

# Tesla

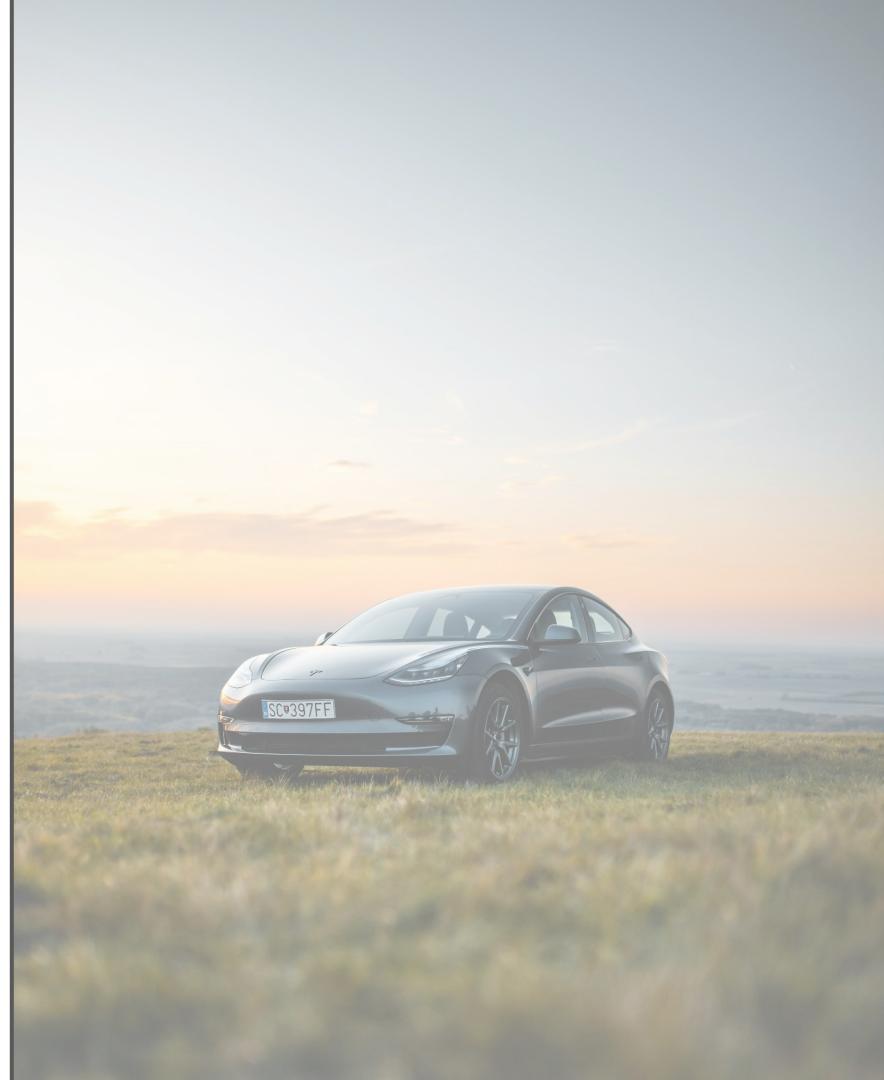
NYSE: TSLA

Market Cap: \$1.40 T

\$455.26/Share

Short

By Ocho Finn and Eric Tao



# Company Overview

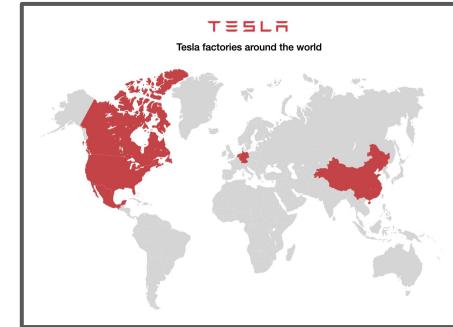
## Company Overview

Tesla, Inc. is an Austin-headquartered automotive, technology, and energy company that produces electric vehicles, battery storage solutions, and robotic products for customers worldwide through direct sales, online platforms, and its retail locations. The company places significant emphasis on sustainability and advancing transportation technology.

## Company Operations

- Electric Vehicles: ~85% of company revenue is generated from the sale of Tesla's electric car lineup
- Energy Generation & Storage: ~8% of company revenue is generated from solar panel installations, solar roof products, and large-scale battery storage system
- Autonomous & Robotics: ~7% of company revenue is generated from Full Self-Driving software subscriptions, regulatory carbon credit sales, and development of humanoid robotics technology.

## Manufacturing & Production



Tesla has factories in USA, Mexico, Canada, France, Netherlands, and China.

## CEO Spotlight

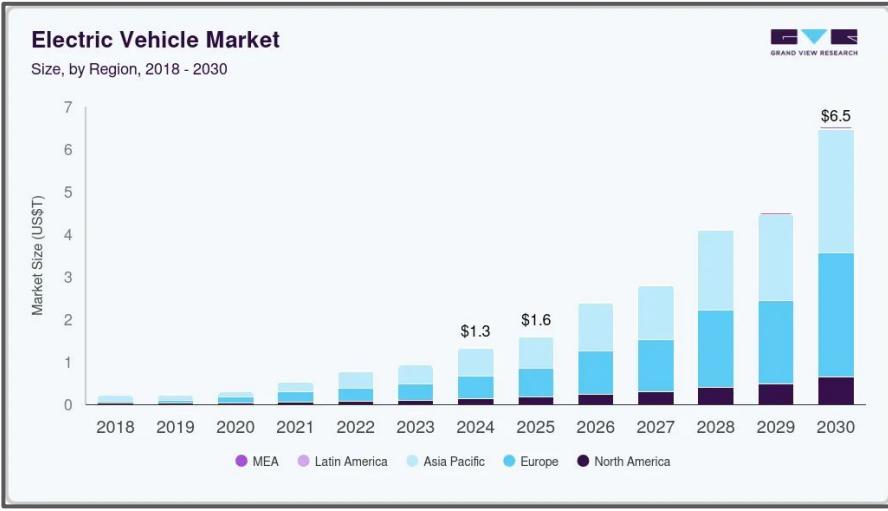


### Elon Musk:

- Co-founder and former CEO of PayPal
- Joined Tesla as chairman and lead investor in 2004, becoming CEO in 2008
- Founder and CEO of SpaceX

# Industry Overview

## A Growing Industry



## Biggest Competitors

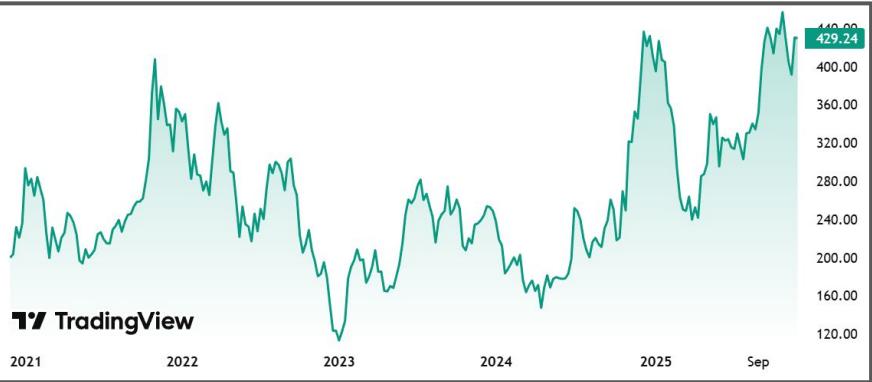
- **BYD:** Led the global EV market in 2024 with about 3.85 million units sold, getting about 20% market share through aggressive pricing.
- **General Motors:** Reached 15.2% of U.S. EV market in Q2 2025 with Chevrolet, Cadillac, and GMC brands.
- **Volkswagen Group:** 2.6% market share. Have legacy brand strength across Audi, Porsche, and VW to compete in Europe and China.

## Recent News

- **Federal Tax Credit Elimination:** Federal tax credits for electric vehicles ended September 30, 2025, removing the \$7,500 credit for new EVs.
- **Record Global Sales:** Electric car sales topped 17 million worldwide in 2024, rising by more than 25%, now representing over 20% of global car market share.
- **China Market Dominance:** Chinese EVs account for nearly half of domestic car sales.

# Stock Performance

## Metrics



## Stories

- **Near All-Time High:** Tesla's stock is trading close to its all-time closing record with shares up roughly 20% over the past 12 months
- **Valuation Concerns:** Tesla trades at a P/E multiple around 287 compared to the S&P 500 average of 27.
- **Mixed Analyst Outlook:** Wall Street assigns a mix of ratings, reflecting uncertainty around competition and slowing delivery growth.

Market Cap	\$1.43 T	YTD%	21.81%
EPS	\$1.46	P/E	287.41
Revenue	\$97.69 B	Share Price	\$429.24

# Thesis I: Flailing EV Business

- **Margin Collapse:** Gross profit margins plummeted from a peak of about 30% to 17%. Tesla is now priced as a tech stock, but operates at the margins of a commoditized automaker.
- **Lost Global Leadership:** BYD commands 19.9% of the global EV market share, overshadowing Tesla's 14%. International deliveries are heavily shrinking, proving the lack of a sustainable business outside the U.S.
- **Stagnant Product Portfolio:** The core Model 3/Y portfolio is aging with no immediate refresh, and the crucial \$25k mass-market EV (Model 2) remains unexecuted, ensuring sustained pricing pressure.



## Thesis II: Lack of Brand Identity

- **Tale of Four Companies:** Tesla actively fragments its brand across four distinct, unbalanced identities:
  - **Car Company:** (80%+ Revenue) Margins are compressing due to competition (BYD, traditional OEMs).
  - **AI Company:** (FSD/Robotaxi) Highly speculative, zero Level 4/5 autonomy, and faces regulatory hurdles.
  - **Energy Company:** (Small, growing) Not the primary driver of consumer brand value.
  - **Robotics Company:** (Optimus) Purely speculative future narrative.

### The Intent

This narrative diffusion is used to escape the valuation limits of an automaker and justify its extreme multiples.



# DCF Historicals

All figures in millions USD	HISTORICAL FINANCIALS			
	2022A	2023A	2024A	2025A LTM
REVENUE	81,462	96,773	97,690	95,633
Growth, %		18.8%	0.9%	-2.1%
COGS	60,609	79,113	80,240	79,369
% of Sales	74.4%	81.8%	82.1%	83.0%
GROSS PROFIT	20,853	17,660	17,450	16,264
Gross Margin, %	25.6%	18.2%	17.9%	17.0%
Growth, %		-28.7%	-2.1%	-4.8%
Operating Expenses	7,161	8,769	9,791	11,497
% of Sales	8.8%	9.1%	10.0%	12.0%
TOTAL COSTS	67,770	87,882	90,031	90,866
Growth, %		29.7%	2.4%	0.9%
EBIT	13,692	8,891	7,659	4,767
Margin, %	16.8%	9.2%	7.8%	5.0%
Tax Expense	1,136	1,276	1,562	1,063
NOPAT (EBIAT)	12,556	7,615	6,097	3,704
D&A	3,543	4,667	5,368	6,001
% of Sales	4.3%	4.8%	5.5%	6.3%
Capital Expenditures	7,163	8,899	11,342	8,914
% of Sales	8.8%	9.2%	11.6%	9.3%
Net Working Capital	2,365	809	1,420	-608.1
% of Sales	2.9%	0.8%	1.5%	-0.6%
Change in NWC		1,556	-611	2,028
UNLEVERED FREE CASH FLOW	4,939	-488	2,819	

**Revenue stalled, margins compressed –**  
Growth flat at 0.9% while gross margin fell from 25.6% to 17.0%

**Profitability down 70% – EBIT margin**  
dropped from 16.8% to 5.0%, NOPAT fell from \$12.6B to \$3.7B

**Working capital turned negative – NWC at**  
-\$608M means they're funding with current liabilities more than assets



# DCF Projections

PROJECTION PERIOD									
2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
113,803	134,288	157,117	180,684	204,173	226,632	247,029	264,321	277,537	285,863
<b>19.0%</b>	<b>18.0%</b>	<b>17.0%</b>	<b>15.0%</b>	<b>13.0%</b>	<b>11.0%</b>	<b>9.0%</b>	<b>7.0%</b>	<b>5.0%</b>	<b>3.0%</b>
84,783	97,359	110,767	123,769	135,775	146,178	154,393	159,914	162,359	161,513
<b>74.5%</b>	<b>72.5%</b>	<b>70.5%</b>	<b>68.5%</b>	<b>66.5%</b>	<b>64.5%</b>	<b>62.5%</b>	<b>60.5%</b>	<b>58.5%</b>	<b>56.5%</b>
29,020	36,929	46,349	56,916	68,398	80,454	92,636	104,407	115,178	124,351
25.5%	27.5%	29.5%	31.5%	33.5%	35.5%	37.5%	39.5%	41.5%	43.5%
<b>49.9%</b>	<b>7.8%</b>	<b>7.3%</b>	<b>6.8%</b>	<b>6.3%</b>	<b>6.0%</b>	<b>5.6%</b>	<b>5.3%</b>	<b>5.1%</b>	<b>4.8%</b>
11,380	13,429	15,712	18,068	20,417	22,663	24,703	26,432	27,754	28,586
<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>
96,164	110,787	126,479	141,837	156,193	168,841	179,096	186,347	190,113	190,099
5.8%	15.2%	14.2%	12.1%	10.1%	8.1%	6.1%	4.0%	2.0%	0.0%
17,640	23,500	30,638	38,847	47,981	57,791	67,933	77,975	87,424	95,764
16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%
3,934	5,241	6,832	8,663	10,700	12,887	15,149	17,388	19,496	21,355
13,706	18,260	23,806	30,184	37,281	44,904	52,784	60,586	67,929	74,409
7,170	8,729	10,527	12,467	14,496	16,544	18,527	20,353	21,925	23,155
<b>6.3%</b>	<b>6.5%</b>	<b>6.7%</b>	<b>6.9%</b>	<b>7.1%</b>	<b>7.3%</b>	<b>7.5%</b>	<b>7.7%</b>	<b>7.9%</b>	<b>8.1%</b>
10,584	12,354	14,298	16,262	18,171	19,944	21,492	22,732	23,591	24,013
<b>9.3%</b>	<b>9.2%</b>	<b>9.1%</b>	<b>9.0%</b>	<b>8.9%</b>	<b>8.8%</b>	<b>8.7%</b>	<b>8.6%</b>	<b>8.5%</b>	<b>8.4%</b>
-910	-1,343	-2,043	-3,072	-4,083	-5,666	-7,411	-9,251	-11,101	-11,435
<b>-0.8%</b>	<b>-1.0%</b>	<b>-1.3%</b>	<b>-1.7%</b>	<b>-2.0%</b>	<b>-2.5%</b>	<b>-3.0%</b>	<b>-3.5%</b>	<b>-4.0%</b>	<b>-4.0%</b>
302	432	700	1,029	1,012	1,582	1,745	1,840	1,850	333
10,594	15,066	20,734	27,419	34,618	43,087	51,565	60,048	68,114	73,884
10.73%	10.73%	10.73%	10.73%	10.73%	10.73%	10.73%	10.73%	10.73%	10.73%
0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5
0.95	0.86	0.78	0.70	0.63	0.57	0.52	0.47	0.42	0.38
10,068	12,931	16,071	19,193	21,885	24,600	26,588	27,962	28,645	28,061

**Margin expansion drives value** – Gross margin projected to improve from 25.5% to 43.5% as manufacturing efficiency scales

**Growth decelerates to maturity** – Revenue growth tapers from 19% to 3% as market penetration plateaus

**Capex efficiency improving** – Capex declining to 8.4% of sales while NOPAT grows 5x, driving strong FCF generation



# DCF Valuation

TERMINAL VALUE	
Terminal Year Free Cash Flow	73,884
Perpetuity Growth Rate	3.0%
Terminal Value	984,752
Implied Exit Multiple	10.28
Discount Period	10
Discount Factor	0.36
<b>PV OF TERMINAL VALUE</b>	<b>355,431</b>
VALUATION	
ENTERPRISE VALUE	571,435
(+) Cash	16,169
(-) Debt	8,213
<b>MARKET CAP (EQUITY VALUE)</b>	<b>579,391</b>
Outstanding Shares	3,330
<b>IMPLIED PRICE</b>	<b>\$173.99</b>
Current Price	\$455.00
Implied Upside/Downside	-61.8%

WACC CALCULATION	
Debt	8,213.00
% Debt	0.5%
<b>COST OF DEBT</b>	<b>4.24%</b>
Effective Tax Rate	22.30%
Equity Value	1,515,150.0
% Equity	99.5%
<b>COST OF EQUITY</b>	<b>10.77%</b>
Risk Free Rate	3.64%
Beta	1.88
Equity Risk Premium	3.79%
<b>WACC</b>	<b>10.73%</b>

**Significant overvaluation** – Model implies 61.8% downside from current \$455 to fair value of \$174

**High discount rate applied** – 10.73% WACC reflects elevated cost of equity from 1.88 beta

**Nearly debt-free structure** – 99.5% equity financed with minimal debt on balance sheet

# Risks and Mitigants

## Swing In EV Business

- If Tesla reverses its recent sales slump through a successful Model 3/Y refresh or if the long-awaited \$25k mass-market EV (Model 2) is successfully launched, restoring volume growth.

## The Volatility Trap

- Tesla is one of the most volatile large-cap stocks. A sudden piece of positive news (like a regulatory approval, a new product reveal, or a major contract) can cause the stock to surge 20% to 30% in a matter of days.

## Growth of Speculative Business

- Thesis relies on Full Self-Driving (FSD), Optimus, and Robotaxi being a bust. If Tesla announces any significant, credible breakthrough, the stock could rally explosively.

## Mitigant

- A sufficient sales swing is unlikely because the key catalyst the Model 2 faces significant manufacturing and design complexity, making it infeasible in the near future. This gives volume and margins to competitors like BYD.

## Mitigant

- The stock's 15.0xP/S valuation requires a continuous stream of massive, unexpected good news (e.g., FSD approval or Model 2 launch) to sustain. In the absence of those catalysts the upside for a sustained, non-news-driven bump is limited

## Mitigant

- Market-moving breakthroughs in FSD (unsupervised Level 4/5) and Optimus (general dexterity) are unlikely in the near term because the technological hurdle is fundamentally unsolved and orders of magnitude too complex to achieve quickly and reliably.

**Thank you for  
listening!**

**Any questions?**

