

Tesla's Financial Statement Analysis

Tesla's financial performance over the last three years spotlights its position in the electric vehicle industry. After analyzing Tesla's metrics I can confidently provide insights into their successes and where they are struggling. The financial dashboard that I provided showcases the company's financial trajectory over the past three years. The metrics that I chose I feel best highlight Tesla's profitability, growth, and financial health.

Tesla's growth trajectory is best evident in its financial statements. Total revenues grew from \$53.8 billion in 2021 to \$96.8 billion in 2023. This reflects Tesla's increased consumer demand and their ability to scale operations. Net income also increased from \$5.6 billion in 2021 to \$14.9 billion in 2023, demonstrating improved cost management and operational efficiency. Tesla's gross profit has also remained strong over the past three years, which is important for a company like Tesla who is in a growing industry. Having the necessary capital to invest in other operational activities is crucial for Tesla to remain a top competitor within the electric vehicles field.

Tesla's profitability is also quite impressive given their continued investment in research and development to maintain technological leadership. Tesla's sustained strength in its income from operations makes sense because they prioritize their manufacturing and supply chains. However, Tesla needs to be aware of its high pricing margins as they can face pressure from competitors expanding their EV offerings.

The points that I pulled from Tesla's balance sheet reflect solid financial health. In 2023, total assets rose to \$106 billion, while liabilities were well controlled, resulting in a low debt ratio of 0.4. Tesla's 2023 current ratio of 1.74 highlights Tesla's strong liquidity position, which provides them with the ability to address short-term issues while also investing in future projects.

One of the things to be hesitant about is Tesla's negative net cash from investing activities. This can be a double-edged sword because while these investments fuel innovation and expansion, they require Tesla to sustain profitability in order to avoid liquidity limitations. Investors have to constantly monitor how Tesla balances these investments against its revenue and profitability. This being said, a negative net cash flow from investing is not the worst thing, as long as operating activities are promoting profit.

Despite Tesla's past financial performances, there are some notable challenges. In quarter 3 of 2024, Tesla almost missed its delivery targets, delivering 462,890 vehicles—slightly below what Wall Street analysts expected (Kolodny). This raises questions about whether Tesla can meet its annual growth targets and maintain its demand amongst a time of uprising competitors.

From an ethical perspective, Tesla's self-driving technology raises concerns about safety and transparency. While the self-driving technology is groundbreaking, there can be criticism raised about its readiness for widespread use. I believe that investors should seek out more information about the technology and ensure that there are no ethical violations.

Internally, Tesla's leadership under Elon Musk often draws some scrutiny for its decision making processes. Musk's leadership style is marked by controversy, including a high-pressure work environment. However, Musk's leadership style has also benefited the company tremendously as it has played a significant role in Tesla's success as a pioneer for the electric vehicle industry.

In terms of a management standpoint, I believe that Tesla's data serves as a good point to look at for strategic planning. While revenue growth is positive and Tesla has been profitable, management must focus on addressing the issues of delivery shortfalls and optimizing the

amount of inventory. Ethically, management must focus on developing innovation responsibly and safely. Maintaining transparency with stakeholders and ensuring that all technology is safe is vital for Tesla's success. Management must balance profitability with sustainability as well as the responsibility to care for all employees.

Work Cited

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