

Tesla

2026 marks the “next stage of growth”

10 November 2025

Company Overview

Tesla, Inc. designs, develops, manufactures, sells, and leases fully electric vehicles and energy-generation and storage systems, and offers services related to its products, such as leasing of electric vehicles and sales of automotive regulatory credits. Its automotive products include the Model 3, Model Y, Model S, and Model X. Currently, the company produces its electric cars at gigafactories in the United States, Germany, and China.

Investment Overview

Leading EV manufacturer backed by economic MOATs. Tesla is a leading global EV manufacturer, backed by its firm market leadership with an estimated 20% market share based on global sales, and healthy automotive margins seen in the industry (FY23 at 17%, on top end range of peers between 10-20%) which we believe is a commendable feat given that many legacy OEMs are still witnessing losses in EV production. Tesla's leading market share is backed by its economic MOAT in EV charging infrastructure and supercharger network, which has seen rising adoption by other OEM competitors in North America. Furthermore, ongoing ramp-up and progress in its autonomous driving and other software (e.g., full self-driving aka FSD) could also emerge as another emerging economic MOAT for Tesla, with Tesla often being considered as a leader in autonomous driving (aka ADAS) especially among US OEMs.

3Q25 results a miss on higher operating expenses. Adjusted EPS came in 9% below expectations at USD 0.50 (-31% y/y), while revenue rose 12% y/y to USD 28.1 bn on record vehicle deliveries (+7% y/y to 497k units) and robust energy-storage deployments (+81% y/y to 12.5 GWh). Operating profit declined 40% y/y to USD 1.6 bn as a higher cost base compressed margins to 5.8% (in line with estimates, -5 ppt y/y), with management citing USD 400mn in tariff costs and increased restructuring charges linked to AI chip design consolidation. Automotive margins (ex-credits) improved slightly q/q to 14.7% (+0.4 ppt q/q) on material cost reductions and higher factory utilisation but were down 1.7 ppt y/y.

2026 marks the “next stage of growth”. In early October, Tesla launched more affordable versions of the Model Y and Model 3. Management expects 4Q25 to benefit from sustained Model Y demand, the U.S. rollout of the Model 3/Y Standard variants, and accelerating Megapack and Powerwall shipments. However, margin pressures are expected to persist due to tariffs, higher employee-related R&D spending (AI equity grants), and continued restructuring linked to chip design consolidation. Furthermore, management guided that CapEx will increase substantially in 2026 to prepare for Tesla's “next stage of growth,” with 2026 marking the start of volume production for the Cybercab, Tesla Semi, and Megapack 3, as well as installation of the first-generation Optimus lines. On a positive note, management reaffirmed its intention to expand vehicle production capacity toward 3 mn units annualised within approximately 24 months, implying volume prioritisation over near-term margin recovery. Looking ahead, although shifting trade policy and intensifying competition remain key headwinds, we see multiple catalysts for Tesla, including (i) the unsupervised rollout of FSD in Austin, (ii) 2026 volume production of the Cybercab, Semi, and Megapack 3.

Maintain USD450 TP. Our TP is based on FY26 earnings, using a target PE of 200x (or 2.5SD above historical mean).

Risks

Firstly, weaker-than-expected volume sales can lead to downside risks to Tesla's earnings, especially as EV competition heats up, noting rising competition and impressive EV sales growth from China OEM leaders such as BYD. Furthermore, the weakening macroeconomic environment in global/China markets can also pose headwinds to volume sales. Secondly, margin dilution remains as a risk to Tesla, especially amid the ongoing aggressive price cuts in the OEM industry.

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Key Financial Data

Bloomberg Ticker	TSLA U
Sector	Consumer Discretionary
Share Price (USD)	429.52
DBS Rating	HOLD
12-mth Target Price (USD)	450.0
Market Cap (USDb)	1,428.5
Volume (m shares)	103.5
Free float (%)	84.6
Dividend yield (%)	-
Net Debt to Equity (%)	-31.1
Fwd. P/E (x)	256.1
P/Book (x)	17.9
ROE (%)	7.0

Closing Price as of 6 Nov 2025

Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Bloomberg

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Financial Summary

FY Dec (USDmn)	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Sales	81,462	96,773	97,690	95,234	108,557
% y/y	51.4	18.8	0.9	(2.5)	13.9
Gross Profit	21,447	18,401	18,226	16,544	19,816
% y/y	52.9	(14.2)	(1.0)	(6.4)	19.6
EBITDA	18,963	15,370	14,443	12,012	14,669
% y/y	64.1	(18.9)	(6.0)	(13.1)	20.9
Net Profit	14,116	10,882	7,999	5,476	7,722
% y/y	84.8	(23.0)	(26.5)	(32.9)	40.5
FCF	7,566	4,358	3,581	5,144	3,850
% y/y	50.9	(42.4)	(17.8)	48.9	(24.6)
CAPEX	7,158	8,898	11,342	9,083	10,947
% y/y	10.4	24.3	27.4	(19.9)	20.3
EBITDA Margin (%)	23.3	15.9	14.8	12.6	13.3
Net Margin (%)	17.3	11.2	8.2	5.8	7.1
ROA (%)	19.5	11.5	7.0	4.1	5.0
ROE (%)	36.5	19.9	11.7	6.8	8.0
Tax Rate (%)	7.4	(10.8)	19.2	24.5	20.9

Source: Visible Alpha

Valuation Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
P/E (x)	34.1	57.7	205.4	374.5	244.7
P/B (x)	9.6	13.8	19.4	18.7	17.3
EV/EBITDA (x)	19.7	50.0	88.0	109.6	89.2
FCF Yield (%)	1.8	0.5	0.3	0.3	0.3

Source: Visible Alpha

Credit & Cashflow Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Debt / Equity	6.8	8.2	11.1	9.5	8.9
Net Debt / Equity	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Debt / Assets	3.8	4.9	6.7	5.8	5.5
Net Debt / Assets	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
EBITDA / Int Exp	92.1	98.5	41.3	34.2	40.0
ST Debt / Total Debt	0.5	0.5	0.3	0.3	0.3
Debt / EBITDA	0.2	0.3	0.6	0.7	0.6
[Cash + CFO] / ST Debt	24.6	17.8	21.2	28.1	30.4
Receivables Days	13.2	13.2	16.5	16.3	16.6
Days Payable	68.4	54.4	46.6	50.6	51.3
Inventory Days	57.5	51.4	44.9	49.2	48.9

Source: Visible Alpha

Target Price & Ratings History



Source: DBS

Analyst: Elizabelle Pang

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*Share price appreciation + dividends

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