Goldman Sachs | Equity Research

23 April 2025 | 2:32AM EDT

Neutral

Tesla Inc. (TSLA)

Mixed results and commentary; new product launches, tariffs/margins, and FSD/robotaxis likely to be key debates

TSLA	12m Price Target: **$235.00**	Price: **$237.97**	Downside: **1.2%**

This was a mixed report in our opinion. While Tesla reported weaker 1Q25 non-GAAP EPS ($0.27 vs. the Street at $0.41 per FactSet) and declined to provide formal guidance in light of tariff uncertainty, we also believe there were some positives relative to key investor debates (e.g. the 1Q automotive non-GAAP gross margin ex. regulatory credits was above consensus, and Tesla is still expecting to start its robotaxi operation in June albeit in small scale). We still see downside risk to consensus estimates over the intermediate term given tariff costs and end demand considerations, and we lower our estimates to reflect reduced vehicle volumes (due to company comments implying new models planned to launch later this year may be less unique than we'd expected) and higher opex.

We maintain our Neutral rating on the stock. We believe downside risk to consensus estimates over the near to medium term is offset by what we think will be improved longer-term profits driven in part by increased software revenue with FSD (although we have a more balanced view of Tesla's monetization potential from FSD than the company is targeting).

We believe three key areas of investor focus post the report will be on:

Vehicle deliveries - lowering our estimates: While there was a recent media report suggesting a delay in the launch of more affordable vehicle models, Tesla reiterated that it plans to start production of new lower cost models in 1H25. However, management implied that the degree of form factor differentiation between these new more affordable vehicle models and its current offerings may be limited given that the new models will be made on its existing lines (as Tesla plans to utilize its current capacity). On current end demand, Tesla commented that despite some negative

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Key Data

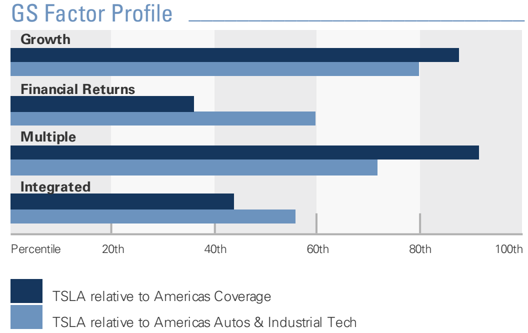
Market cap: $837.9bn
Enterprise value: $824.6bn
3m ADTV: $31.6bn
United States
Americas Autos & Industrial Tech
M&A Rank: 3

GS Forecast

	12/24	12/25E	12/26E	12/27E
Revenue ($ mn) New	**97,690.0**	**93,169.4**	**109,911.5**	**128,095.3**
Revenue ($ mn) Old	97,690.0	94,244.9	112,526.8	129,549.1
EBITDA ($ mn)	16,013.0	14,119.0	19,686.3	25,491.4
EBIT ($ mn)	7,076.0	3,966.5	7,357.7	11,605.5
EPS ($) New	**2.04**	**1.20**	**2.05**	**3.00**
EPS ($) Old	2.04	1.50	2.35	3.15
P/E (X)	113.0	NM	116.3	79.3
Dividend yield (%)	0.0	0.0	0.0	0.0
Net debt/EBITDA (X)	(0.7)	(0.9)	(0.8)	(1.0)

	3/25	6/25E	9/25E	12/25E
EPS ($)	0.14	0.28	0.32	0.46

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

Tesla Inc. (TSLA)

Neutral

Rating since Jun 25, 2023

Ratios & Valuation

	12/24	12/25E	12/26E	12/27E
P/E (X)	113.0	NM	116.3	79.3
EV/EBITDA (X)	45.3	53.4	38.5	29.5
EV/sales (X)	7.4	8.1	6.9	5.9
FCF yield (%)	0.4	0.3	0.3	1.3
EV/DACF (X)	53.0	63.7	46.8	35.8
CROCI (%)	21.8	15.1	17.6	19.7
ROE (%)	10.5	5.6	8.6	11.2
Net debt/EBITDA (X)	(0.7)	(0.9)	(0.8)	(1.0)
Net debt/equity (%)	(15.3)	(16.5)	(16.9)	(24.4)
Interest cover (X)	20.2	9.8	16.7	25.2
Inventory days	58.3	61.2	64.3	65.8
Receivable days	14.8	17.3	15.9	15.4
Days payable outstanding	61.2	62.3	58.0	54.2

Growth & Margins (%)

	12/24	12/25E	12/26E	12/27E
Total revenue growth	0.9	(4.6)	18.0	16.5
EBITDA growth	(8.2)	(14.2)	48.4	35.9
EPS growth	(21.7)	(41.2)	70.6	46.8
DPS growth	NM	NM	NM	NM
Gross margin	17.9	16.2	16.8	17.8
EBIT margin	7.2	4.3	6.7	9.1

Price Performance

	3m	6m	12m
Absolute	(42.7)%	9.2%	67.5%
Rel. to the S&P 500	(34.0)%	20.8%	58.7%

Source: FactSet. Price as of 22 Apr 2025 close.

Income Statement ($ mn)

	12/24	12/25E	12/26E	12/27E
Total revenue	97,690.0	93,169.4	109,911.5	128,095.3
Cost of goods sold	(80,240.0)	(78,121.0)	(91,417.3)	(105,240.9)
SG&A	(5,834.0)	(5,408.5)	(5,429.0)	(5,485.9)
R&D	(4,540.0)	(5,673.4)	(5,707.6)	(5,763.0)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**12,444.0**	**10,671.7**	**15,833.3**	**21,509.9**
Depreciation & amortization	(5,368.0)	(6,705.3)	(8,475.6)	(9,904.4)
EBIT	**7,076.0**	**3,966.5**	**7,357.7**	**11,605.5**
Net interest inc./(exp.)	1,219.0	1,494.0	1,870.0	1,990.0
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**9,032.0**	**5,466.5**	**9,227.7**	**13,595.5**
Provision for taxes	(1,837.0)	(1,147.5)	(1,845.5)	(2,719.1)
Minority interest	(65.0)	(68.0)	(77.0)	(96.0)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**7,130.0**	**4,251.0**	**7,305.2**	**10,780.4**
Net inc. (post-exceptionals)	**7,130.0**	**4,251.0**	**7,305.2**	**10,780.4**
EPS (basic, pre-except) ($)	**2.23**	**1.32**	**2.25**	**3.30**
EPS (diluted, pre-except) ($)	**2.04**	**1.20**	**2.05**	**3.00**
EPS (ex-ESO exp., dil.) ($)	**--**	**--**	**--**	**--**
DPS ($)	–	–	–	–
Div. payout ratio (%)	0.0	0.0	0.0	0.0
Wtd avg shares out. (basic) (mn)	3,197.0	3,226.3	3,246.5	3,266.5
Wtd avg shares out. (diluted) (mn)	3,494.8	3,545.8	3,571.5	3,591.5

Balance Sheet ($ mn)

	12/24	12/25E	12/26E	12/27E
Cash & cash equivalents	17,061.0	18,610.5	20,579.4	30,448.9
Accounts receivable	4,418.0	4,433.8	5,124.7	5,671.0
Inventory	12,017.0	14,188.0	18,024.9	19,946.2
Other current assets	25,268.0	25,031.0	25,031.0	25,031.0
Total current assets	**58,764.0**	**62,263.3**	**68,760.0**	**81,097.1**
Net PP&E	40,996.0	45,957.7	49,546.1	51,705.8
Net intangibles	394.0	344.0	280.0	216.0
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	22,320.0	22,987.0	23,087.0	23,187.0
Total assets	**122,070.0**	**131,148.0**	**141,269.1**	**155,801.8**
Accounts payable	12,474.0	14,188.0	14,844.0	16,426.3
Short-term debt	–	–	–	–
Current lease liabilities	2,456.0	2,237.0	2,237.0	2,237.0
Other current liabilities	13,891.0	14,045.0	14,045.0	14,045.0
Total current liabilities	**28,821.0**	**30,470.0**	**31,126.0**	**32,708.3**
Long-term debt	5,757.0	5,292.0	5,292.0	5,292.0
Non-current lease liabilities	–	–	–	–
Other long-term liabilities	13,812.0	14,648.0	14,648.0	14,648.0
Total long-term liabilities	**19,569.0**	**19,940.0**	**19,940.0**	**19,940.0**
Total liabilities	**48,390.0**	**50,410.0**	**51,066.0**	**52,648.3**
Preferred shares	–	–	–	–
Total common equity	**72,913.0**	**79,973.0**	**89,438.1**	**102,388.6**
Minority interest	767.0	765.0	765.0	765.0
Total liabilities & equity	**122,070.0**	**131,148.0**	**141,269.1**	**155,801.8**
BVPS ($)	20.86	22.55	25.04	28.51

Cash Flow ($ mn)

	12/24	12/25E	12/26E	12/27E
Net income	7,153.0	4,154.0	7,305.2	10,780.4
D&A add-back	5,368.0	6,705.3	8,475.6	9,904.4
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	81.0	(959.8)	(3,871.8)	(885.3)
Others	2,321.0	2,418.0	2,160.0	2,170.0
Cash flow from operations	**14,923.0**	**12,317.5**	**14,068.9**	**21,969.5**
Capital expenditures	(11,339.0)	(10,242.0)	(12,000.0)	(12,000.0)
Acquisitions	(7,445.0)	(159.0)	–	–
Divestitures	–	–	–	–
Others	(3.0)	(75.0)	(100.0)	(100.0)
Cash flow from investing	**(18,787.0)**	**(10,476.0)**	**(12,100.0)**	**(12,100.0)**
Dividends paid	–	–	–	–
Share issuance/(repurchase)	–	–	–	–
Inc/(dec) in debt	3,244.0	(724.0)	–	–
Others	873.0	432.0	–	–
Cash flow from financing	**3,736.0**	**(292.0)**	**0.0**	**0.0**
Total cash flow	**(128.0)**	**1,549.5**	**1,968.9**	**9,869.5**
Free cash flow	3,584.0	2,075.5	2,068.9	9,969.5
Free cash flow per share (basic) ($)	1.00	0.64	0.64	3.05

Source: Company data, Goldman Sachs Research estimates.

media associated with its brand, lower 1Q volumes were primarily driven by the Model Y transition and macro factors (with management pointing to its strong market share in California and a record number of test drives globally as evidence of this). We believe this will be important to monitor going forward, and we show the latest consumer survey data from HundredX in this note.

We had already lowered our delivery estimates to reflect tariff costs and what we believe is weaker consumer demand for Tesla vehicles, but we further reduce our volume estimates to better reflect company commentary on the new lower cost models. We now expect 2025 deliveries of 1.70 mn (-5% yoy) compared to 1.71 mn (-4% yoy) previously, and below Visible Alpha Consensus Data prior to the report at +2% yoy. We lower our 2026/2027 vehicle delivery estimates to 1.95 mn/2.20 mn from 2.03 mn/2.25 mn prior, and below Visible Alpha Consensus Data at 2.08 mn/2.53 mn.

FSD and robotaxi progress - Austin launch on track but ramp size is small to start: Tesla continues to plan to begin robotaxi operations in June in Austin and commented that the initial launch will be small (e.g. 10-20 vehicles), which is consistent to slightly ahead of our prior expectation (we'd assumed 25 vehicles in 3Q previously). However, we continue to expect a wider scale unsupervised FSD ramp (both for robataxis and consumer vehicles) to be slower than Tesla targets. The company stated it is seeing ~10k miles between critical interventions (and given that the typical vehicle in the US that gets into an accident every ~700K miles per US government data, we believe Tesla may be tracking more slowly than it previously targeted to be safer than a human driver in 2Q). Tesla commented that FSD and robotaxis may be a more substantial contributor to its financials in mid 2026 or 2H26.

We continue to expect improved FSD monetization over time, but have a more balanced view than we think Tesla is targeting. Our positive view of Tesla's potential cost structure with AVs and leadership in ADAS technology are moderated by the fact that we think it will take at least a few years for Tesla to enable wide-scale unsupervised driving for consumer vehicles (L4), and due to the competitive landscape especially in China.

Margins in Automotive and Energy: While the 1Q25 automotive non-GAAP gross margin ex. credits of 12.5% was below our 13.0% estimate, it came in above StreetAccounts consensus at 11.6% and we believe was better than investor expectations. Tesla also did not cite an FSD deferred revenue release as a key factor influencing its margin in 1Q (we had assumed that enabling FSD-like features in China in 1Q could be a positive driver that was more one time in nature).

The Energy gross margin was better than our forecast for 1Q, and the company commented on tools it has to mitigate potential tariffs in its Energy business, including ramping up local LFP manufacturing and working to secure additional non-China-based supply.

1Q25 financial results

Tesla reported 1Q25 revenue of $19,335 mn (down 25% qoq and down 9% yoy) which was 3% below GS at $19,854 mn and 9% below the Street (FactSet) at $21,345 mn. Tesla reported the following by segment:

- **Automotive** revenue of $13,967 mn (down 29% qoq and down 20% yoy) compared to GS at $13,920 mn and the Street at $15,821 mn. Implied vehicle ASP was about $40.0K and slightly above our $39.8K estimate. Sales of regulatory credits were $595 mn in the quarter vs. our estimate of $500 mn, down from $692 mn last quarter but up from $442 mn in 1Q24.
- **Energy Generation and Storage** revenue of $2,730 mn (down 11% qoq and up 67% yoy) compared to GS at $2,918 mn. Tesla commented that energy storage deployments were 10.4 GWh. Energy was Tesla's highest margin business in 1Q.
- **Service and Other** revenue of $2,638 mn (down 7% qoq and up 15% yoy) compared to GS at $3,016 mn.

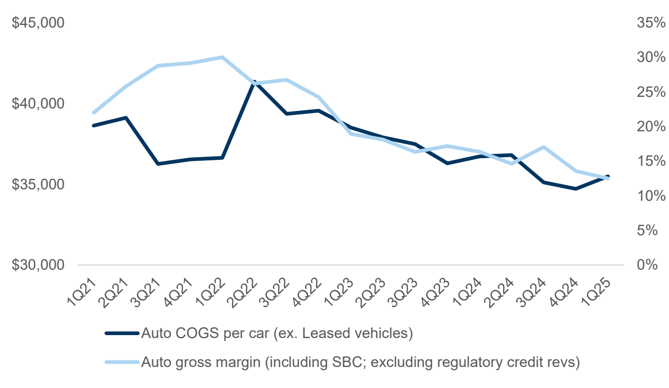
As previously reported, total vehicle deliveries in the quarter were about 337k (down 32% qoq and down 13% yoy). Model 3/Y deliveries in the quarter were about 324k (down 31% qoq and down 12% yoy), and other model deliveries (e.g. S/X/Cybertruck) were about 13k (down 46% qoq and down 24% yoy). Tesla produced about 363k vehicles (down 21% qoq and down 16% yoy).

The total company gross margin (including SBC) was 16.3%, above GS at 15.6% and slightly below the Street at 16.4%. The 4Q24 margin was 16.3%, and 1Q24 was 17.4%.

The automotive non-GAAP gross margin (including SBC and excluding the revenue from regulatory credits) was 12.5%, compared to GS at 13.0% and StreetAccounts consensus at ~11.6%. The margin was 13.6% in 4Q24 and 16.4% in 1Q24.

Tesla's cost per vehicle increased sequentially to ~$35.5K from $34.7K in 4Q.

Exhibit 1: Tesla's auto COGS per vehicle (ex leasing) and auto gross margin (including SBC and excluding regulatory credit revenue) over time



The 3Q24 auto gross margin shown in the exhibit includes the FSD deferred revenue release (we estimate the margin would have been 15.6% excluding this)

Source: Company data, Goldman Sachs Global Investment Research

The Energy gross margin was 28.8% (above our 25.0% estimate), which was up from 25.2% in 4Q24 and 24.6% in 1Q24.

EBIT (including SBC) of ~$0.4 bn was below our forecast of ~$0.65 bn.

Non-GAAP diluted EPS (excluding SBC) was $0.27, below both GS at $0.32 and the

Street at $0.41. We estimate that non-GAAP EPS including SBC was $0.14 vs GSe of $0.22. EPS downside compared to our estimate was driven primarily by 3% lower revenue and higher opex (on both an absolute and percentage of revenue basis). This was partially offset by a better gross margin.

EPS was $0.12 on a GAAP basis (including digital asset non-cash mark to market adjustments).

Cash, cash equivalents and investments increased by $0.4 bn qoq to $37.0 bn, with FCF of $664 mn in 1Q. Inventory dollars were up $1.7 bn qoq to $13.7 bn.

Tariff and other company updates

Elon Musk commented on the call that he plans to allocate more of his time to Tesla beginning in May.

On tariffs and supply chain risk, Tesla stated that it has been working to localize its supply chains for several years and that it has localized supply chains across North America, Europe, and China. For example, in North America, its high volume vehicle programs have over 85% North America content and Shanghai vehicles have >95% local content. Tesla noted that on a weighted average basis, approximately 85% of its supply is USMCA compliant, but there are risks to profitability when the Section 232 auto tariffs on USMCA-compliant parts become effective, given that Canada and Mexico have been part of its regionalization strategy. Tesla expects the impact would be in the range of roughly a couple of thousand dollars per vehicle (which is relatively in line with our estimates as detailed in our 4/10 sector report).

Tesla expects an outsized tariff impact to its energy business since it sources LFP battery cells from China. The company said that it is in the process of commissioning equipment for the local manufacturing of LFP battery cells in the US. However, the equipment that it has can only service a fraction of its total installed capacity, so Tesla is also been working on adding non-China based suppliers, but this will take time.

Company Outlook

Tesla commented that it is difficult to measure the impacts of shifting global trade policy on the automotive and energy supply chains, its cost structure, and demand. Tesla believes that the rate of growth this year will depend on a variety of factors, including the rate of acceleration of its autonomy efforts, the production ramp at its factories, and the broader macroeconomic environment. Tesla said that it will revisit its 2025 guidance with its 2Q update. Recall that the company was previously expecting the vehicle business to return to growth in 2025.

Additionally, Tesla was previously expecting energy storage deployments to grow at least 50% yoy in 2025. Importantly, we believe Megapack assembly in the US will be affected by tariffs on batteries sourced from China, but Tesla said that it is working on adding US LFP capacity and non-China based suppliers.

Per the shareholder deck, plans for new vehicles, including more affordable models, remain on track for start of production in the first half of 2025, but Tesla said that the ramp may be slower than it initially hoped. Tesla plans to fully utilize its current factories for these new products, so form factor and design differences are limited to what it can do on its existing lines. We note that Reuters recently reported that Tesla will delay the launch of a more affordable stripped-down version of the Model Y to the 3Q25 to early 2026 timeframe.

Per the report and call, Tesla intends to have a pilot launch in Austin in June, starting with ~10-20 vehicles. Tesla further commented on the EPS call that it plans to do paid rides fully autonomously in Austin in June and then to be in any other cities in the US by the end of this year. Tesla targets millions of Tesla vehicles operating fully autonomously in 2H26. Furthermore, Tesla expects FSD unsupervised to be available for personal use on personally owned cars in many cities in the US by the end of this year. Management commented that it was seeing ~10k miles between critical interventions (though we note that data from Tesla's vehicle safety report/NHTSA indicates the average driver in the US gets into an accident every ~700k miles).

Tesla's purpose-built Robotaxi product called Cybercab pursues a "unboxed" manufacturing strategy and is still scheduled for volume production starting in 2026, per the shareholder deck. Tesla said it is in B-sample validation currently and it will start doing large scale installation in Giga Texas in coming months.

Tesla also commented that it remains on track for Optimus builds on its Fremont pilot production line in 2025, with wider deployment of bots doing useful work across its factories. On the call, management commented that it expects to have thousands of Optimus robots working in Tesla factories and doing useful work by the end of this year. Additionally, Tesla aims to scale Optimus to a million units per year in the 2029/2030 timeframe. Recall that management commented on its 4Q24 EPS call that it was targeting to build several thousand Optimus robots this year for internal use and then production of the second generation design in 2026 with delivery to non-Tesla customers in the 2H26 timeframe.

Tesla also noted that tariffs will impact its capital investments but its capex guidance is still >$10 bn this year.

Implications

This was a mixed report in our opinion. While Tesla reported weaker non-GAAP EPS ($0.27 vs. the Street at $0.41 per FactSet) and declined to provide formal guidance in light of tariff uncertainty, we also believe there were some positives relative to key investor debates (e.g. the automotive non-GAAP gross margin ex. regulatory credits was above consensus, and Tesla is still expecting to start its robotaxi operation in June albeit in small scale).

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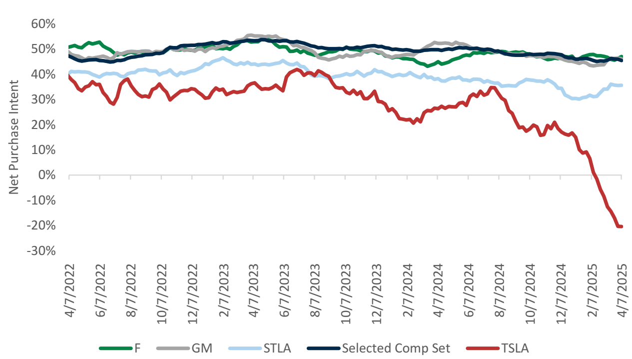
Vehicle Deliveries

While there was a recent media report suggesting a delay in the launch of more affordable vehicle models, Tesla reiterated that it plans to start production of new lower cost models in 1H25. However, management implied that the degree of form factor differentiation between these new more affordable vehicle models and its current offerings may be limited given that the new models will be made on its existing lines (as Tesla plans to utilize its current capacity). On current end demand, Tesla commented that despite some negative media associated with its brand, lower 1Q volumes were primarily driven by the Model Y transition and macro factors (with management pointing to its strong market share in California and a record number of test drives globally as evidence of this).

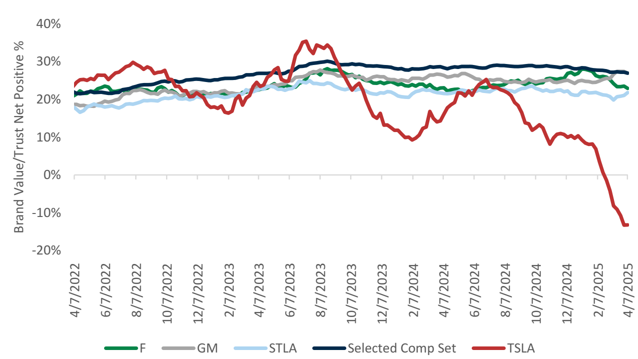
We believe this will be important to monitor going forward, and the latest data from HundredX (which surveys a wide set of US consumers) shows a decline in net purchase intent and brand scores for Tesla in recent months (Exhibit 2-Exhibit 4). Surveys on consumer demand for Tesla in Europe and Canada have also declined recently as we detailed in our 1Q deliveries recap from early April.

Exhibit 2: Tesla NPI has decreased meaningfully relative to peers in recent weeks/months



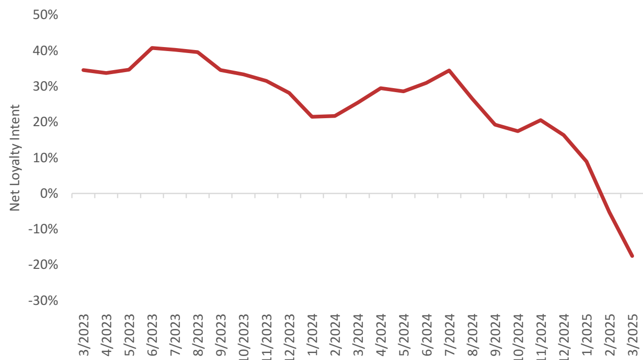
Source: HundredX

Exhibit 3: Similarly, net positive selection related to its Brand Value/Trust has declined in recent weeks/months



Source: HundredX

Exhibit 4: Tesla net loyalty intent has also declined meaningfully in recent months



Source: HundredX

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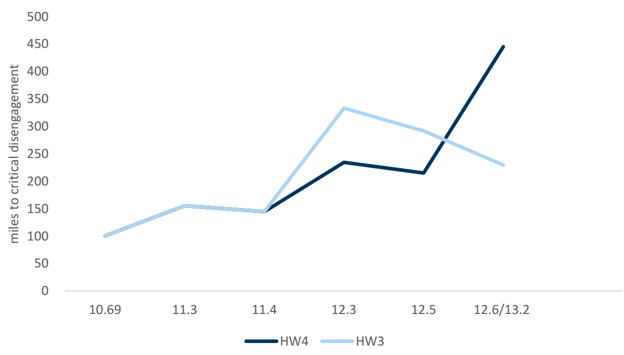
FSD progress

Tesla continues to plan to begin robotaxi operations in June in Austin and commented that the initial launch will be small (e.g. 10-20 vehicles), which is consistent to slightly ahead of our prior expectation (we'd assumed 25 vehicles in 3Q previously). However, we continue to expect a wider scale unsupervised FSD ramp (both for robataxis and consumer vehicles) to be slower than Tesla targets. The company stated it is seeing ~10k miles between critical interventions (and given that the typical vehicle in the US that gets into an accident every ~700K miles per US government data, we believe Tesla may be tracking more slowly than it previously targeted to be safer than a human driver in 2Q). Tesla commented that FSD and robotaxis may be a more substantial contributor to its financials in mid 2026 or 2H26.

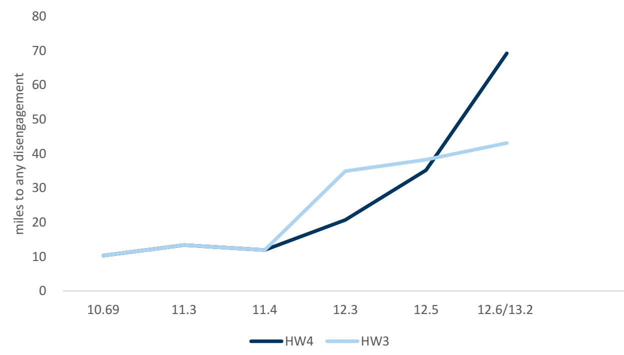
Crowdsourced data shows FSD V13 achieving ~450-500 miles between critical interventions, and ~97-98% of drives not requiring a critical intervention. We would also note that the company stated it is seeing ~10k miles between interventions. This implies in our opinion both that V13 is very good but also that meaningful progress is still needed for FSD to become a situationally eyes off product in consumer vehicles (e.g. on a highway in good weather, or L3 autonomy) or a consumer AV (L4). For comparison, Tesla's safety report based on US government accident data shows the typical car getting into an accident every ~700K miles. Please see our previous report "Can new AI technology help accelerate AV deployments? Updating our global ADAS and AV forecast" for further details on the market potential.

Exhibit 5: Miles to critical disengagement has improved with FSD v13



Source: TeslaFSDTracker

Exhibit 6: Miles to disengagement for v13 has improved vs v12.x



Source: TeslaFSDTracker

We continue to expect improved FSD monetization over time, but have a more balanced view than we think Tesla is targeting. Our positive view of Tesla's potential cost structure with AVs and leadership in ADAS technology are moderated by the fact that we think it will take at least a few years for Tesla to enable widescale unsupervised driving for consumer vehicles (L4), and due to the competitive landscape especially in China (as we wrote in our note "Global Automobiles: China for Global - automotive and autonomy takeaways"). We expect FSD to help support improved margins and growth for Tesla over time, but this will also depend on the degree to which Tesla's software is differentiated vs. other alternatives (and the degree of competition and the ability to monetize the technology).

Margins in Automotive and in Energy

While the 1Q25 automotive non-GAAP gross margin ex. credits of 12.5% was below our 13.0% estimate, it came in above StreetAccounts consensus at 11.6% and we believe was better than investor expectations. Tesla also did not cite an FSD deferred revenue release as a key factor influencing its margin in 1Q (we had assumed that enabling FSD-like features in China in 1Q could be a positive driver that was more one time in nature).

The Energy gross margin was better than our forecast for 1Q, and the company commented on tools it has to mitigate potential tariffs in its Energy business, including ramping up local LFP manufacturing and working to secure additional non-China-based supply.

Estimate changes

We lower our delivery assumption for 2025 to 1.70 mn from 1.71 mn prior (or -5% yoy growth from -4% prior), and our 2026/2027 vehicle delivery estimates to 1.95 mn/2.20 mn from 2.03 mn/2.25 mn prior.

We lower our 2025/2026/2027 EPS estimates including SBC to $1.20/$2.05/$3.00 from $1.50/$2.35/$3.15. Our CY25/26/27 non-GAAP EPS estimates (ex. SBC) are now $1.65/$2.50/$3.45. These reductions are driven primarily by lower vehicle deliveries and higher opex.

We show our old and new estimates in the exhibit below. We note that we had previously incorporated tariff impacts into our estimates as they are planned by the government as we detailed in our 4/10 sector report.

Exhibit 7: Updated TSLA estimates

TSLA estimate revisions	2025E		2026E		2027E	
	Old GSe	New GSe	Old GSe	New GSe	Old GSe	New GSe
Deliveries (Ks)	1,710	1,700	2,028	1,955	2,250	2,200
Revenue	$94,245	$93,169	$112,527	$109,911	$129,549	$128,095
Automotive non-GAAP gross margin excl. credits	13.4%	13.3%	15.0%	15.0%	16.0%	16.0%
EBIT margin including SBC	5.5%	4.3%	7.7%	6.7%	9.5%	9.1%
Non-GAAP EPS including SBC	$1.50	$1.20	$2.35	$2.05	$3.15	$3.00
Non-GAAP EPS excluding SBC	$1.90	$1.65	$2.75	$2.50	$3.60	$3.45

Source: Goldman Sachs Global Investment Research

Valuation, price target, and key risks

We maintain our Neutral rating on the stock. We lower our 12-month price target to $235 from $260, which is based on 100X (unchanged) applied to our updated Q5-Q8E EPS estimate including SBC.

A downside scenario for the stock assuming less volume growth and slower margin improvement could be ~$150 (assuming a 15-20% reduction to our 2027E EPS estimate including SBC and a multiple of ~60X). An upside scenario could be ~$345, assuming a 100X multiple applied to non-GAAP 2027E EPS.

Key downside risks to our view relate to potentially larger vehicle price reductions than we expect, increased competition in EVs, a larger than expected tariff impact, slower EV demand, delays with products/capabilities like FSD/4680, key person risk, the internal control environment, margins, and operational risks associated with Tesla's high degree of vertical integration. Upside risks include faster EV adoption and/or share gain by Tesla, a stronger macroeconomic environment for new vehicle sales more generally, earlier new product launches than we expect, an earlier/larger impact from AI enabled products (e.g., FSD, Optimus and robotaxis), and a smaller than expected tariff impact than we currently anticipate.

Disclosure Appendix

Reg AC

We, Mark Delaney, CFA, Will Bryant, Morgan Leung and Aman Gupta, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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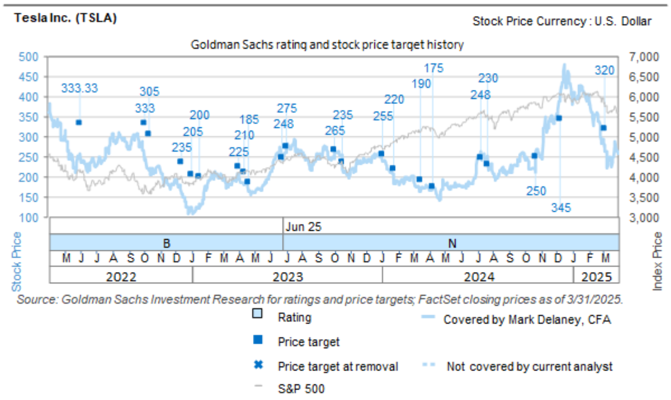

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