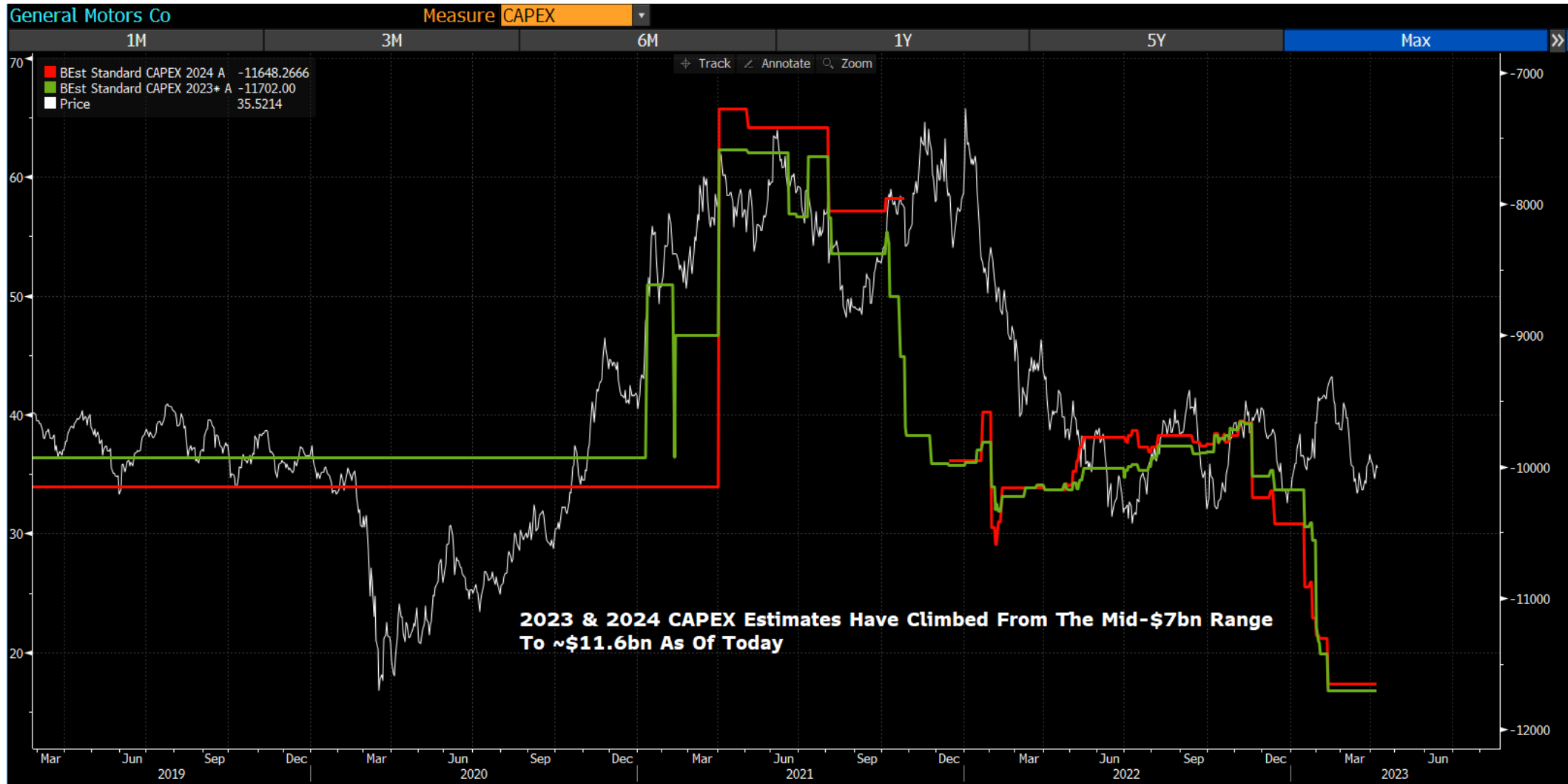
4/12/2023

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GM CAPEX Estimates Risen By 65% Since 2021



Sources: Bloomberg, Blue Line Capital, Blue Line Futures

4/12/2023

Blue Line Capital no position in General Motors.

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General Motors Inventory – Sales Ratio



- A rising inventory – sales ratio indicates that there will be pricing pressure.

Sources: Capital IQ, Blue Line Capital, Blue Line Futures

General Motors EBIT Margin



- GM's sales have declined from 10m vehicles sold in 2016 to 5.9m vehicles in 2022.
- Operating margin on the truck-side will be crucial to fund investment into EV capacity.
- 400,000 EV production goal by first half of 2024.

Sources: Capital IQ, Blue Line Capital, Blue Line Futures

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Blue Line Capital no position in General Motors.

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General Motors Expectations & Returns

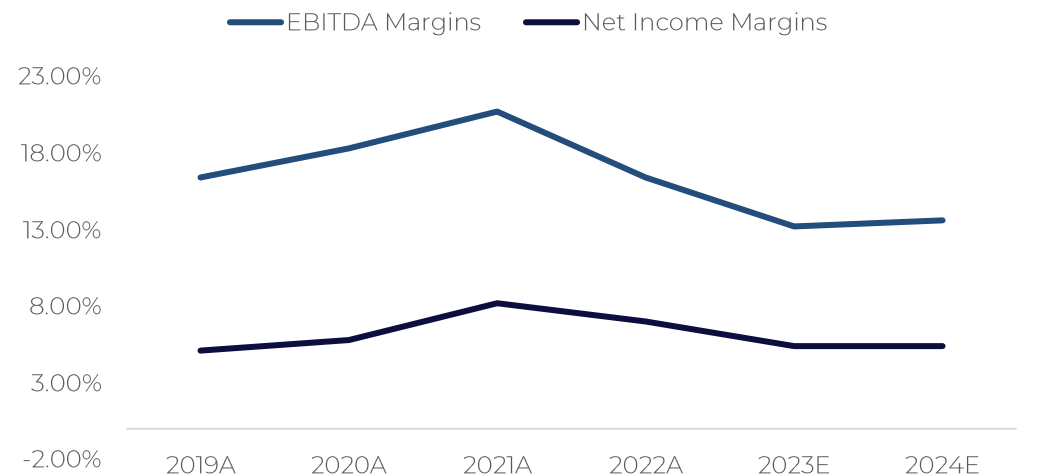
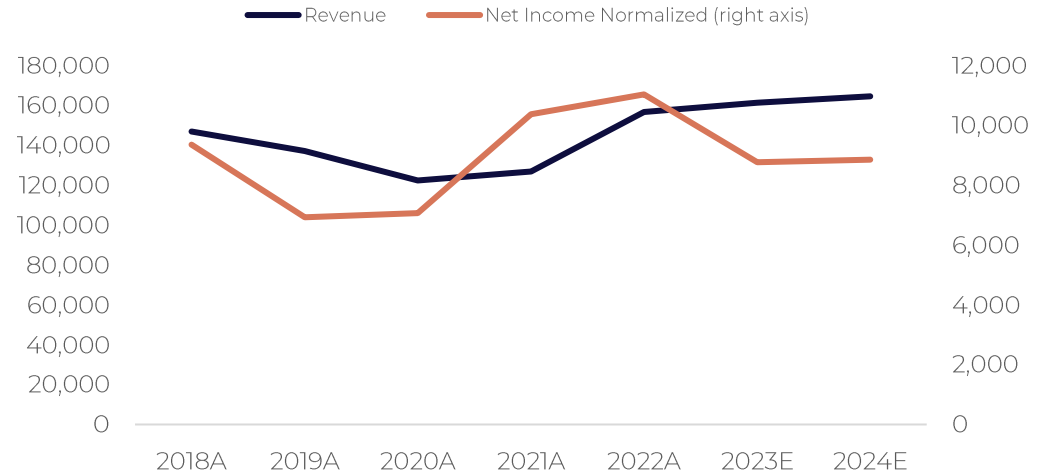
Return Ratios Compared To 2019

All ratios have improved since 2019.

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	RoC	6.40%	4.30%
	RoE	14.10%	16.30%
Margins	Gross Profit Margin	13.50%	10.30%
	EBITDA Margin	11.40%	9.30%
	Net Income Margin	6.30%	4.90%
	Levered Free Cash Flow Margin	-2.00%	-4.90%
Asset Turnover	Asset Turnover	0.59	0.6
	Fixed Asset Turnover	3.54	3.49
	Inventory Turnover	8.95	10.95
	Working Capital Turnover	16.89	-13.84
Solvency	Total Debt/Equity	160.40%	227.50%
	Total Debt/Capital	61.60%	69.50%
	EBITDA/Interest Expense	18.38	16.78
	(EBITDA-Capex)/Interest Expense	-3.09	-13.9

Sources: General Motors IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



General Motors Valuation Vs. Peers

	NTM P/S	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
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General Motors Chart



Sources: Trading View, Blue Line Capital

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Blue Line Capital no position in General Motors.

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Tesla

Software Or Car Company?



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Tesla Highlights & Stock Performance

Management Commentary From Q4 2022 Earnings Call

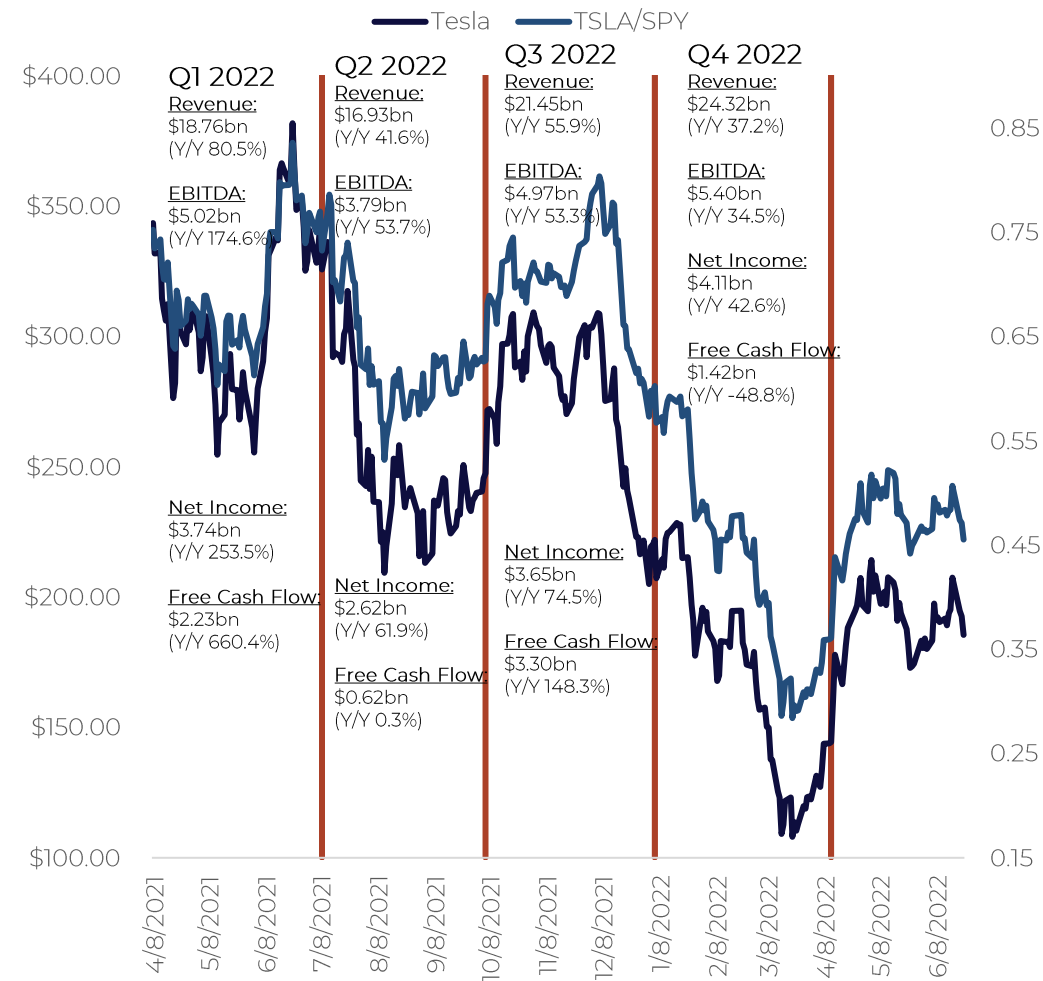
- **2022 Deliveries & Margins:** So in 2022, we delivered over 1.3 million cars and achieved a 17% operating margin, the highest among any volume carmaker.
- **Autopilot (FSD):** With respect to Autopilot, as of now, we deployed Full Self-Driving Beta for city streets to roughly 400,000 customers in North America.
- **Battery Cell Production:** Production rate of 4680 cells reached 1,000 cars a week at the end of last year, and we're increasing capacity for 4680 cells by another 100 gigawatt-hours as announced at Giga Nevada yesterday. Our long-term goal is to get to well in excess of 1,000 gigawatt-hours of cells produced internally and continue to use the self cell providers.
- **2023 Production Target:** Internal production is actually closer to 2 million vehicles, but we were saying 1.8 million because, I don't know...we actually have the potential to do 2 million cars this year.
- **Manufacturing:** Tesla being just d*** good at manufacturing and having the most advanced manufacturing technology in the world. And if you've got that sort of advanced manufacturing toolbox, you can apply it to many things and we're applying it now to battery cells.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	46.31	5.71	56.3	28.17	NA
TTM	51.1	7.2	139.38	32.76	13.1

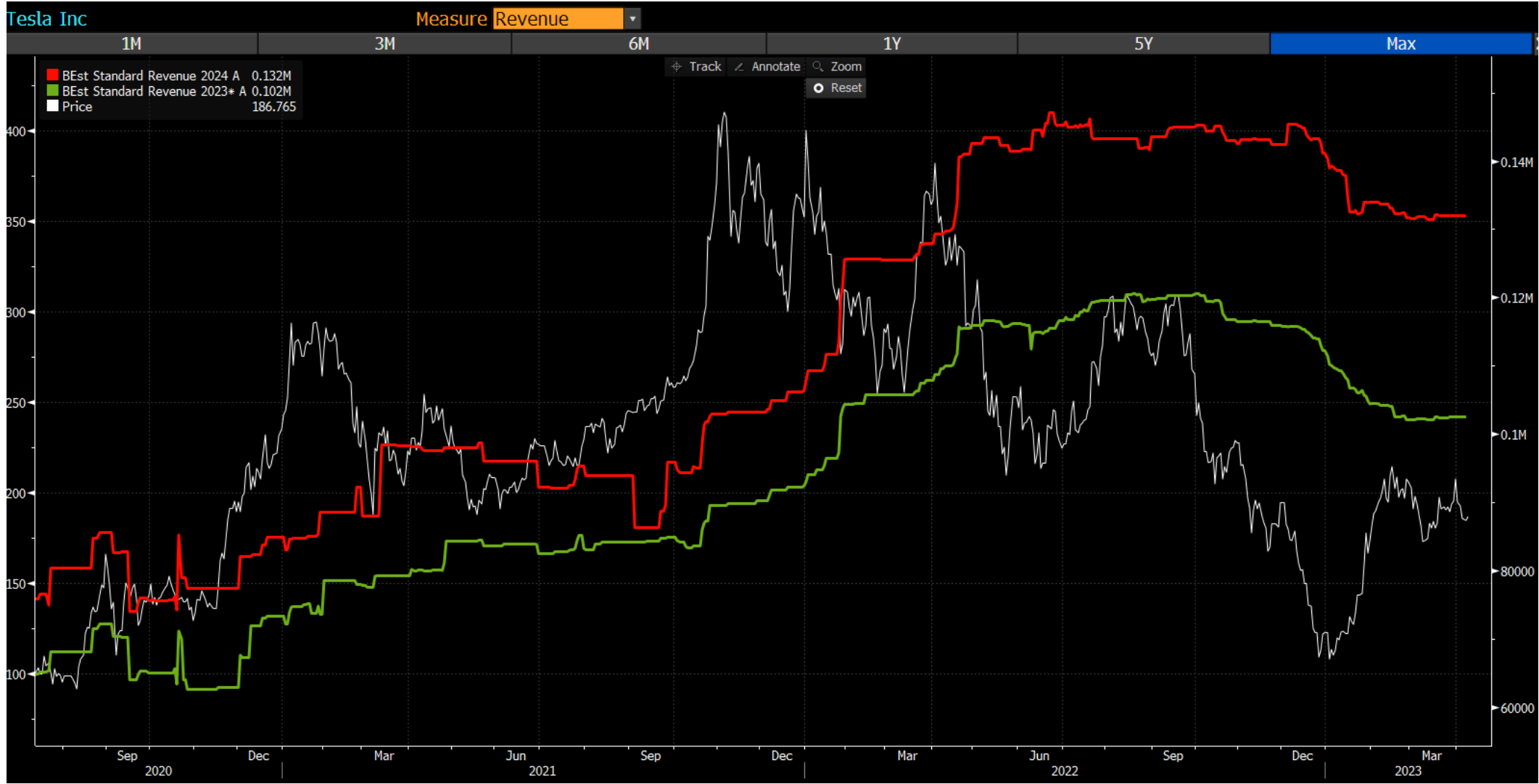
*Levered FCF

Sources: TeslaIR, TIKR, Blue Line Capital

Quarterly Data



Tesla Revenue Estimates Fallen By \$20bn For 2023; \$10bn For 2024



Sources: Bloomberg, Blue Line Capital, Blue Line Futures

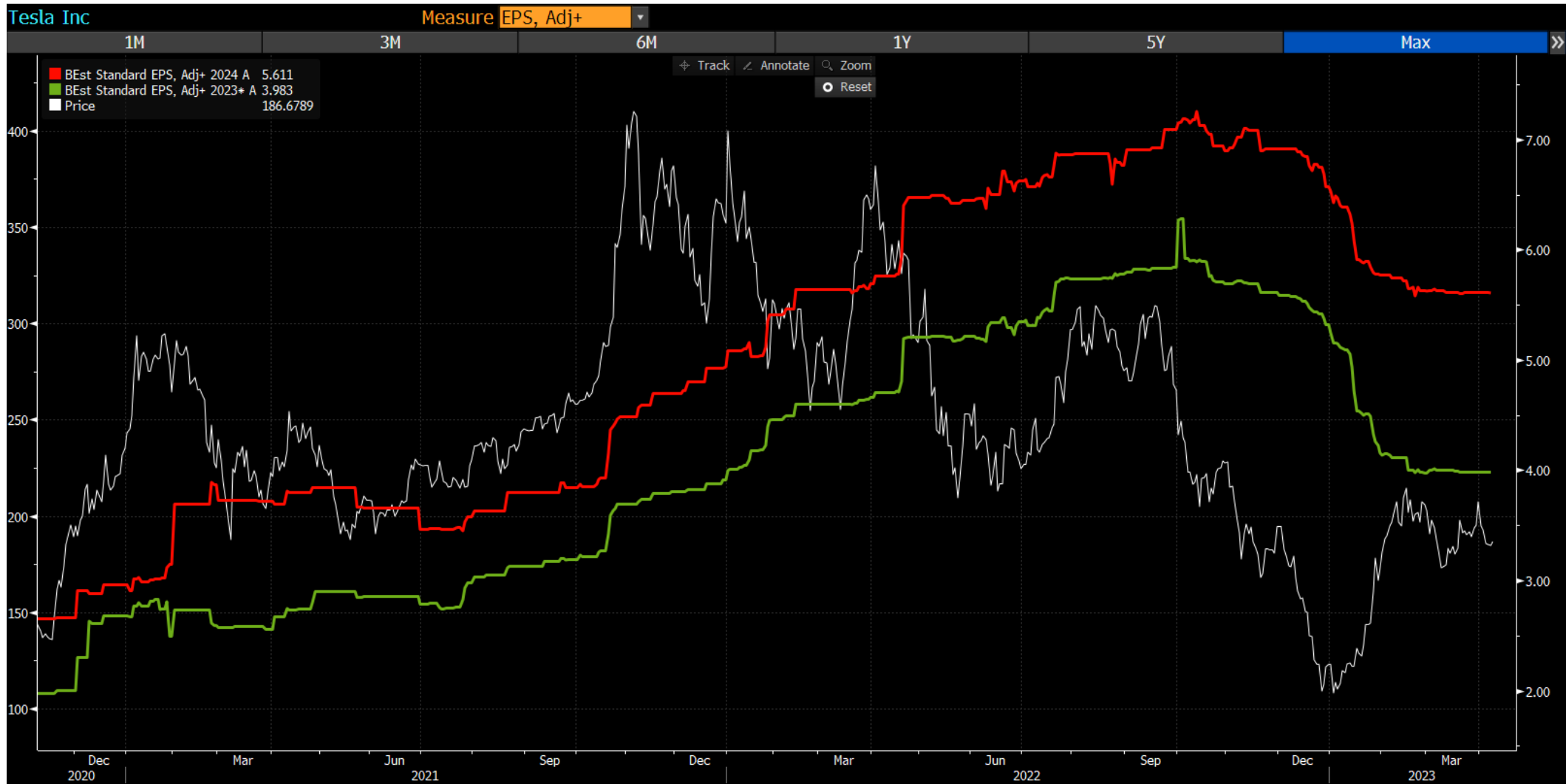
4/12/2023

Blue Line Capital maintains no position in Tesla.

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Tesla EPS Estimates Fallen From 2022



Sources: Bloomberg, Blue Line Capital, Blue Line Futures

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Tesla CAPEX Estimates Risen By ~\$1bn Since 2021



Sources: Bloomberg, Blue Line Capital, Blue Line Futures

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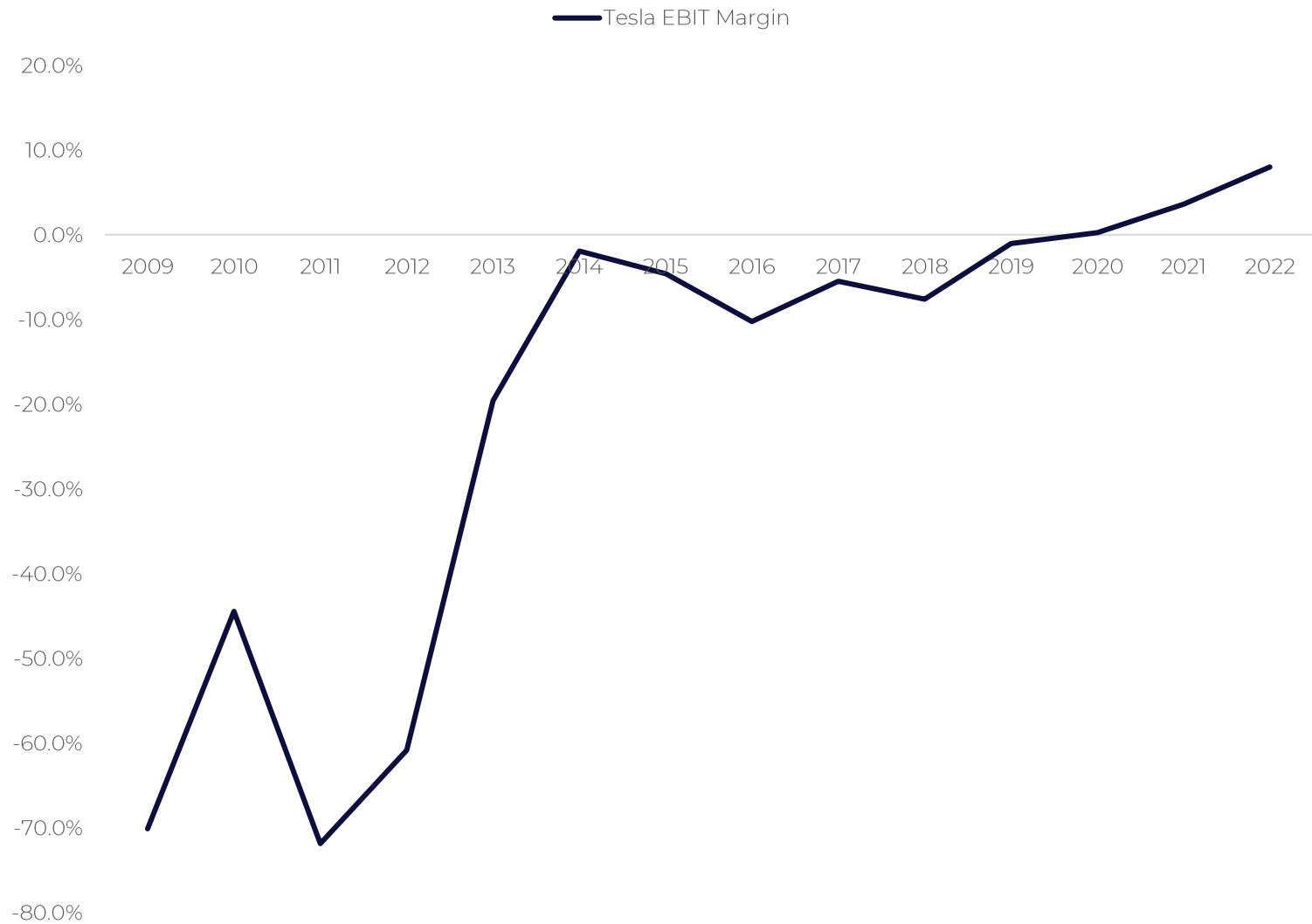
Tesla Inventory – Sales Ratio



- Tesla's inventory-sales ratio has risen but nowhere close to Ford's or GM's

Sources: Capital IQ, Blue Line Capital, Blue Line Futures

Tesla EBIT Margins



- Tesla's EBIT margins have steadily increased as the company reaps the rewards from past investments in to Gigafactories.

Sources: Capital IQ, Blue Line Capital, Blue Line Futures

Tesla Expectations & Returns

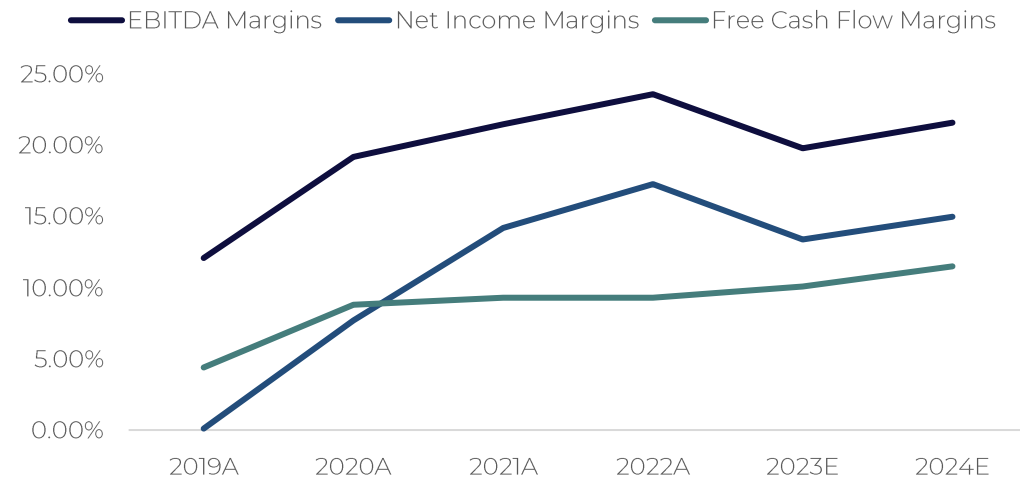
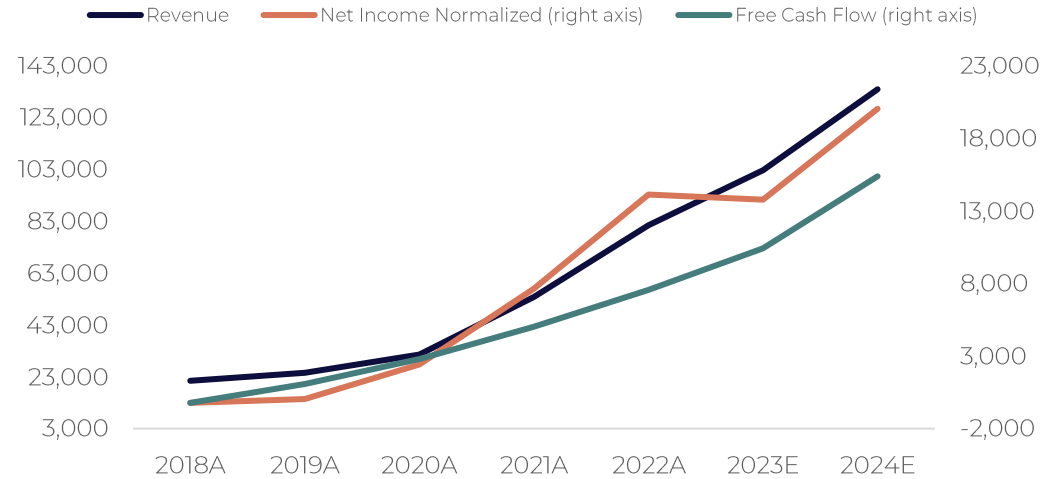
Return Ratios Compared To 2019

As Tesla has grown, the company has become more profitable and has significantly reduced leverage.

		LTM	2019
Return Ratios	RoA	11.80%	0.20%
	RoC	26.50%	0.40%
	RoE	32.50%	-10.70%
Margins	Gross Profit Margin	25.60%	16.60%
	EBITDA Margin	21.40%	8.80%
	Net Income Margin	15.40%	-3.50%
	Levered Free Cash Flow Margin	5.20%	5.30%
Asset Turnover	Asset Turnover	0.99	0.72
	Fixed Asset Turnover	2.4	1.23
	Receivables Turnover	31.93	21.63
	Working Capital Turnover	5.73	17.12
Solvency	Total Debt/Equity	12.50%	179.70%
	Total Debt/Capital	11.10%	64.10%
	EBITDA/Interest Expense	95.48	3.58
	(EBITDA-Capex)/Interest Expense	57.98	1.61

Sources: Tesla IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



Tesla Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Tesla (TSLA)	28.17	46.31	70%	-19%	-17%
Ford (F)	10.44	7.6	1%	3%	10%
General Motors (GM)	6.64	5.63	0%	3%	13%
Toyota (TM)	12.27	9.35	2%	4%	-9%
Volkswagen	5.68	3.91	NA	NA	NA
Ferrari (RACE)	21.39	40.36	21%	42%	43%
O'Reilly Auto Parts (ORLY)	16.97	23.34	3%	18%	32%
Median	12.27	9.35	2%	4%	12%
Mean	14.51	19.50	16%	9%	12%

Sources: TIKR, Google Finance, Blue Line Capital

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Tesla Chart



Sources: Trading View, Blue Line Capital

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