



# Equity Research on Tesla Inc. – Distinguishing a good company from a good investment.

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Dissertation written under the supervision of Professor Fani Kalogirou

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## **Abstract**

This paper will estimate the intrinsic value of Tesla, Inc (Ticker: TSLA) and its associated equity value as of June 30, 2026. During the valuation, the research will provide an inter-stitched evaluation of Tesla's business model, financials, and historical stock performance.

To arrive at a specific share price, there were three methods employed, namely the Discounted Cash Flow (DCF) Analysis, the Comparable Companies Analysis (CCA), and the median stock price over the last 52 weeks of trading. Through the DCF approach, financial data is estimated for 2025 from analysts at Refinitiv, and Free Cash Flows (FCF) are estimated over an explicit five-year time frame from 2026 to 2030. Through CCA, multiples are calculated and obtained from a peer group, based on similarities in their business strategies and relative scale, and the median stock price is obtained from daily stock prices over the last 52 weeks, reflecting market information over trailing twelve months of trading.

The final target price is constructed by weighting all three methods according to a methodological rationale. The process arrives at the final target price for the Tesla shares of \$113.14, reflecting an approximately 75% decline compared with the current market price set at \$447.00 as of December 12, 2025. The results indicate that the current valuation implies expectations beyond those indicated by the fundamentals applied in this analysis.

Title: Equity Research on Tesla Inc. – Distinguishing a good company from a good investment.

Author: Daniel Pereira e Silva

Keywords: Tesla, EV, Equity, Price, Cash-Flows.

## **Abstrato**

Este artigo estimará o valor intrínseco da Tesla, Inc (Ticker: TSLA) e o seu valor patrimonial associado em 30 de junho de 2026. No decorrer da avaliação, a pesquisa fornecerá uma avaliação interligada do modelo de negócio, resultados financeiros e desempenho histórico das ações da Tesla.

Para chegar a um preço específico por ação, são utilizados três métodos, nomeadamente os Fluxos de Caixa Descontados (DCF), a Análise de Empresa Comparável (CCA) e o preço médio das ações nas últimas 52 semanas de negociação. Através da abordagem DCF, os resultados financeiros para 2025 são estimados pelos analistas da Refinitiv, e os fluxos de caixa livres são estimados ao longo de um período explícito de cinco anos, de 2026 a 2030. Através da CCA, os múltiplos são calculados e obtidos a partir de um grupo de empresas semelhantes, com base em semelhanças nas suas estratégias de negócio e escala, e o preço mediano da ação é obtido a partir dos preços diários da ação ao longo das últimas 52 semanas, refletindo as informações de mercado ao longo dos últimos doze meses de negociação.

O preço-alvo é construído ponderando os três métodos de acordo com uma lógica metodológica. O processo chega a um preço-alvo final das ações da Tesla de \$113.14, refletindo uma queda de aproximadamente 75% em comparação com o preço de mercado atual fixado em \$447.00 a 12 de dezembro de 2025. Os resultados indicam que a avaliação atual implica expectativas além das indicadas pelos fundamentos aplicados nesta análise.

Título: Equity Research sobre a Tesla Inc. – Distinguir uma boa empresa de um bom investimento.

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## **Acronyms**

1. ADAS - Advanced Driver Assistance Systems
2. AI – Artificial Intelligence
3. BEV - Battery Electric Vehicle
4. BV – Book Value
5. CAGR – Compound Annual Growth Rate
6. CEO – Chief Executive Officer
7. CFO – Cash Flow from Operations
8. COGS – Cost of Goods Sold
9. DCF – Discounted Cash Flows
10. DIO – Days of Inventory Outstanding
11. DOL – Degree of Operating Leverage
12. DPO – Days of Payables Outstanding
13. DSO – Days of Sales Outstanding
14. DTC – Direct-to-Consumer
15. D&A – Depreciation and Amortization
16. ESG – Environmental, Social and Governance
17. EV – Electric Vehicle
18. FCEV - Fuel Cell Electric Vehicles
19. FSD – Full Self Driving
20. FCF – Free Cash Flows
21.  $g$  – Long-term Growth Rate
22. HEV – Hybrid Electric Vehicle
23. ICEV – Internal Combustion Engine Vehicle
24. ICR – Interest Coverage Ratio
25. IRA – Inflation Reduction Act
26. ITC – Investment Tax Credits
27.  $K_d$  – Cost of Debt
28.  $K_e$  – Cost of Equity
29. MV – Market Value
30. NWC – Net Working Capital
31. OEM – Original Equipment Manufacturers

- 32. OTA – Over-the-air**
- 33. O&M – Operations & Maintenance**
- 34. PHEV – Plug-in Hybrid Electric Vehicle**
- 35. PPE – Property, Plant and Equipment**
- 36. PTC – Production Tax Credits**
- 37. R&D – Research & Development**
- 38.  $R_f$  – Risk Free Rate**
- 39. SC – Supply Chain**
- 40. SG&A – Selling, General & Administrative**
- 41. TV – Terminal Value**
- 42. WACC – Weighted Average Cost of Capital**
- 43. WC – Working Capital**

## 1. Introduction

The automotive industry is undergoing severe shift from conventional Internal Combustion Engine Vehicles (ICEV) to electrified transportation, such as Battery Electric Vehicles (BEVs), Plug-in Hybrid Electric Vehicles (PHEVs), Hybrid Electric Vehicles (HEVs) and Fuel Cell Electric Vehicles (FCEVs). Tesla is exclusively focused on BEVs and was the first scaled pure-play Electric Vehicle (EV) manufacturer. Nevertheless, the competition has intensified as established Original Equipment Manufacturers (OEMs) expand their electric portfolios. While Automotive still comprises approximately 79% of total revenue, Energy & Storage and Services segments have grown consistently, supporting Tesla's strategy to build a vertically integrated, technology-driven ecosystem under its Master Plan IV.

Founded in 2003 and headquartered in Austin, Texas, Tesla has moved from a pure BEV manufacturer to a cutting-edge energy company. It also operates in the fields of energy production and storage, charging infrastructure, software, Artificial Intelligence (AI) and robotics. Its strategy includes vertical integration, Direct-to-Consumer (DTC) sales, proprietary battery technology, and software-based strategies to provide Over-the-Air (OTA) updates and capitalize on features like Full Self-Driving (FSD).

Despite being the leader in the EV and clean energy space, Tesla operates in a much tougher and capital-intensive industry today. New entrants like BYD and legacy carmakers are expanding the EV segment and thus pressurizing EV manufacturers to reduce prices. At the same time, current valuation multiples of Tesla are much higher than the automotive industry ones, turning the intrinsic valuation of Tesla into a challenging exercise.

This dissertation went through a valuation analysis of Tesla stock by using three well-known methods in the finance industry: Discounted Cash Flows (DCF), Comparable Company Analysis (CCA) and 52-week median trading price. Beforehand, an analysis of the industry and the company was made, looking to understand the competitive context, the historical financial and stock performance and Tesla's future outlooks.

To account for uncertainty of assumptions under the DCF, a sensitivity analysis was performed to assess how changing the discount rate and long-term growth rate affects the target share price, allowing for an insightful investment recommendation.

This valuation model underscores the significant gap between the current market value and the intrinsic value of the firm. The derived weighted target price was \$113.14, indicating a significant 75% downside to the quoted market price of \$447 as of 12/12/2025. The key contributors to this difference include the modest growth rate in the automotive segment, the gradual decline in earned regulatory credits, the margin normalization due to increasing competition in the EV segment and the use of the terminal growth rate based on macroeconomic factors.

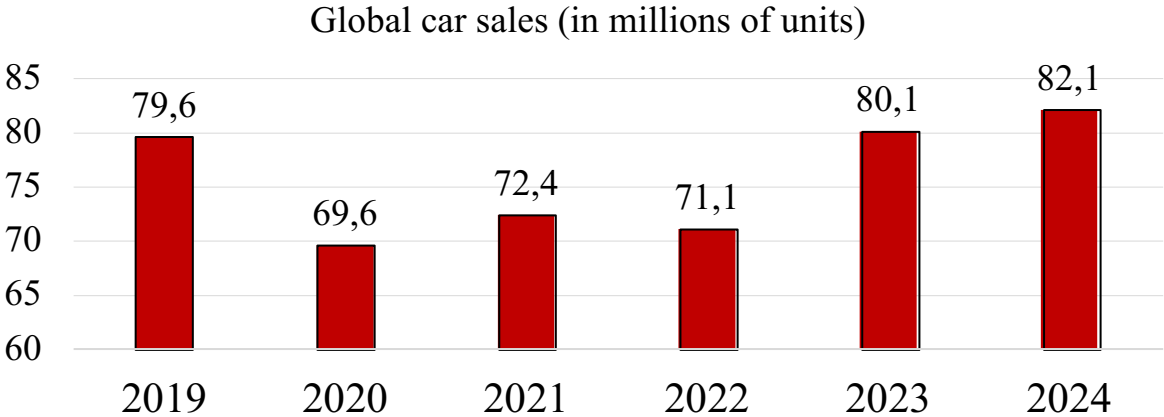
Tesla benefits from economies of scale and strong brand positioning. However, the current market pricing is based on the hope of maintaining market share growth, software sales at premium pricing and the success of autonomous driving and robotics initiatives. The question the analysis poses is whether Tesla is a wise investment option at current valuation given its strong fundamentals and unique strategy.

The main goal is to find the stock's intrinsic value as of 31/06/2026 so investors can collect and use this information in their investment decisions, determining whether they should buy, hold or sell the stock depending on the conclusion of the stock being over/undervalued when compared to the actual share price.

## 2. Industry Analysis

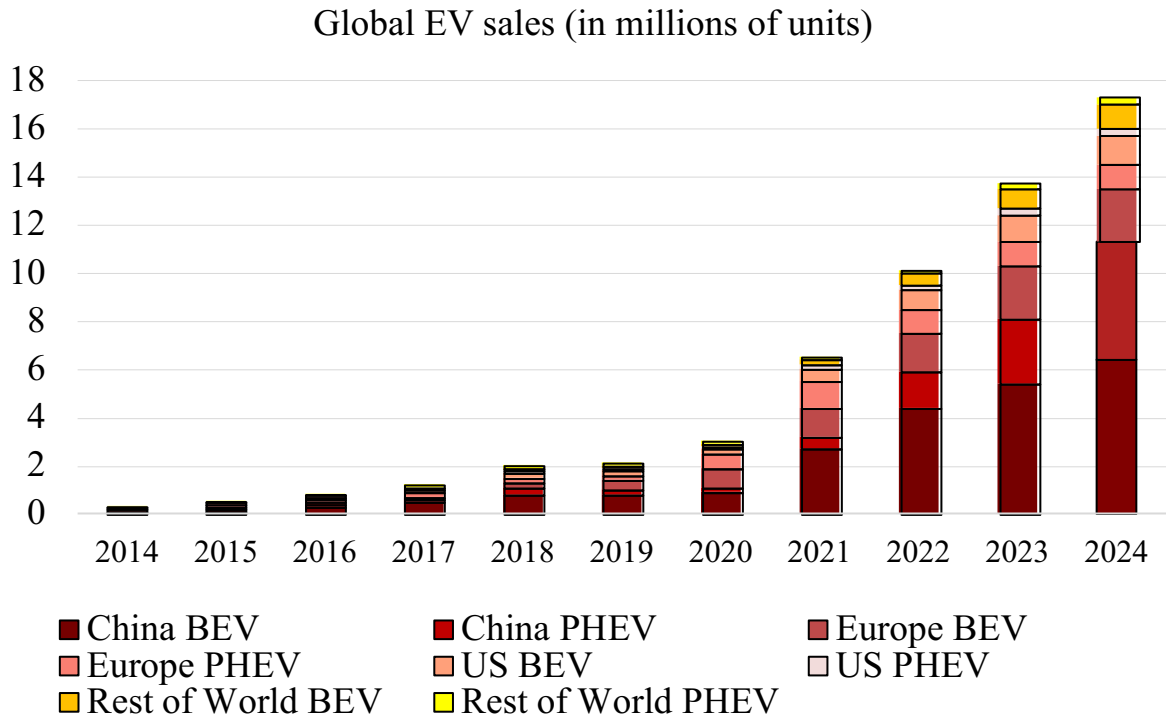
### 2.1 Industry Overview

After COVID-19 pandemic and the Supply Chain (SC) disruptions driven by the increase in raw materials prices (mostly semiconductors), the automotive market seems to be recovering. As shown in Figure 1, 80.1 million vehicles were sold in 2023, back to pre-pandemic levels, showing a growth of 12.7% versus previous year (OICA 2025).



**Figure 1** - Global car sales in millions of units (adapted from: OICA 2025).

As fossil fuel prices rise and sustainable concerns are raised, the automotive market faces a transition from gasoline-powered vehicles to electrified cars. In 2024, with more than 17 million units sold (25% growth YoY), the global EV market represented more than 20% of total cars sold (Alšauskas et al. 2025) and according to Statista it is expected to reach 44.8% in 2030 (Statista Research Department 2025). China has been leading the market since 2021, when it almost tripled the units sold in 2020, due to its huge government subsidies through the form of consumer incentives, tax exemptions, grants to manufacturers and regulatory tax credits. In 2024, “almost half of China’s car sales were electric” (Alšauskas et al. 2025) and almost 2 out of 3 electric cars were sold in China, showing an increase of 40% versus previous year (Figure 2). Furthermore, around 70% of global EV production takes place in China, largely impacted by the exponential growth of domestic battery-manufacturers like BYD or CATL (Barwick et al. 2025).



**Figure 2** - Global EV sales in millions of units (adapted from: Alšauskas, Andrean, et al. 2025)

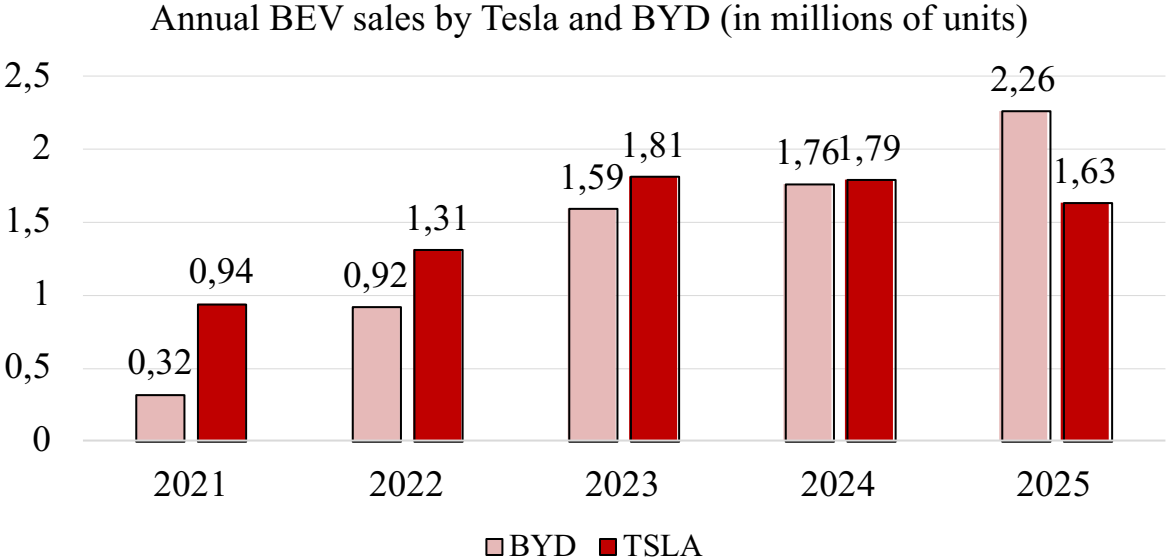
In the US, units sold in 1Q25 grew by around 10% YoY and 1 out of 10 cars sold were electric. In Europe, 1 out of 4 cars sold in the 1Q25 were electric. However, these two major markets are expanding at a slower pace than China due to “changes in federal policies and a poorer fit between product and price” (Bert et al. 2025). Other emerging markets such as Brazil and India keep breaking all-time records by growing electric car sales by 40% and 45% year-over-year, respectively.

## 2.2 Industry Dynamics and Porter’s 5 Forces

### 2.2.1 Rivalry

As EV demand keeps growing, the industry gets increasingly competitive, driven by a wide variety of models, the entry of new players (mainly Chinese) and its aggressive price competition, shrinking operating margins year-over-year.

In 2024, BYD Auto, the giant Chinese EV manufacturer, overtook Tesla to be the world's leading EV producer by volume, highlighting the scale and cost advantages of Chinese competitors (Figure 3). As of October 2025, year-to-date results show that BYD is already selling more units than its American competitor (Gaudiaut 2025).



**Figure 3** - Tesla vs BYD annual sales in millions of units (adapted from: Gaudiaut 2025).

Moreover, other Chinese EV firms like Xpeng, Nio and Geely are reporting record sales over the recent periods, frequently targeting lower-cost and price-sensitive segments, posing as direct competitors to BYD in the Chinese market (Carter 2025). These competitors can produce new models faster and at lower prices, giving them an opportunity to expand their footprint in Europe and in the US.

This increased competition puts pressure over operating margins. According to (BCG 2024), many traditional automakers are incurring \$6,000 losses when selling an EV for \$50,000. As average model prices keep decreasing, either driven by lower cost of materials or aggressive discount strategies, so do operating margins. Analysts don't see this reverting in the short-term, but rather expect a run to mass-market models.

### 2.2.2 New Entrants

The shift toward electrification opened doors for tech-oriented entrants. However, the market is reaching saturation while still demanding large capital investments to achieve economies of scale, required to achieve cost competitiveness (e.g. battery costs). To build EV factories, secure SCs for key minerals and develop software systems, a company must make multi-billion investments. Tesla for example spent around \$3.6bn in its battery-cell plant expansion in 2023 (Mark 2024).

Early entrants had the advantage of facing less restrictive SCs. New entrants now face harder access to battery-grade materials and long-term supplier contracts. Besides, automotive brands rely on reputation for safety and reliability, requiring large investments in marketing and networking to gain customer trust.

However, we've seen new brands entering the EV race as these have a simpler powertrain architecture and are more software-centric, lowering engineering complexity and attracting tech firms. Besides, a brand can outsource manufacturing, lowering initial capital requirements. Government support recently played an important role through subsidies, tax incentives and policymaking, enabling rapid entry. As the market starts to mature, one should expect to see less new entrants with governments phasing out incentives due to overcapacity and stricter regulation, driven by increasing safety and cybersecurity concerns. Moreover, as margins shrink, the market loses attractiveness.

### 2.2.3 Substitute Products

#### ICEVs

In developing markets, where charging infrastructure is minimal, ICEVs are still the default option due to the robust refueling network. Moreover, these require lower upfront costs, although regulatory efforts to achieve decarbonization tend to change the demand trajectory to electrified options, making EVs more affordable.

## PHEVs

A trend to notice is the growing market share of PHEVs, which are in fact a substitute to BEVs when customers prioritize flexibility and convenience. Customers tend to choose PHEVs due to limited nearby charging infrastructure or affordability concerns. While these allow for long-distance travelling with short charging time, clients that prioritize minimal recurring costs, such as fossil fuel prices or maintenance costs, tend to prefer BEVs.

In China, BEVs share of total EV sales dropped from 80% in 2020 to below 60% in 2024 due to accelerating PHEV sales (Alšauskas et al. 2025). In Europe, PHEVs accounted for 7.3% of all car registrations in 2024 (EEA 2025) which quickly rose to a share of 9% in October 2025 year-to-date (European Market Monitor: Cars and Vans 2025). In the US, the trend moves in a similar way (S&P Global 2025).

## FCEVs

Hydrogen FCEVs are another attractive opportunity as they combine faster refueling times (3 to 5 minutes) with longer driving ranges, compared to BEVs. But essentially, these do not rely on battery-critical minerals like lithium, nickel and cobalt. At the same time, this type of vehicles aligns with long-term sustainability goals. On the other hand, fuel-cell systems are expensive, there is still limited refueling infrastructure and hydrogen itself is much more expensive than electricity. Demand for personal cars may not be through adoption of FCEVs as their relevance might be limited to heavy-duty and specialized fleets applications (Hydrogen Europe, n.d.).

### 2.2.4 Buyers Power

#### Lack of Differentiation

Due to increasing model availability for all price classes, customers can easily cross-shop by comparing prices, ranges, charging speeds or software features. In 2024, there were around 785 EV models available, representing an increase of 15% year-over-year (Alšauskas et al. 2025). Modest differentiation allied to low switching costs puts increased pressure of manufacturers to offer aggressive discounts.

### Fleet Purchasers

Fleet purchasers like rental companies, government agencies or ride-hailing firms, that buy large volumes at once, have strong negotiation leverage and the ability to switch between suppliers. Negotiating directly with legacy OEMs makes them secure lower unit prices and additional support through Operations and Maintenance (O&M) agreements.

### Digitalization

Finally, digitalization allows customers to compare EVs more effectively by using government incentive calculators and consumer reviews, preventing manufacturers from extracting premium margins without offering clear differentiation.

## 2.2.5 Suppliers Power

### Battery Minerals

Concentration in key upstream components like battery minerals exposes EV firms to supply shocks and price volatility. Lithium supply is highly concentrated in Australia, Chile and China while cobalt is mainly mined in the Democratic Republic of Congo. Nickel on the other hand is dominated by Indonesia and Philippines (Geological Survey 2024). There is high dependence on these minerals given the limited number of substitutes, affecting battery production costs.

### Battery-Cells

Battery-cell production is also dominated by few major players since it's a capital-intensive industry with long development times and elevated intellectual property. In 2024, CATL and BYD, two Chinese battery-cell manufacturers, together held ~55% of global EV-battery market share. Some OEMs are already pursuing in-house production although ramp-up will take time.

## Semiconductors

Semiconductors are crucial for power electronics and Advanced Driver Assistance Systems (ADAS). EVs require more chips than ICEVs and these must meet strict safety standards, making this SC more concentrated in a limited number of producers able to influence volumes and pricing.

### 3. Company Analysis

Founded in 2003, Tesla Inc. operates as a global automaker of EVs, energy storage products, and related software and services. Its business model is built upon electrification, advanced manufacturing and software-intensive vehicle architecture while offering recurring revenue streams with FSD and Connectivity features. Furthermore, Tesla is working on an autonomous network for ride-hailing (Robotaxi) and robotic products (Optimus).

Tesla operates with DTC selling, using an exclusive sales service infrastructure anchored with one of the world's largest fast-charging networks. It serves individual customers, commercial fleets, utility companies and institutional customers worldwide with EV manufacturing, battery technologies, software development and energy offerings while walking towards automation technologies.

#### 3.1. Business Mix

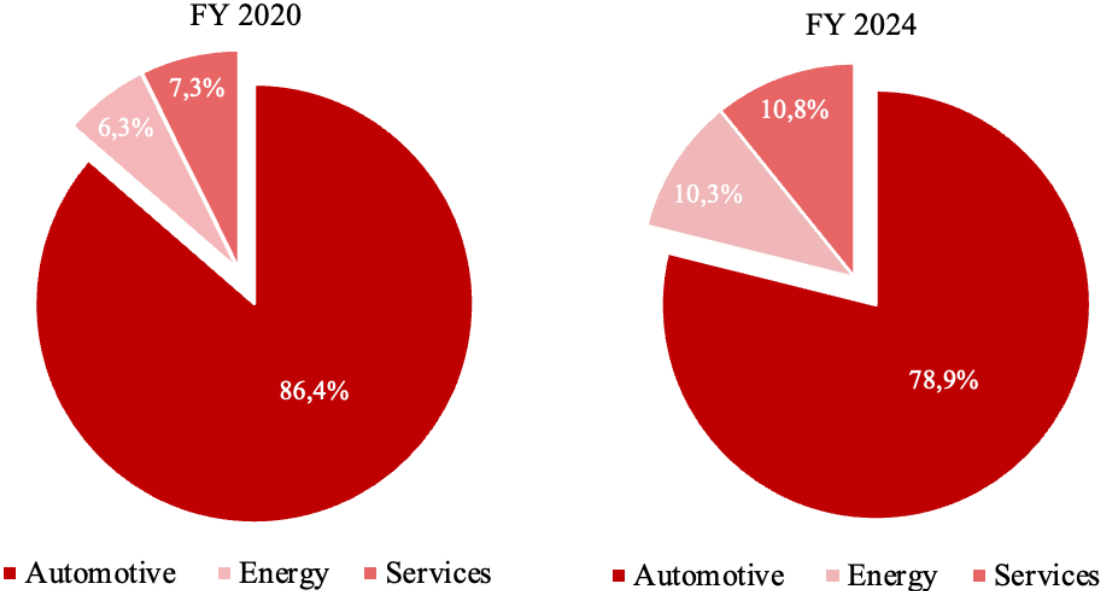
The company has a well-developed and integrated business regarding automotive manufacturing, energy production and storage, among other services. Over time, the firm has developed and invested in AI and robotics, although these fields aren't yet defined as separate revenue streams, but rather as part of the overall strategy of improving scalability and efficiency.

The automotive segment has been the leading contributor to the overall revenue, despite contributing a lesser proportion over time, declining from an 86.4% share in 2020 to 78.9% in 2024 (Figure 4). The decline can be attributed to increased EV competition, leading to pressure on prices, and to the faster growth of the other two segments.

The energy segment has shown a strong growth in percentage of revenues, rising from 6.3% in 2020 to 10.3% in 2024, mainly due to increased demand for energy storage solutions in the utility and commercial markets, as well as for decentralized energy solutions. This segment has a competitive advantage due to the company's scale, technology, and ecosystem.

The services segment rose from 7.3% in 2020 to 10.8% in 2024, driven by the increased Tesla's fleet, thereby increasing demand for services such as maintenance, repair, software services and

charging services. In addition, its charging infrastructure can be used by EVs from other brands, and since most carmakers are reshaping its products portfolio towards electrification, the demand for these chargers tend to increase over time.



**Figure 4** - Tesla's business mix: FY20 versus FY24.

3.1.1. Automotive

This is Tesla’s largest segment, and it comprises EV sales and leases, automotive regulatory credits monetization and selling of features that enhance vehicle functionality such as FSD subscriptions and internet connectivity.

In 2024, the automotive gross margin fell to 18.4%, down from 29.3% in 2023, driven by lower average EV selling price and Cybertruck ramp-up. These pressures were partially offset by lower average cost per vehicle and higher regulatory credits and FSD revenues – high-margin revenue streams (Tesla Inc. 2024).

EV Selling & Leasing

Most of the automotive revenue comes from the sales and leases of Models S, X, 3, Y, and Cybertruck. The Models S and X fall under its luxury offerings and offer superior performance

and range with improved interiors. On the other hand, Models 3 and Y fall under Tesla's mass market EVs, with the first offering a mainstream sedan and the second a compact SUV, together accounting for the majority of sales because of their affordability. The Cybertruck strengthens Tesla's competitiveness by introducing a high-performance electric pickup, targeting a segment previously underserved within its portfolio.

Most of this revenue comes from "Selling", with minimal revenue contribution attributed to "Leasing". Automotive sales revenue decreased 8% YoY in 2024 mainly driven by lower average selling prices (industry-wide price reductions) and more attractive financing incentives. Additionally, there was a decrease in deliveries of Models 3 and Y by 22,000 units, partially offset by 19,000 incremental deliveries of other models (Cybertruck ramp-up). Cost of automotive sales decreased 5% due to less deliveries and lower raw material costs, freight and duties. The cost savings were partially offset by higher Cybertruck production costs (Tesla Inc. 2024).

### FSD Features

Full-Self-Driving refers to Tesla's most advanced software package, that enhances EV automation through features like automated lane changes, traffic-lights and stop-signs recognition, navigation and driving assistance on highways. Customers can access these features either by purchasing it upfront or through a monthly subscription, allowing the company to generate recurring software revenue while providing some flexibility to its clients. The monetization of FSD features allows Tesla to earn revenue from a high-margin software-based product, offsetting shrinking gross margins from declining EV selling prices. In 2024, Tesla earned \$596mm of FSD revenues (Tesla Inc. 2024).

### Internet Connectivity

Tesla can provide its customers with one of the two available packages - Standard or Premium Connectivity. Under the Standard Connectivity package, the company equips all EVs with built-in internet connectivity that supports navigation, diagnostics, OTA updates and in-car functions, at no extra cost. Beyond this, customers can buy a Premium Connectivity package that unlocks enhanced features such as live traffic updates, satellite-view maps, video and music

streaming and in-car web browser. Tesla can directly monetize internet connectivity through its Premium package, that comes at a fixed monthly cost, following an initial free period. This represents another recurring revenue stream and provides Tesla with universal access to critical data, supporting software functions.

### Automotive Regulatory Credits

Automotive Regulatory Credits are “compliance” credits awarded to carmakers that produce zero-emission vehicles, which can be sold to whoever fails to meet environmental or fuel-efficiency standards and must acquire them to avoid financial penalties. Tesla earns several of these in the several regions it operates and these carry a huge margin (~100%) as the company incurs no incremental cost to receive them.

In the 3Q25, these decreased by 44% year-over-year. On a year-to-date basis, regulatory-credit revenue declined by 30% YoY (Tesla Inc. 2025).

### 3.1.2. Energy

The Energy Generation & Storage is one of Tesla’s expansion drivers, thanks to increasing global investments in renewable energy. This includes the sale, leasing and installation of solar energy products (residential and commercial) and energy storage systems, along with earned incentives.

Overall, strong financial performance has been driven by increasing battery-storage deployments alongside with significant cost efficiencies. In 2024, this segment revenue increased by 67% YoY, due to a significant increase in Megapack and Powerwall volumes, while cost of goods sold only rose 52%, reflecting scale benefits and incremental support from manufacturing credits established by the Inflation Reduction Act (IRA). By consequence, gross margin of the business line improved from 19% to 26% reflecting the profitability of storage products as productions keeps scaling. This momentum continued in 2025, as revenue for the three and nine months ended in September rose 44% and 27% YoY, respectively. Despite headwinds from trade tariffs, declining raw material and manufacturing costs (efficiencies from

Shanghai Megafactory) strengthened the gross margin of the segment to 31% in 3Q25, being Tesla's highest-margin business line (Tesla Inc. 2025).

### Solar Energy Generation

This includes the sale and installation of photovoltaic solutions for residential, commercial and industrial clients, through the Solar Panel and Solar Roof systems, enabling customers to produce renewable electricity and reduce reliance on the grid, supporting long-term cost savings.

Solar Panels is the standardized solution with higher adoption, fitting several property types needs. Solar Roofs directly integrate photovoltaic cells into roofing materials, targeting customers looking for an aesthetic solution. These products address demand for clean and on-site energy production and support Tesla's broader energy ecosystem.

### Energy Storage

The Energy Storage business comprises residential and commercial battery systems, with the Powerwall serving households and the Megapack mostly larger commercial and utility-scale developments. With these products, clients can store excess solar production to provide power during outages and optimize energy usage by shifting consumption to lower-cost periods.

The Powerwall pairs with home solar installations to enhance self-consumption and energy resilience, while the Megapack is meant to provide support to grid operators and large energy users by offering scalable capacity for load management. These two products together serve growing global demand for flexible and cost-effective energy storage that complements solar generation.

### Solar Energy Incentives

A smaller part of the segment revenue comes from the financial incentives that Tesla earns in solar or storage assets that it owns in Power Purchase Agreements and leasing agreements. The most significant incentive is the Solar Renewable Energy Certificate, earned by the company

when its systems produce clean electricity, to be sold into state-regulated compliant markets. Nowadays, this revenue stream is modest compared to the total Energy segment revenue.

### 3.1.3. Services and Other

The Services segment revenue is mainly driven by the continuously expanding EV fleet of Tesla, which generates recurring revenue from the sale of second-hand vehicles, maintenance, parts, charging, insurance, and merchandise sales. This segment revenues are naturally linked to the cumulative deliveries of vehicles and allows for a more stable and diversified revenue profile.

The revenue generated from the Services and Other segment grew by 27% YoY in FY24, similarly to the growth of cost of revenue, indicating lack of operating leverage. However, as the global EV parc of Tesla continues to expand, this segment will become a more stable revenue contributor.

#### Used vehicles

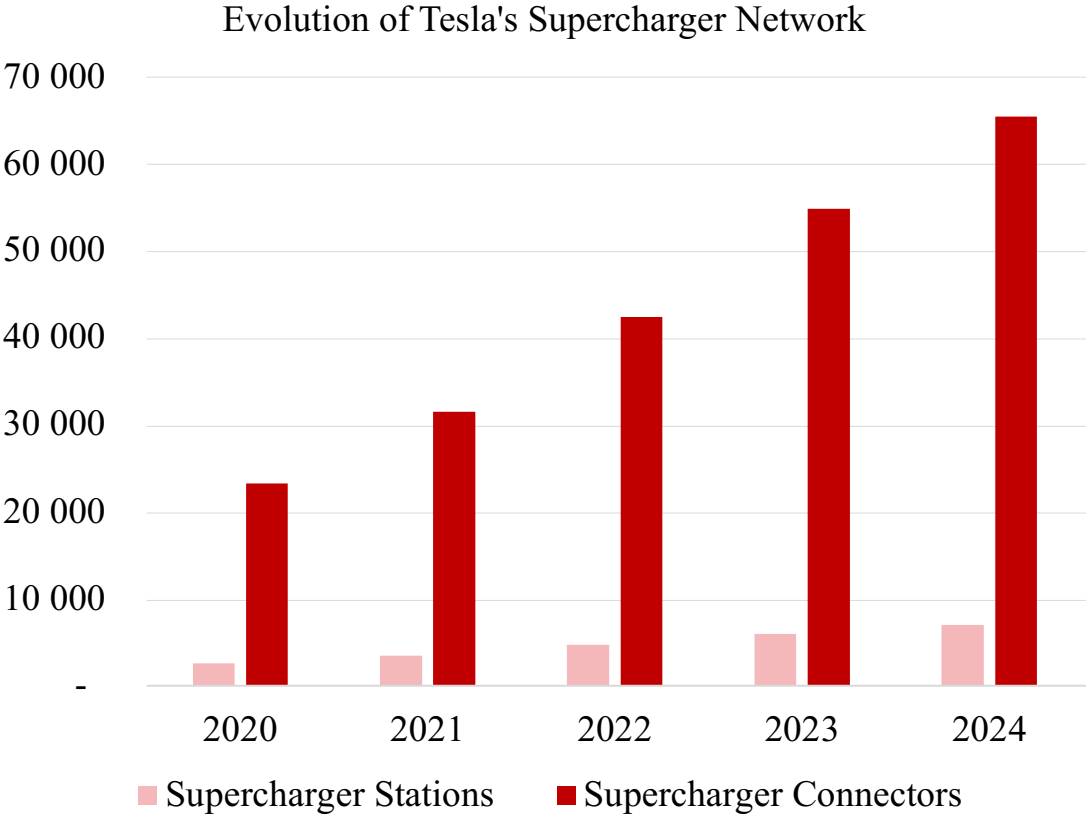
Tesla generates revenue from the resale of trade-in and previously leased vehicles. The growth rate of this category is fueled by the growing global EV fleet and trade-in volume, especially as the delivery base ages.

#### Non-warranty Maintenance and Sales of Parts

As Tesla fleet ages past the warranty period, maintenance revenue opportunities will appear. Tailwinds include the growing global EV parc, expansion of service center footprint and increased vehicle complexity, while potential headwinds include improvements in maintenance frequency due to technology improvements.

Paid Supercharging

Tesla generates revenue from its global charging infrastructure, which is based on paid Supercharging services. The revenue generated from this segment is fueled by the growing charging volume, especially as the charging network is opened to non-Tesla vehicles. To face the increasing size of its fleet, Tesla has been expanding its supercharger network through new stations or addition of connectors (Figure 5).



**Figure 5** - Cumulative deployments of Supercharger Stations and Connectors.

3.1.4. AI & Robotics

Tesla has also significantly invested in AI and robotics despite not reflecting such investments as a new source of company revenue. Tesla’s focus on AI and robotics can be seen in its boosted spending on Research and Development (R&D), indicating its long-range strategy of driving innovation in technology competitiveness.

Across 2024, there has been a rise of \$57mm in R&D spending, or a 14% YoY increase, mainly fueled by increased funding of AI programs. Interestingly, its FY24 annual report reveals a rise in R&D as a percentage of revenue, from 4% to 5%, further highlighting its efforts to expand the product portfolio.

### Robotaxi and Cybercab

The Robotaxi initiative aims for a network of ride-hailing cars to operate without the need for human drivers and revenue would be generated on a per-mile basis. The Cybercab, specifically developed for this initiative, doesn't have a steering wheel nor pedals. Up to date, there is no revenue from the autonomous network to report, but the project indicates a possibility for the onset of mobility-as-a-service.

### Optimus

Tesla's robotic general-purpose project is a humanoid robot intended for repetitive, possibly laborious jobs. As it's still under development, it hasn't generated revenue yet, although it's already a promising attempt to expand Tesla's capabilities to other sectors.

## 3.2. Master Plan Part IV

Master Plan Part IV (Tesla Copyright 2025) outlines the long-term strategic vision of Tesla, which revolves around AI, autonomy and the integration of transport and energy systems. Contrary to earlier plans emphasizing the electrification of vehicles, the current plan identified AI as the primary source of value creation, which will be embedded in vehicles, energy storage systems, and robotic applications. The focus is placed on scale, cost efficiency and the integration of both hardware and software to create a unified technological platform.

One of the key pillars of the current strategy is the software-defined approach. The vehicles are designed to be autonomous and can be continuously upgraded through OTA updates, with a special emphasis on the integration of FSD and ADAS. This approach has the potential to transform vehicles from static products to upgrade platforms, generating recurring revenue and

reinforcing the business integration. Similarly, the energy storage systems can be optimized through proprietary software solutions, further reinforcing the abovementioned integration.

The Master Plan Part IV outlines a platform-based strategy rather than a series of individual product-based strategies. By integrating vehicles, energy storage systems and AI-based services through a unified architecture, Tesla has the potential to leverage the network effect and data accumulation to create a long-term competitive advantage. However, the current strategy is dependent on technological execution, regulatory approvals and monetization of autonomy-based services.

### 3.3. Vertical Integration

#### 3.3.1. Backward Integration

Tesla adopted an approach of selective backward integration, trying to insource key technologies to aggressively improve cost discipline and enhance SC security. Tesla is not trying to control the entire chain, only specific areas where scale benefits.

#### Lithium-Iron-Phosphate Batteries

To reduce the volatility of nickel and cobalt prices, the company is increasingly incorporating lithium-iron-phosphate batteries in its products, reducing costs and reliance on hard-to-get materials.

#### Lithium Agreements and Investments

To enhance its SC, Tesla has signed long-term lithium contracts (Pistilli 2025) and built a lithium refining factory in Texas (Tesla Inc. 2023). While Tesla does not directly participate in mining, the refining initiative reflects a move towards more control over the battery-grade material processing.

### 4680 Battery Cells

In 2021, Tesla adopted in-house production of its 4680 battery cells, first used in vehicle manufacturing at Gigafactory Texas. This enabled structural battery-pack production by simplifying vehicle design and increasing battery production capacity. Despite having strong relationships with suppliers, in-house production allowed for better control over its SC (Stumpf 2024).

### Hardware Architecture

In reaction to global chip shortages, Tesla has also adopted hardware architectures that support different chip suppliers. The automaker has been able to demonstrate its ability to write new firmware that allows for different types of chips, giving the company greater SC flexibility.

### Chip Design

Tesla has taken the unusual approach of designing their own FSD technology and AI training chipsets, enabling hardware and software to be molded together based on performance needs. Although they engage with third parties to fabricate the chips, the decision to design them mitigates the need to work with automotive silicon vendors, enabling differentiation (Tesla Inc 2025).

### Software Control

Tesla controls its proprietary software stack, which includes vehicle operating systems and associated FSD software. This vertical integration of software allows Tesla to improve its products/services without depending on any third-party software developer.

### 3.3.2. Forward Integration

Tesla has a relatively high level of forward integration compared to the average automaker, given its control over distribution, service, charging and financial services.

#### Direct-to-Consumer Sales

Unlike traditional automakers, Tesla sells its vehicles without relying on third-party dealerships, allowing it to control its brand image, customer interactions and pricing, eliminating dealership markups.

#### Service Network

Tesla also has its own service network, unlike traditional automakers that rely on third parties for maintenance and repairs. Although this allows Tesla to integrate its service operations, it also increases its capital expenditure requirements due to the increasing EV parc.

#### Charging Infrastructure

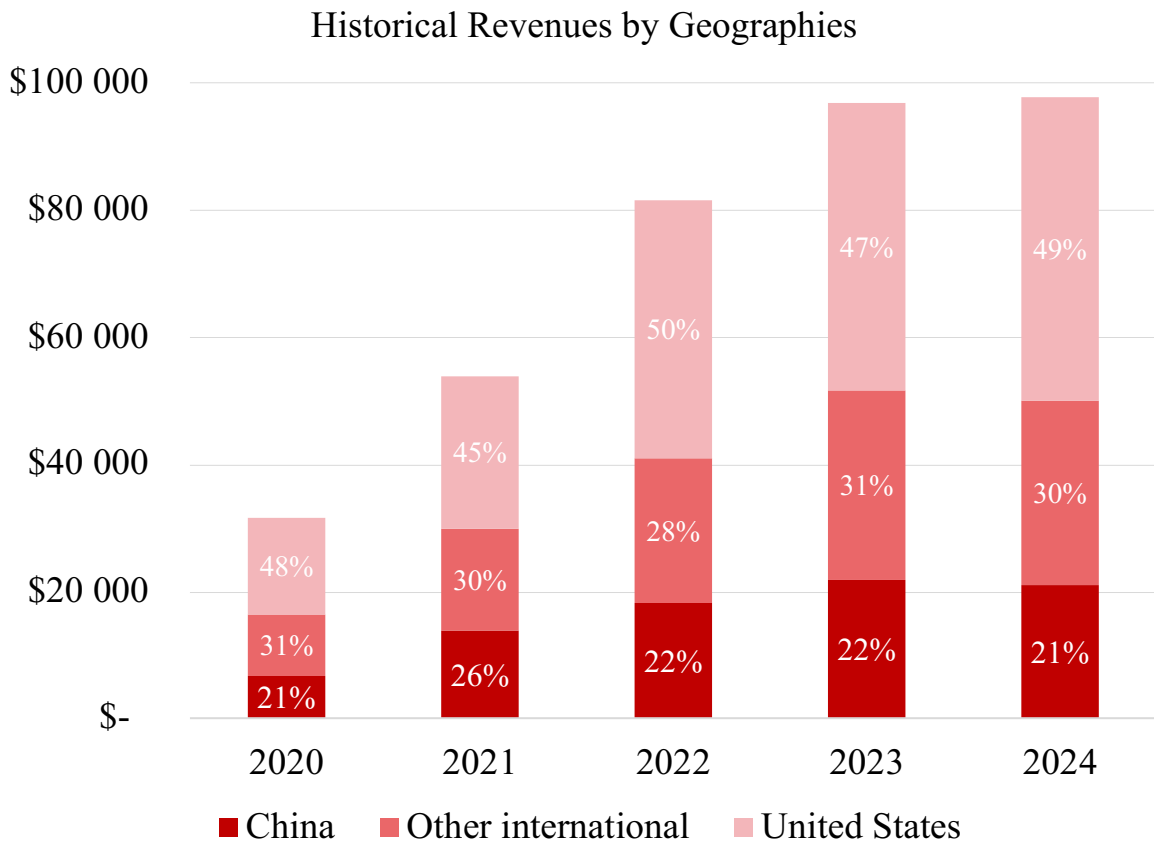
Tesla has built and operates one of the largest fast-charging networks in the world. The paid Supercharger service not only provides Tesla with an additional revenue stream but also helps retaining customers.

#### Insurance

Tesla insurance is available in limited markets, where the automaker uses its vehicle telematics, including driving behavior, to price its insurance premiums. The integration of its vehicles with its financial services helps Tesla retain customers and generates an additional revenue stream for the automaker.

### 3.4. Geographic Integration

Tesla operates internationally, with most of the revenue coming from the US and China. The revenue distribution from 2020 to 2024 remained consistent, with 49% of total revenue derived from the US, 21% from China, and 30% from other countries in 2024 (Figure 6). The multi-country revenue distribution reduces Tesla's dependency on a single country while maintaining strong connections with specific regions, especially those with growing EV markets.



**Figure 6** - Revenues by geographies in USD millions and as a % of total revenues.

Tesla also maintains geographic diversification in the production footprint, with Gigafactories in the US, China, and Germany. Production sites closer to customers reduce shipping costs, minimize tariffs effect and accelerates the production process.

Overall, geographic diversification greatly contributes to operational flexibility and mitigates risk, although China remains a key market and manufacturing hub.

### 3.5. Strengths & Opportunities

#### Customer Base

Tesla benefits from a rapidly increasing global installed base of vehicles and energy systems, which increases brand reliability and facilitates the generation of recurring revenues. As Tesla's EV fleet increases, the company continues to generate additional revenues from services like maintenance, parts, supercharging, insurance, etc.

Tesla's first-mover advantage in the EV market enabled the company to build a strong brand reputation, positioning itself as a technological leader rather than a conventional automaker.

#### Investment/Production Tax Credits (ITC/PTC)

ITCs and PTCs are incentives set by the federal government through the IRA that directly impact the Energy segment.

ITCs are available for grid-scale energy storage solutions (Megapack is compliant) and these reduce the effective cost of deployment, boosting customer demand from utilities and commercial customers. The ITC reduces the actual cost of investment for energy storage solutions, making them more viable.

PTCs are also available for some battery component production in the US, which will be beneficial for Tesla's production strategy. ITCs and PTCs are created by government fiscal policy and are designed to encourage renewable energy adoption.

### 3.6. Threats & Weaknesses

#### Regulatory Policies

The strategic emphasis on autonomous driving makes the company vulnerable to regulatory risks. The development of FSD features and Robotaxi network is subject to approval from transport regulators. These regulators operate under changing safety guidelines and the increasing scrutiny of ADAS technologies, together with ongoing safety inquiries, may result

in stricter regulation. Consequently, the rollout of full autonomous driving services relies not only on technological developments but also on regulatory approval, which poses a critical execution risk to Tesla's strategic objectives.

### Chinese Government Subsidies

Recurring subsidies from China have been accelerating the scale-up of Chinese EV manufacturers, allowing them to lower production costs and consequently withstand aggressive pricing, driving intensive industry competition. As of October 2025, companies like BYD or Geely, the two largest players in China, held a market share of 23.1% and 12.8% of the Chinese EV market, respectively, while Tesla only sold around 2% of total EV revenue in that same market, dropping off China's top 10 EV retail list (Zhang 2025).

However, one shouldn't expect an exponential increase of Chinese competition forever, as China is phasing out subsidies and removed EVs from the "strategic emerging industry" category under its five-year plan for 2026-2030 (Reuters 2025a), although it still heavily supports its domestic market.

### Automotive Regulatory Credits Phase-Out

These have historically been a boost to Tesla's profitability, but their long-run outlook is weakening, as OEMs increasingly electrify their fleets and operations, reducing demand for regulatory credits. Moreover, in July 2025, the US passed the Republican Tax and Spending Bill, that removed the financial penalty for non-compliant manufacturers, eliminating any incentive for them to buy regulatory credits (CNN 2025).

### Consumer Tax Credits Phase-Out

The phase-out of consumer tax credits in the US is a potential headwind to Tesla's demand. Under the IRA, EV buyers could qualify for a maximum of \$7,500 in federal tax credits, thus reducing the price of the vehicle by the same amount. Following the credits phase-out in September 2025, the vehicle effective price increases for the consumer, impacting the elasticity

of demand. As Tesla has already adjusted prices to boost demand in the recent past, this credits phase-out would add to the competitive and margin pressures in the US market (Reuters 2025b).

Trade Tariffs

Tesla's international production and SC activities expose the company to trade policy risks. Trade policies like tariffs on cars, battery components, and/or other key raw materials may have a negative impact on the company's costs and/or export competitiveness, particularly amid ongoing trade tensions between the US and China. This trade policy risk is well-mitigated as Tesla manufactures cars in the US, China, and Germany.

3.7. Resilience to Cyclicity

The automobile industry has inherent cyclicity due to the strong correlation between vehicle demand and macroeconomic variables. As the automobile industry is capital-intensive, the high level of fixed costs increases the volatility of earnings during a recession, making profitability highly sensitive to pricing pressures and changes in sales volume.

Liquidity Ratios reveal a high level of short-term financial flexibility for Tesla. Its cash-to-revenue ratio has consistently remained above 25% in the past 5 years, reaching 37% in 2024, which is very high for a capital-intensive manufacturer. Its cash-to-debt ratio has remained above 1x, indicating a net cash position. Though the current ratio has historically been below 1x, this is mitigated by the high amount of cash and short-term investments, which ends up being the primary source of liquidity for the firm (Table 1).

**Table 1 - Tesla's Historical Liquidity Ratios.**

Liquidity Ratios:	2020	2021	2022	2023	2024
Cash/Revenue	61%	33%	27%	30%	37%
Cash/Total Debt	1,40	1,88	3,60	2,96	2,67
Current Ratio	0,62	0,53	0,75	0,78	0,83

Solvency Ratios further reinforce the financial resilience of Tesla. Its debt-to-capitalization stood at 16% in 2024, indicating a conservative capital structure. Its interest coverage ratio was

22x as of FY24, indicating low financial risk despite a significant decline in EBIT in the past 3 years (Table 2).

**Table 2 - Tesla's Historical Solvency Ratios.**

Solvency Ratios:		2020	2021	2022	2023	2024
Debt/Total Capitalization		38%	24%	12%	14%	16%
Net Debt/EBITDA		-1,52	-0,98	-0,98	-1,57	-1,92
ICR		2,67	17,51	82,83	56,99	22,17

The firm's Degree of Operating Leverage, which is the percentage change in EBIT divided by the percentage change in revenue, has remained above 2x (in absolute values) for the past 5 years, supporting the argument that Tesla's profitability is quite sensitive to pricing dynamics (Table 3).

**Table 3 - Tesla's Historical DOL.**

Operating Leverage Ratio:		2020	2021	2022	2023	2024
Degree of Op. Lev. (DOL)		N/A	3,19	2,20	-1,90	-13,42

Lastly, the firm's cash flow ratios reveal moderate financial resilience, as the FCF-to-revenue has reduced to 4% in 2023 and 2024, from 10% in 2022, indicating a reduced level of internal financial cushioning due to competitive pressures (Table 4).

**Table 4 - Tesla's Historical Cash-Flows Ratios.**

Cash-Flows Ratios:		2020	2021	2022	2023	2024
FCF/Revenue		9%	7%	10%	4%	4%
CFO/NI		6,89	2,04	1,17	0,89	2,09

Overall, Tesla appears financially resilient but operationally exposed to the cyclical dynamics of the automotive sector.

## 4. Ownership & Leadership

Tesla's Board of Directors is composed of nine people (2 women, 7 men), while the company's Management team includes three leaders: Tom Zhu, Vaibhav Taneja and Elon Musk. The latter is the largest shareholder of Tesla (12.43% of shares), followed by the well-known "Big Three" asset managers: Vanguard (7.55%), BlackRock (4.00%) and State Street (3.42%). Both boards have broad experience in the company and industry, ensuring a strong platform for efficient management and continuous improvement.

The Performance Award currently in place recently got approval from the shareholders in November 2025. It's a massive, milestone-based award package, potentially worth \$1T in stock, which would demand Elon to stay as Chief Executive Officer (CEO) for more than 10 years, granting him around 12% of outstanding stock. The package is tied to 12 tranches of market cap goals and operational targets, ensuring that the incentive structure is performance-driven and aligns with shareholder interests.

In mid-2025, Tesla engaged in a partnership with Grok, the chatbot of xAI, which is fully owned by Elon Musk. This relationship allows Grok models to use Tesla's driving data for training purposes, while letting the latter to integrate the models into autonomy and in-vehicle AI.

Although Musk's participation ensures long-term alignment with innovation, it also represents concentrated exposure to one-person decisions. For example, the CEO's engagement with Trump administration in early 2025 created customer pushback and reputational damages, lowering demand in the first half of 2025.

## 5. Stock Performance

Historical stock price data was collected to have a benchmark based on market perceptions of Tesla’s outlook (Investing.com 2026). Monthly stock prices from 11/2020 to 10/2025 were used to demonstrate stock price fluctuation over the last five years, driven by constantly changing perceptions of the company’s outlook, which has been influenced by several market-related factors (Appendix 1 – 52-week Historical Daily Stock Price).

In addition, monthly stock prices from 10/2024 to 10/2025 (52 weeks) for Tesla were collected and used to set the abovementioned benchmark. Stock prices have fluctuated over the 52-week period from \$222 to \$480, driven by earnings announcements, interest rates expectations, etc. By multiplying the median stock price of \$338 by the number of shares outstanding, market cap values were retrieved. These equity values can then be used to calculate the Enterprise Value/EBITDA multiples by adding the Equity Bridge Adjustments (further explained in Section 7.4.2.). Retrieved multiples vary from 63x to 135x (Table 5).

**Table 5 - Tesla's 52-week Trading Range.**

As of 31/10/2025	Min	Median	Average	Max
30-day	\$ 413,49	\$ 439,14	\$ 440,17	\$ 461,51
90-day	\$ 293,94	\$ 343,41	\$ 370,17	\$ 461,51
<b>52-week</b>	<b>\$ 221,86</b>	<b>\$ 338,23</b>	<b>\$ 344,11</b>	<b>\$ 479,86</b>
<i>Shares Outstanding (in millions)</i>				3 326
<b>Market Cap (USD millions)</b>	\$ 737 906	\$ 1 124 953	\$ 1 144 520	\$ 1 596 014
<i>Bridge Adjustments</i>				13 060
<b>EV</b>	\$ 750 966	\$ 1 138 013	\$ 1 157 580	\$ 1 609 074
<i>EBITDA</i>				11 908
<b>EV/EBITDA</b>	<b>63x</b>	<b>96x</b>	<b>97x</b>	<b>135x</b>

Although using the median stock price as a proxy for intrinsic value can be justified to a certain extent, it should be used cautiously because market prices include a variety of sentiments and speculations. For this reason, the paper uses it only as a benchmark to compare with results from alternative methods such as the DCF and CCA methods.

## 6. Historical Financial Performance

### 6.1. Revenues

Revenues have grown at a 30% Compound Annual Growth Rate (CAGR) from 2020 to 2024, more than tripling the \$31.5bn in 2020. The Automotive segment has consistently been the business line that contributes the most to total revenues, ranging from 85.2% to 87.8% between 2020 and 2023. In 2024, this segment saw a 6.3pp decrease in contribution, down to the 78.9% level, due to an expansion trend of the other two business lines (Table 6)

**Table 6 - Tesla's Historical Revenues by Business Line.**

FYE Revenues	2020	2021	2022	2023	2024	CAGR	LTM 2025	CAGR*
<b>Automotive</b>	\$ 27 236	\$ 47 232	\$ 71 462	\$ 82 419	\$ 77 070	<b>30%</b>	\$ 70 442	<b>21%</b>
As a % of Total Revenues	86.4%	87.8%	87.7%	85.2%	78.9%		76.0%	
Growth YoY		73.4%	51.3%	15.3%	-6.5%		-8.6%	
<b>Energy</b>	\$ 1 994	\$ 2 789	\$ 3 909	\$ 6 035	\$ 10 086	<b>50%</b>	\$ 10 956	<b>41%</b>
As a % of Total Revenues	6.3%	5.2%	4.8%	6.2%	10.3%		11.8%	
Growth YoY		39.9%	40.2%	54.4%	67.1%		8.6%	
<b>Services</b>	\$ 2 306	\$ 3 802	\$ 6 091	\$ 8 319	\$ 10 534	<b>46%</b>	\$ 11 322	<b>37%</b>
As a % of Total Revenues	7.3%	7.1%	7.5%	8.6%	10.8%		12.2%	
Growth YoY		64.9%	60.2%	36.6%	26.6%		7.5%	
<b>Total Revenues</b>	<b>\$ 31 536</b>	<b>\$ 53 823</b>	<b>\$ 81 462</b>	<b>\$ 96 773</b>	<b>\$ 97 690</b>	<b>30%</b>	<b>\$ 92 720</b>	<b>24%</b>
Growth YoY		70.7%	51.4%	18.8%	0.9%		-5.1%	

The Automotive segment is the most mature and slowest growing business line of Tesla, with a 5-year historical CAGR of 30%. In 2024, Tesla delivered around 1.8mm vehicles and total deliveries have grown at a 38% CAGR since 2020. The increased deliveries were offset by a decreasing average price per unit sold at a 5% CAGR, going from \$51,348 in 2020 to \$35,140 in 2024 (Table 7).

**Table 7 - Tesla's Historical EV Delivery and Average Selling Price.**

Automotive	2020	2021	2022	2023	2024	CAGR	LTM 2025	"CAGR"
<b>Total Units Delivered</b>	499 647	936 222	1 313 851	1 808 581	1 789 226	<b>38%</b>	1 713 472	<b>28%</b>
YoY Growth		87.4%	40.3%	37.7%	-1.1%		-4.2%	
<b>Avg. Price per EV</b>	\$ 51 348	\$ 48 885	\$ 53 039	\$ 44 581	\$ 41 530	<b>-5%</b>	\$ 41 111	<b>-4%</b>
YoY Growth		-4.8%	8.5%	-15.9%	-6.8%		-1.0%	

The Energy Generation & Storage business line has shown a CAGR of 50% since 2020, by breaking revenue and GWh deployment records every year since then. Tesla deployed more than 31 GWh of Storage in 2024, which when compared to the 3 GWh deployed in 2020 shows

an 80% CAGR. On the other hand, the average price per GWh decreased at an 18% CAGR, going from \$665mm/GWh in 2020 to \$321mm/GWh in 2024 (Table 8)<sup>1</sup>.

**Table 8 - Tesla's Historical GWh Deployment and Average Selling Price.**

<i>Energy Storage</i>	2020	2021	2022	2023	2024	CAGR	LTM 2025	"CAGR"
<b>Total GWh Deployed</b>	3	4	7	15	31	<b>80%</b>	44	<b>71%</b>
<i>YoY Growth</i>		33,3%	62,5%	126,2%	113,6%		38,5%	
<b>Avg. Price (\$mm/GWh)*</b>	\$ 665	\$ 697	\$ 601	\$ 411	\$ 321	<b>-17%</b>	\$ 252	<b>-18%</b>
<i>YoY Growth</i>		4,9%	-13,7%	-31,7%	-21,8%		-21,6%	

The Services segment has grown at a 46% CAGR during the past 5 years, going from \$2.3bn in 2020 to \$1.5bn in 2025. Although Tesla does not break out the business line into sub-components, it is reasonable to assume that this growth is mostly related to the company's expanding fleet and supercharging network. The firm has been expanding its Supercharger network by deploying Supercharger Stations and Connectors at 28% and 30% CAGR, respectively. As of 30/09/2025, Tesla had around 7,753 Supercharger Stations and 73,817 Supercharger Connectors installed (Table 9).

**Table 9 - Development of Tesla's Supercharging Network.**

<i>Superchargers</i>	2020	2021	2022	2023	2024	CAGR	3Q25	"CAGR"
<b>Supercharger Stations</b>	2 564	3 476	4 678	5 952	6 975	<b>28%</b>	7 753	<b>13%</b>
<i>YoY Growth</i>		35,6%	34,6%	27,2%	17,2%		11,2%	
<b>Supercharger Connectors</b>	23 277	31 498	42 419	54 892	65 495	<b>30%</b>	73 817	<b>15%</b>
<i>YoY Growth</i>		35,3%	34,7%	29,4%	19,3%		12,7%	

## 6.2. Cost of Goods Sold - Gross Margins

Overall gross margin has seen a sharp shrinkage in 2023, from 25.6% to 18.2%, driven by the sharp decline of Automotive margins after massive price cuts (-16% on average Tesla's vehicle price in FY23). Previously, the gross margin went from 21% in 2020 to 25.6% in 2022, reaching its all-time low at 17.5% as of today (Table 10).

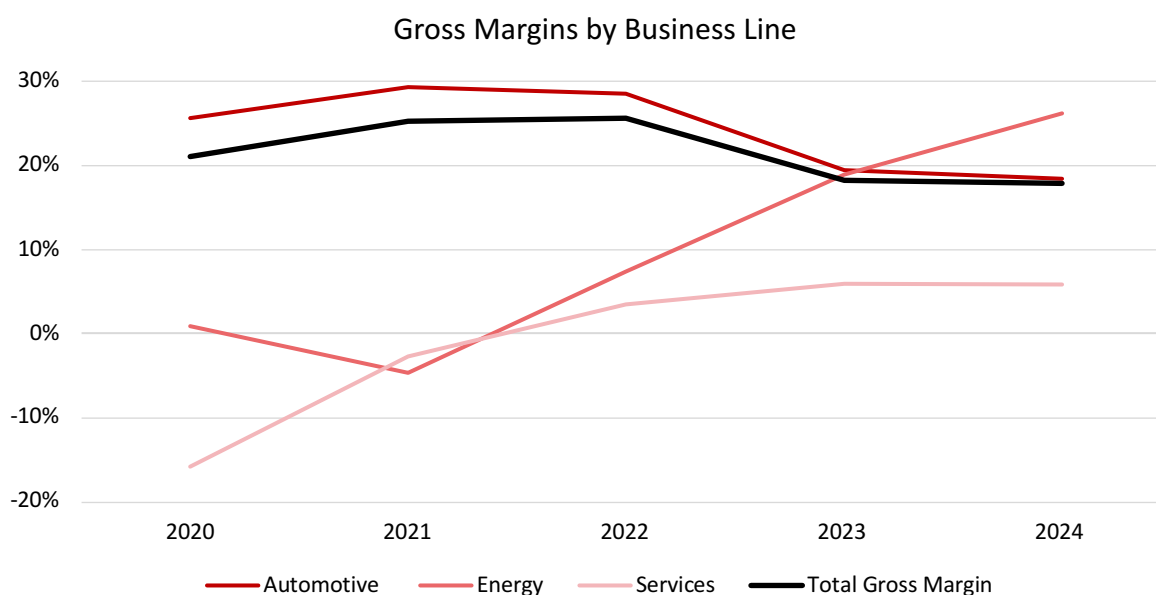
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<sup>1</sup> In the calculation of the average price per GWh it was assumed that Energy revenues are entirely attributed to the Energy Storage business, excluding Energy Generation revenues. Although imprecise, this allows to define a trend regarding Energy prices since most of the business line revenues have historically been driven by Energy Storage deployments.

**Table 10 - Tesla's Historical COGS by Business Line.**

COGS (\$mm)	2020	2021	2022	2023	2024	CAGR	LTM 2025	"CAGR"
EV Sales & Leases	\$ 20 259	\$ 33 393	\$ 51 108	\$ 66 389	\$ 62 873		\$ 57 995	
Regulatory Credits	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
<b>Automotive</b>	\$ 20 259	\$ 33 393	\$ 51 108	\$ 66 389	\$ 62 873	<b>33%</b>	\$ 57 995	<b>23%</b>
As a % of EV S&L Rev	79,0%	73,0%	73,3%	82,3%	84,6%		82,3%	
<b>Energy</b>	\$ 1 976	\$ 2 918	\$ 3 621	\$ 4 894	\$ 7 446	<b>39%</b>	\$ 7 828	<b>32%</b>
As a % of Energy Rev	99,1%	104,6%	92,6%	81,1%	73,8%		71,4%	
<b>Services</b>	\$ 2 671	\$ 3 906	\$ 5 880	\$ 7 830	\$ 9 921	<b>39%</b>	\$ 10 690	<b>32%</b>
As a % of Services Rev	115,8%	102,7%	96,5%	94,1%	94,2%		94,4%	
<b>Total COGS</b>	\$ <b>24 908</b>	\$ <b>40 219</b>	\$ <b>60 611</b>	\$ <b>79 115</b>	\$ <b>80 242</b>	<b>34%</b>	\$ <b>76 515</b>	<b>25%</b>
As a % of Rev	79,0%	74,7%	74,4%	81,8%	82,1%		82,5%	

Since most of the revenues are driven by the Automotive segment, its gross margin trend followed the same pattern as the overall company's margin. Despite the positive gross margin of the Energy business line in 2020, both the Services and Energy segments started to be significantly profitable in 2022. Since then, the Services gross margin has stabilized while the Energy Generation & Storage has been showing increasing margins YoY and it is now the most profitable segment of Tesla, as scalability starts to reflect in cost reductions (Figure 7).



**Figure 7 - Tesla's Historical Gross Margins by Business Line.**

### 6.3. SGA and R&D – EBITDA Margins

Selling, General and Administrative (SGA) costs have remained relatively stable during the past 3 years, ranging from 4.8% to 5.3% as a percentage of sales. The same applies to R&D

expenditures, being currently at 4.6% of revenues. Overall, EBITDA margin hasn't been so low since 2020, reaching a level of 12.2% mainly driven by lower gross margins in the automotive segment (Table 11).

**Table 11 - Tesla's Historical EBITDA Margins.**

As a % of Revenue	2020	2021	2022	2023	2024
<b>Gross Margin</b>	<b>21%</b>	<b>25%</b>	<b>26%</b>	<b>18%</b>	<b>18%</b>
SG&A	10%	8%	5%	5%	5%
R&D	5%	5%	4%	4%	5%
<b>EBITDA Margin</b>	<b>11%</b>	<b>16%</b>	<b>20%</b>	<b>13%</b>	<b>12%</b>

6.4. D&A – EBIT Margins

Depreciation has historically amounted for the largest portion of Depreciation and Amortization (D&A) expenses, since amortization has always been very tiny and stable due to barely any acquisitions made in the recent past, which would demand a recognition of intangible assets<sup>2</sup>. Depreciation expenses have shown an increasing trend year-over-year due to increasing Property, Plant and Equipment (PPE), given that depreciation rate has stayed relatively flat between 2020 and 2024, ranging from 10% to 12% (Table 12). EBIT margin followed the same pattern as the two abovementioned margins, ranging from 6% to 17% in the past 5 years, reaching its peak in 2022.

**Table 12 - Tesla's Historical Depreciation and PPE Evolution.**

	2020	2021	2022	2023	2024
PPE	\$ 12 747	\$ 18 884	\$ 23 548	\$ 29 725	\$ 35 836
Depreciation	\$ 1 570	\$ 1 910	\$ 2 420	\$ 3 330	\$ 4 120
Depreciation Rate	12%	10%	10%	11%	11%

<sup>2</sup> Recognition of internally developed intangible assets isn't allowed under US GAAP.

## 6.5. Interest and Taxes – EBT and NI Margins

EBT margins followed the same trend as EBIT margins, peaking in 2022 at 16.84% and currently standing at 9.2%. Interest Income has been rising since 2020, as both Interest Rates and Cash Balance have been following an increasing trajectory since then. Interest expenses have also been following the evolution of Gross Debt, which reached its minimum in 2022. Given the minimal Debt, Net Interest Expense of \$718mm in 2020 quickly turned into a Net Interest Income in 2022, which has raised since then, standing at \$1.22bn as of FY2024 (Table 13).

**Table 13 - Tesla's Historical Interest (Expense)/Income.**

(\$mm)	2020	2021	2022	2023	2024
Interest Income	\$ 30	\$ 56	\$ 297	\$ 1 066	\$ 1 569
Interest Expense	\$ -748	\$ -371	\$ -167	\$ -156	\$ -350
<b>Net Interest (Expense) / Income</b>	<b>\$ -718</b>	<b>\$ -315</b>	<b>\$ 130</b>	<b>\$ 910</b>	<b>\$ 1 219</b>
Gross debt	\$ 13 883	\$ 9 441	\$ 6 157	\$ 9 815	\$ 13 686
Cash and ST Inv	\$ 19 384	\$ 17 707	\$ 22 185	\$ 29 094	\$ 36 563

NI margins showed a positive trend between 2020 and 2023, peaking at 15.47%. However, the 2023 effective tax rate of -50% driven by a \$6.2bn increase in deferred taxes hides a 27% decrease in the EBT. In the absence of prepaid and deferred taxes, Net Profit margin would have been 8.9% in 2023. In 2024, Tesla reported a 7.3% NI margin, the lowest since 2020, as EBT keeps following a decreasing trend that started in 2022 (Table 14). Average effective tax rate for the past 5 years was 3%.

**Table 14 - Tesla's Historical Margins.**

As a % of Revenues	2020	2021	2022	2023	2024
<b>Gross Margin</b>	21%	25%	26%	18%	18%
<b>EBITDA Margin</b>	11%	16%	20%	13%	12%
<b>EBIT Margin</b>	6%	12%	17%	9%	8%
<b>EBT Margin</b>	4%	12%	17%	10%	9%
<b>NI Margin</b>	3%	10%	15%	15%	7%

## 6.6. Capex

Capex is driven by the expansion/upgrading of manufacturing capacity, such as construction of Gigafactories, installation of gigacasting equipment and investment in battery-cell

manufacturing. Historically, Capex has been 11% of Tesla’s revenues and grew at a CAGR of 37% over the last 5 years, supporting the company’s growth stage (Table 15).

**Table 15 - Tesla's Historical Capex as a % of Revenues.**

(\$mm)	2020	2021	2022	2023	2024	
Revenues	\$ 31 536	\$ 53 823	\$ 81 462	\$ 96 773	\$ 97 690	
Capex PPE	\$ 3 157	\$ 6 482	\$ 7 158	\$ 8 899	\$ 11 342	
Capex Int	\$ 10	\$ 1 228	\$ (927)	\$ -	\$ -	
Capex Acq	\$ 13	\$ -	\$ -	\$ 64	\$ -	
Total Capex	\$ 3 180	\$ 7 710	\$ 6 231	\$ 8 963	\$ 11 342	<b>CAGR</b> <b>37%</b>
YoY Growth		142%	-19%	44%	27%	<b>Average</b>
As a % of Revenues	10%	14%	8%	9%	12%	<b>11%</b>

This paper decomposes Capex into Maintenance Capex and Growth/Expansion Capex. To maintain the current asset base, Tesla needs to invest in Maintenance Capex the same amount of D&A. Growth Capex is what the company needs to disburse to expand the current asset capacity and it grew at an 8% CAGR in the past 3 years, ranging between 22-26% of PPE (Table 16).

**Table 16 - Tesla's Historical Capex as a % of PPE.**

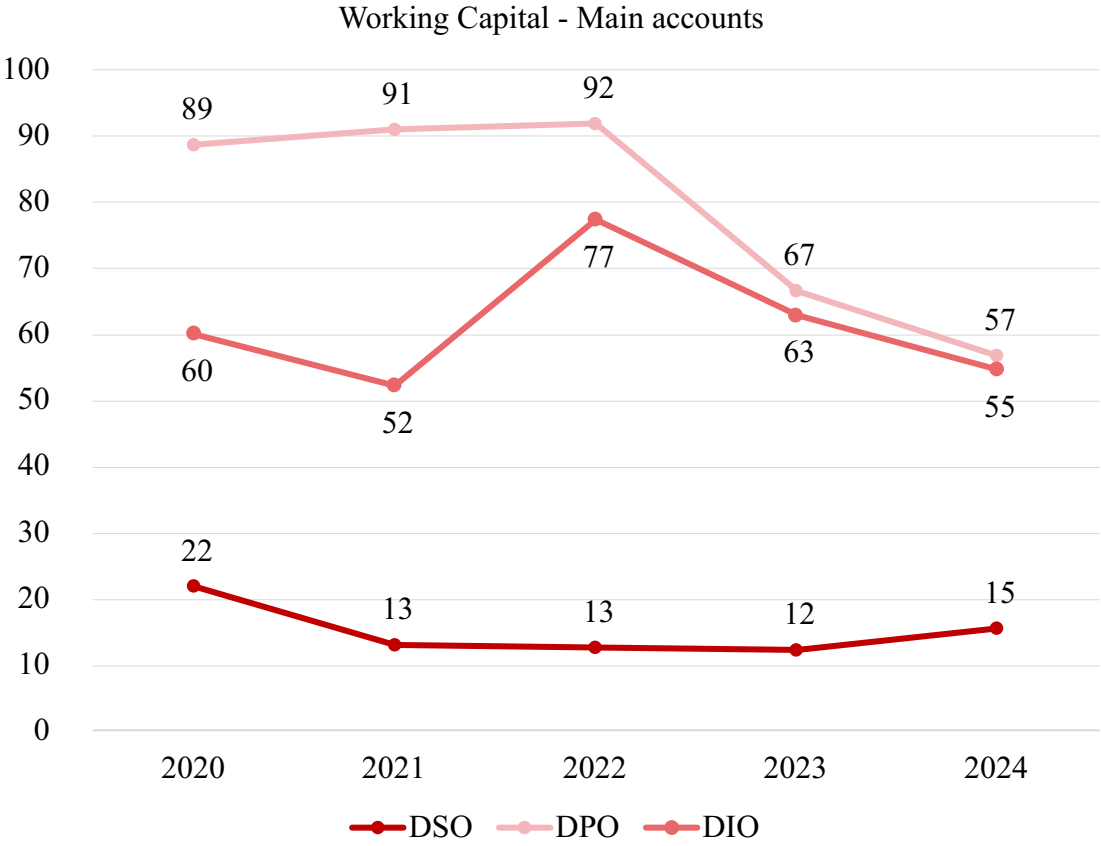
(\$mm)	2020	2021	2022	2023	2024	
PPE BoP	\$ 12 747	\$ 17 351	\$ 22 094	\$ 27 663		
Maintenance Capex	\$ 1 621	\$ 1 961	\$ 2 462	\$ 3 367	\$ 4 148	<b>CAGR 2021-2023</b> <b>8%</b>
Growth Capex	\$ 1 559	\$ 5 749	\$ 3 769	\$ 5 596	\$ 7 194	
As a % of PPE		45%	22%	25%	26%	

Treating Capex as a percentage of revenues works in businesses where investments tend to scale directly with revenues, like retailers for example, while automotive Capex is rather driven by capacity expansion depending on a carmaker’s plan to build new factories, expand assembly lines, create battery production facilities, etc.

## 6.7. Working Capital (WC)

WC has historically been negative, meaning current liabilities tend to outweigh current assets. This is beneficial for the company, as it obtains vendors financing for its assets, which is not interest-bearing. Since 2021, Net Working Capital (NWC) has been moving towards zero, consequence of lower accrued expenses (as a % of revenue) and decreasing number of Days Payable Outstanding (DPO) from 2022 onwards, as SC disruption effects from the COVID-19 pandemic start to flow away. The number of Days of Sales Outstanding (DSO) has been

historically low for Tesla given the company’s DTC sales model (no dealerships) and very little percentage of leases versus sales (Figure 8).



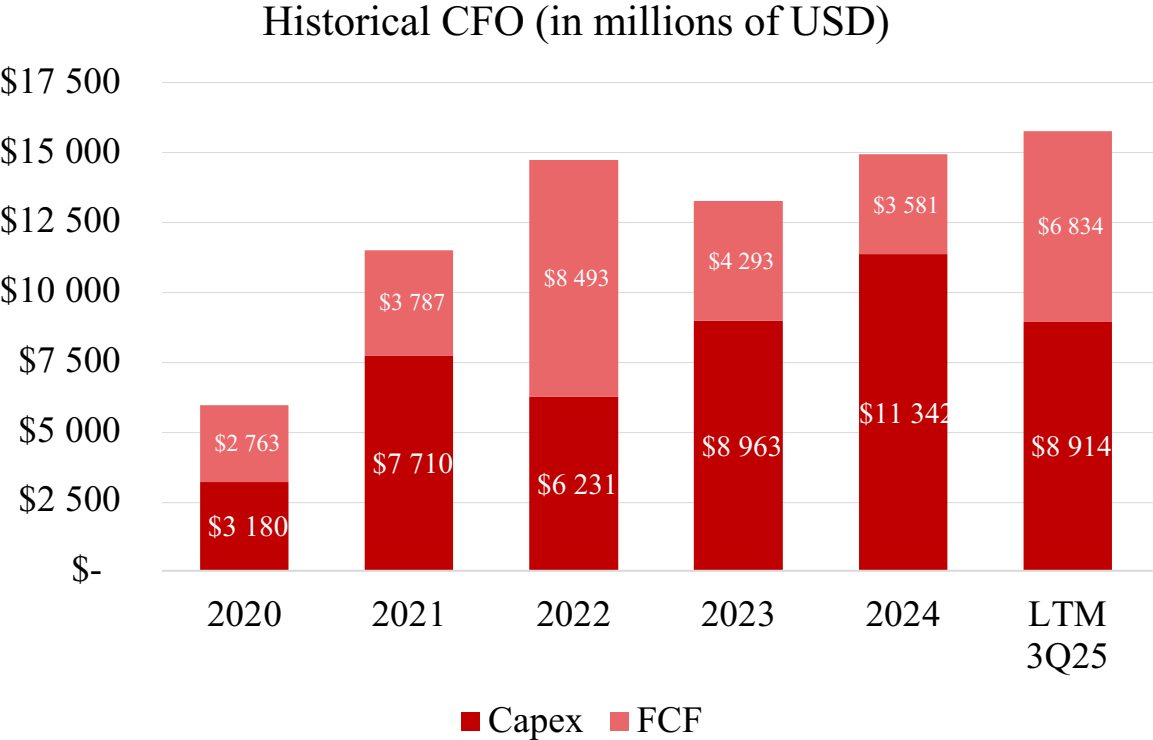
**Figure 8 - Tesla's Historical WC Evolution.**

6.8. Free Cash Flows

The good proxy for FCF is the difference between Cash Flow from Operations (CFO) and Capex. The CFO represents the cash generated/used by core business operations and Capex represents the investment to sustain/grow the business. The definition of FCF using CFO and Capex isn’t the same as the Accrual Accounting Method one (See Section 7.1.7), although it serves as a good proxy.

Tesla’s CFO increased from \$5.9bn in 2020 to \$15.7bn as of LTM 3Q25, indicating a CAGR of 22%. Capex also increased from \$3.2bn to \$8.9bn over the same period, indicating a CAGR

of 23%. The FCF, therefore, increased at a CAGR of 20% and reached \$6.8bn, indicating that the company can increase FCFs while investing at a high rate (Figure 9).



**Figure 9** - Tesla's Historical CFO.

## 7. DCF Valuation

The DCF is a well-known valuation method that estimates the intrinsic value of a corporation, as it's driven by a fundamental analysis of a company's financial performance. The reasoning behind it is that an enterprise's value today corresponds to the sum of all estimated cash flows it will generate in the future (FCF), discounted at the firm's cost of capital (WACC).

For Tesla, the chosen forecasting period goes from 2026-2030, a 5-year horizon that balances accuracy and medium-term prediction. Some financial items like Gross Margins, Capex and D&A can be very difficult to estimate with precision over a larger period, especially in such an industry that evolves dynamically and rapidly, making strategies and macroeconomic conditions very uncertain and consequently challenging to predict over an extended time-period.

For the remaining years after 2030, it's assumed that Tesla will operate at steady-growth, where margins are fixed and the company is mature enough to generate stable cash-flows in perpetuity. In this sense, assumptions are made for a perpetual growth rate ( $g$ ) that will be critical to determine a firm's terminal value (TV).

### 7.1. Forecasts of Free Cash Flows

#### 7.1.1. Revenues

To forecast Revenues this paper chooses a business line approach, where the three segment's revenue of Tesla will be forecasted separately. When this researched was conducted, Tesla had already released its quarterly reports up until the 3Q25, and so Refinitiv analysts' forecasts were assumed to be more precise than any other estimate, based on the argument that those possess more accurate information regarding any public company. Therefore, their forecasts were taken to estimate FY25 revenues while further personal assumptions had to be made to determine revenues from 2026 to 2030.

## Automotive

Tesla has two main sources of revenue in this segment. It recognizes revenues related to EV Sales & Leases and Automotive Regulatory Credits, noting that the first also includes the sale of FSD & Connectivity features.

### EV Sales & Leases

For FY25, Refinitiv analysts project EV Sales & Leases revenues to be \$68.2bn. A top-down approach was applied to forecast EV revenues for the following 5 years. Two industry forecasts of the EV market size were considered and later averaged to get a standardized market forecast. Precedence Research (Precedence Research 2026) forecasted that this market may grow at an 11% CAGR from 2025 to 2034, while detailing the volume forecasted for each year. Instead, Statista (Statista 2025) was more conservative by estimating a \$993bn market volume at the end of 2025 and further assuming a 2.36% CAGR until 2030.

According to the forecasted market size for 2025, Tesla currently has a 7.3% market share. This research assumes that Tesla will grow 0.3pp of market share in 2026, followed by a 0.2pp growth in the following two years, ending with a minimal 0.1pp growth in 2029 and 2030, positioning the company with an 8% control over the EV market (Table 17).

**Table 17 - Top-down Forecasting of EV Sales & Leases Revenue.**

EV Sales & Leases	2025	2026	2027	2028	2029	2030
EV Market Size - Precedence Research CAGR	\$ 998 700	\$1 097 460	\$1 218 170	\$1 352 170	\$1 500 910	\$1 666 010
EV Market Size - Statista CAGR	\$ 925 600	\$ 960 480	\$ 995 360	\$1 030 240	\$1 065 120	\$1 100 000
EV Market Size - Average	\$ 962 150	\$1 028 970	\$1 106 765	\$1 191 205	\$1 283 015	\$1 383 005
% of Mkt	7,1%	7,4%	7,6%	7,8%	7,9%	8,0%
<b>MktShare growth in pp</b>		<b>0,3</b>	<b>0,2</b>	<b>0,2</b>	<b>0,1</b>	<b>0,1</b>
S&L Rev growth		11,5%	10,5%	10,5%	9,1%	9,2%
Tesla EVs Revenue	\$ <b>68 245</b>	\$ 76 071	\$ 84 036	\$ 92 830	\$ 101 268	\$ 110 543

This growth assumes that Tesla is vertically integrated enough to reduce prices more aggressively and further grow revenues at a higher pace than its competitors. Besides, Tesla differentiation stems from its software ecosystem and charging network, which sustain growing EV demand. Moreover, its geographical penetration in Europe and Asia enables market share growth in a competitive pricing environment. Lastly, this paper assumes that this market is reaching saturation and new companies are less likely to enter the market, mitigating competition risk.

## Automotive Regulatory Credits

Refinitiv Analysts estimate \$1.9bn in revenue from the sale of Automotive Regulatory Credits for FY25. As mentioned above, this source of revenue is expected to disappear in the long run as legacy OEMs shift production towards EVs, lowering worldwide demand for credits, while the Trump administration removes financial penalties for non-compliant manufacturers, eliminating any incentive for US manufacturers to buy them. In that respect, Tesla won't benefit from this source of revenue in the long-term and thus it's forecasted a linear decrease towards \$0 in 2030.

## **Energy Generation & Storage**

According to analysts, the Energy segment is expected to contribute with \$12.7bn of revenue in 2025. For the following 5 years, a similar top-down approach was applied to this business line revenues. This segment can be beaked out in two activities: Energy Generation and Energy Storage. Tesla doesn't disclose Energy Generation revenues separately and Energy Storage is the dominant, fastest-growing driver within the business line (TREFIS, n.d.). Consequently, the forecast was exclusively applied to the Energy Storage arm, assuming it drives most of the growth.

Two reports drove the paper's assumptions for this top-down forecast. As stated by InfoLink Consulting, in 2024, 175.4 GWh of storage capacity was installed globally and the number may climb to 221.9 GWh in 2025. According to Wood Mackenzie, this market was expected to reach cumulative storage capacity of 358 GWh by 2024 and 3 TWh in 2033. By adding the expected 222 GWh of new deployments in 2025 to the 358 GWh cumulative capacity of 2024, it's estimated that this market will reach a cumulative capacity of 652 GWh in 2025. Furthermore, it's assumed an increasing added capacity in every year thereafter until 2033, when the projected cumulative capacity of 3,000 GWh is reached, considering the increased number of market participants.

Based on Tesla's reported annual deployments of Energy Storage, it was possible to determine the historical market share of the company measured as a percentage of new deployments in the market. It's assumed that Tesla will grow its market share in the next 5 years, less every year, starting with a +1.2pp increase in 2026, phasing out until market dominance stabilizes in 2030. This is based on two dynamics: firstly, rapid growth in top-line revenue, and then entrance

in a maturity stage. Heavier growth in initial years stems from a surge in Megapack production scale and from Tesla's ability to satisfy growing demand for utility-scale deployments. As competition from Chinese companies becomes fiercer, a natural slowdown occurs, resulting in smaller increments from 2026 onwards, stabilizing in 2030, when Tesla will hold a leader position in the Energy Storage industry (Table 18).

**Table 18 - Top-down Forecasting of Energy Revenue.**

Energy Storage	2022	2023	2024	2025	2026	2027	2028	2029	2030
BESS GWh Installed in the Market - Cumulative			358	652	901	1 165	1 444	1 738	2 046
BESS GWh Installed in the Market - New Deployments	62	100	175	222	250	264	279	294	308
Tesla GWh Deployed	6,5	14,7	31	44	52	57	62	66	70
% of Mkt	10,5%	14,7%	17,9%	19,6%	20,8%	21,7%	22,3%	22,6%	22,6%
MktShare growth in pp		4,22	3,20	1,70	1,20	0,90	0,60	0,30	0,00
\$/GWh	\$ 601,38	\$ 410,54	\$ 321,21	\$ 292,39	\$ 286,54	\$ 280,81	\$ 278,00	\$ 275,22	\$ 275,22
Price variation		-32%	-22%	-9%	-2%	-2%	-1%	-1%	0%
EnergyRev growth		54,4%	67,1%	26,1%	16,9%	8,3%	7,4%	5,6%	5,0%
Tesla Energy Revenue	\$ 3 909	\$ 6 035	\$ 10 086	\$ 12 719	\$ 14 874	\$ 16 102	\$ 17 292	\$ 18 262	\$ 19 175

An historical analysis of the price per GWh was conducted to further forecast it and convert Tesla's expected new deployments into revenues. Given the increased competition, it was assumed that energy prices might decrease in the future, although moderately in the medium run as Tesla scales its brand reputation in this business line, charging higher prices than its peers. This results in a 17% increase in energy-related revenues for FY26, followed by years of slow-down until the company reaches maturity in 2030 and achieves a 5% steady-state growth level.

## Services

In this business unit, Tesla derives its revenues from two sources. Firstly, aftersales business includes services such as maintenance, repairs, the sale of vehicle parts and used car sales. Secondly, there's revenue from its supercharging network.

For 2025, analysts estimate \$12bn in Services revenue. Looking ahead, it's likely to incrementally grow as a percentage of EV Sales & Leases revenue (Table 19). This is underpinned by the continued growth of Tesla's vehicle fleet, the increasing age profile of the fleet, likely to require repair work, and the expansion of revenues from the Supercharger network, increasingly adopted by owners of other EV brands.

**Table 19 - Bottom-up Forecasting of Services Revenue.**

Services	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>EV Sales &amp; Leases</b>	\$ 69 686	\$ 80 629	\$ 74 307	\$ 68 245	\$ 76 071	\$ 84 036	\$ 92 830	\$ 101 268	\$ 110 543
<i>Variation in %</i>	52,3%	15,7%	-7,8%	-8,2%	11,5%	10,5%	10,5%	9,1%	9,2%
<b>Services</b>	\$ 6 091	\$ 8 319	\$ 10 534	\$ 12 404	16 869,4	21 156,7	25 227,3	28 533,0	31 146,3
<i>As a % of S&amp;L Rev</i>	8,7%	10,3%	14,2%	18,2%	<b>22,2%</b>	<b>25,2%</b>	<b>27,2%</b>	<b>28,2%</b>	<b>28,2%</b>
<i>ServicesRev growth</i>	60,2%	36,6%	26,6%	17,8%	36,0%	25,4%	19,2%	13,1%	9,2%

### 7.1.2. Cost of Goods Sold (COGS)

Consistent with the revenue forecasting approach, the paper also relies on analysts' COGS projections for FY25. Beginning with 2026, projections were made employing the same business-line approach, with personal assumptions for costs for the Automotive, Energy, and Services segments, to account for differences in their respective cost structures.

The automotive COGS are expected to increase as a percentage of sales in the short term, with gross margins expected to fall until 2027, driven by ongoing industry price normalization following recent discount cycles and increasing competition from Chinese EV manufacturers. However, from 2028 onwards, margins are expected to gradually increase, as the global EV industry shifts into a normalized phase, with slower capacity growth, and price competitiveness is replaced by product differentiation. In this environment, Tesla is expected to gradually recover pricing momentum due to technology, software and scale advantages, allowing for a stabilization of automotive COGS, with a slight decrease as a percentage of sales through 2030.

Energy COGS is also estimated to decrease as a percentage of sales over the forecast period, driven by the scalability inherent in Tesla's energy storage segment, which is in its early growth period. With increased scale in production of Megapack systems, the segment will benefit from operating leverage. Therefore, it's projected that gross margin will increase from 26.2% in 2024 to 41.2% in 2030.

Services COGS are expected to fall as a percentage of sales in line with the growth of Tesla's vehicle fleet. Due to the nature of this segment, a variety of revenue sources such as supercharging, aftermarket sales show low marginal costs once the necessary infrastructure is in place, implying a gross margin expected to rise to 16.8% in 2030, up from 5.8% in 2024 (Table 20).

**Table 20 - Forecasting of Tesla's COGS.**

COGS (\$mm)	2022	2023	2024	2025	2026	2027	2028	2029	2030
EV Sales & Leases	\$ 51 108	\$ 66 389	\$ 62 873		\$ 64 746	\$ 71 778	\$ 79 196	\$ 86 090	\$ 93 423
Regulatory Credits	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
<b>Automotive</b>	\$ 51 108	\$ 66 389	\$ 62 873		\$ 64 746	\$ 71 778	\$ 79 196	\$ 86 090	\$ 93 423
<i>As a % of EV S&amp;L Rev</i>	73,3%	82,3%	84,6%		85,1%	85,4%	85,3%	85,0%	84,5%
<b>Energy</b>	\$ 3 621	\$ 4 894	\$ 7 446		\$ 10 237	\$ 10 438	\$ 10 691	\$ 10 925	\$ 11 280
<i>As a % of Energy Rev</i>	92,6%	81,1%	73,8%		68,8%	64,8%	61,8%	59,8%	58,8%
<b>Services</b>	\$ 5 880	\$ 7 830	\$ 9 921		\$ 15 382	\$ 18 656	\$ 21 741	\$ 24 019	\$ 25 908
<i>As a % of Services Rev</i>	96,5%	94,1%	94,2%		91,2%	88,2%	86,2%	84,2%	83,2%
<b>Total COGS</b>	\$ 60 611	\$ 79 115	\$ 80 242	\$ 78 623	\$ 90 365	\$ 100 872	\$ 111 627	\$ 121 035	\$ 130 610
<i>As a % of Rev</i>	74,4%	81,8%	82,1%	83,1%	82,7%	82,4%	82,0%	81,5%	81,2%

### 7.1.3. SGA and R&D

SGA expenses are anticipated to decrease steadily by 0.1pp annually through 2030, indicating operating leverage as revenue grows and fixed overhead expenses are distributed over a wider revenue base. This forecast is consistent with Tesla's DTC sales approach, centralized marketing strategy and growing digitalization of sales, service, and customer service operations, which facilitate a decrease in SGA expenses (as a percentage of revenues) despite increasing complexity.

R&D spend is expected to be 4.5% of revenues for the first three years, as the company invests in the development of car platforms, manufacturing and software. However, from 2028 onwards, the company's R&D intensity is expected to decrease steadily to 4.0%, as major development programs (Master Plan IV) reach more advanced stages, in line with Tesla's focus on platform optimization and scale (Table 21).

**Table 21 - Forecasting of R&D and SGA as a % of Revenues.**

As a % of Revenues	2022	2023	2024	2025	2026	2027	2028	2029	2030
COGS	74,4%	81,8%	82,1%	83,1%	82,3%	82,0%	81,6%	81,3%	81,1%
SG&A	4,8%	5,0%	5,3%	5,2%	5,1%	5,0%	4,9%	4,8%	4,7%
R&D	4,5%	4,5%	5,0%	4,5%	4,5%	4,5%	4,0%	4,0%	4,0%
<b>Total Operating Expenses</b>	83,0%	90,8%	92,1%	92,8%	92,2%	91,9%	90,9%	90,3%	89,9%
<b>EBIT Margin</b>	17,0%	9,2%	7,9%	7,2%	7,8%	8,1%	9,1%	9,7%	10,1%

#### 7.1.4. Tax Rate

For FY25, the tax rate is assumed to be the average of the effective tax rate recorded between 2020-2024. From FY26 onwards, the tax rate is assumed to gradually move towards its marginal tax rate of 16%, estimated to be achieved by FY30 (Table 22).

**Table 22** - Forecasting of Tesla's Income Tax Rate.

As a % of EBT	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income Tax	25.3%	11.0%	8.3%	(50.1%)	20.4%	3.0%	5.6%	8.2%	10.8%	13.4%	16.0%

The difference between the effective tax rate and the marginal tax rate is that the former measures taxes actually paid by Tesla as a ratio of pre-tax income, whereas the latter measures the statutory rate at which incremental taxable income is taxed.

#### 7.1.5. Capex and D&A

As previously mentioned, Capex will be split into Growth and Maintenance categories. All capex is attributed to PPE, given Tesla's negligible intangible asset base versus its tangible assets one. It's assumed that Capex needed for maintaining the asset base are equal to the amount of depreciation, which is estimated at an historical average of 11% of PPE at the beginning of period.

Between 2025-2027, Tesla projects total Capex of \$9bn in 2025, followed by \$11bn in 2026 and 2027, for developing and ramping new products, building or ramping manufacturing facilities, developing and manufacturing new battery cell technologies, expanding the Supercharger network and investing in autonomy and other AI enabled training and products (Tesla Inc. 2025). From 2028 onwards, Growth Capex are estimated to gradually decrease as Tesla reaches an operational mature stage, standing at \$4bn in 2028, \$2bn in 2029, and \$1bn in 2030 (Table 23).

**Table 23 - Forecasting of Tesla's Capex.**

(\$ millions)	2022	2023	2024	2025	2026	2027	2028	2029	2030
PPE BoP	\$ 17 351	\$ 22 094	\$ 27 663	\$ 34 885	\$ 40 127	\$ 46 804	\$ 52 762	\$ 56 762	\$ 58 762
Depreciation	\$ (2 420)	\$ (3 330)	\$ (4 120)	\$ (3 758)	\$ (4 323)	\$ (5 042)	\$ (5 684)	\$ (6 115)	\$ (6 330)
CapEx PPE	\$ 7 163	\$ 8 899	\$ 11 342	\$ 9 000	\$ 11 000	\$ 11 000	\$ 9 684	\$ 8 115	\$ 7 330
Maintenance Capex PPE	\$ 2 420	\$ 3 330	\$ 4 120	\$ 3 758	\$ 4 323	\$ 5 042	\$ 5 684	\$ 6 115	\$ 6 330
Growth Capex PPE	\$ 4 743	\$ 5 569	\$ 7 222	\$ 5 242	\$ 6 677	\$ 5 958	\$ 4 000	\$ 2 000	\$ 1 000
PPE EoP	\$ 22 094	\$ 27 663	\$ 34 885	\$ 40 127	\$ 46 804	\$ 52 762	\$ 56 762	\$ 58 762	\$ 59 762

To assess the plausibility of Growth Capex assumptions, Tesla's current installed production capacity was considered (Appendix 2 - Tesla's EV Production Capacity per Factory as of 3Q25.). Based on the company's reported deliveries and manufacturing capacity, the total annual vehicle capacity is estimated at approximately 2.35 million units as of 3Q25 (Appendix 3 – Production Capacity of Tesla's Factories.).

By converting the revenue forecasts into expected vehicle deliveries and assuming no inventory accumulation (i.e., production equals deliveries), it's clear that Tesla would gradually approach its current installed capacity and eventually exceed it around 2028 (Appendix 4 – Forecast of Tesla's Manufacturing Capacity.). This capacity constraint supports the assumption that the company will need to invest in manufacturing expansion in the medium term, justifying the heavy Growth Capex assumed for the 2025–2027 period.

#### 7.1.6. Net Working Capital

NWC was projected using an account-based approach consistent with the operating cycle of each account. Trade receivables, inventory, and trade payables were forecasted using DSO, DIO, and DPO, respectively, and other WC items were forecasted as a percentage of revenues. For each account, a normalized value was calculated using the median of typical historical years between 2020-2024, excluding outliers when appropriate, and fixed over the forecast period. In the long-term, NWC changes are assumed to be zero, consistent with a steady-state operating cycle (Table 24).

**Table 24 - Forecasting of Tesla's WC Accounts.**

	2020	2021	2022	2023	2024	Assumptions
DSO	22	13	13	12	15	13
DPO	89	91	92	67	57	62
DIO	60	52	77	63	55	60
Other Receivables (% Revenues)	0,0%	0,0%	0,2%	0,5%	0,4%	0,4%
Accrued Expenses (% Revenues)	7,8%	7,3%	6,2%	6,0%	6,1%	6,1%
Tax Payables (% Revenues)	2,5%	2,1%	1,5%	1,2%	1,4%	1,4%
Customer Advances (% Revenues)	2,4%	1,7%	1,3%	0,9%	1,0%	1,0%
Prepaid Expenses (% of Revenues)	4,3%	3,2%	3,2%	2,7%	4,8%	3,2%
Deferred Income (% of Revenues)	4,6%	2,7%	2,1%	3,0%	3,2%	2,8%
Other Current Liabilities (% of Revenues)	1,1%	0,6%	0,4%	0,5%	1,6%	0,6%

### 7.1.7. Free Cash-Flows

Based on the assumptions made on revenue, COGS, SGA and R&D, EBIT is calculated for each year of the explicit period. EBIT represents the operating profits earned on the business operations before considering any financing and tax expenses. The next step involves applying the income tax rate to the EBIT to derive the Net Operating Profit After Taxes (NOPAT), which excludes capital structure effects. Finally, the calculation of FCF involves adding back D&A expenses and subtracting Capex and NWC changes to NOPAT (Table 25).

**Table 25 - Forecasting of Tesla's FCFs.**

(€mm)	2025	2026	2027	2028	2029	2030
<b>Revenues</b>	\$ 94 595	\$ 109 300	\$ 122 409	\$ 136 092	\$ 148 434	\$ 160 865
- Cost of Sales	\$ -78 623	\$ -90 365	\$ -100 872	\$ -111 627	\$ -121 035	\$ -130 610
- Selling, General & Administrative	\$ -4 892	\$ -5 543	\$ -6 086	\$ -6 630	\$ -7 083	\$ -7 515
- Research & Development	\$ -4 257	\$ -4 918	\$ -5 508	\$ -5 444	\$ -5 937	\$ -6 435
<b>EBIT</b>	\$ 6 823	\$ 8 473	\$ 9 943	\$ 12 390	\$ 14 379	\$ 16 305
Tax Rate	3,0%	5,6%	8,2%	10,8%	13,4%	16,0%
<b>NOPAT</b>	\$ 6 620	\$ 8 000	\$ 9 129	\$ 11 054	\$ 12 453	\$ 13 696
+ D&A	\$ 3 763	\$ 4 328	\$ 5 047	\$ 5 689	\$ 6 119	\$ 6 335
- CAPEX	\$ 9 000	\$ 11 000	\$ 11 000	\$ 9 684	\$ 8 115	\$ 7 330
- Change NWC	\$ (599)	\$ (45)	\$ (487)	\$ (477)	\$ (254)	\$ (290)
<b>Free Cash Flow</b>	\$ 1 983	\$ 1 373	\$ 3 663	\$ 7 535	\$ 10 712	\$ 12 991

### 7.2. Discount Rate

To discount the value of forecasted FCFs, this study uses the discount rate that captures the risk associated with Tesla's operations and financial structure. This is approximated by the

Weighted Average Cost of Capital (WACC), that averages both the cost of capital expected by equity and debt investors of the company. Finally, it's possible to determine the enterprise value of Tesla.

#### 7.2.1. Risk-Free Rate (Rf)

Rf is approximated using the US 10-year Treasury Bond yield, which was 4.2% as of 12/12/2025. In USD-valued stock analyses, the US T-Bonds are normally assumed to be default-risk-free, meaning the country's default spread is zero, allowing the T-Bond yield to play as a Rf. This implies that no adjustment to the bond yield for country default risk is required. The choice of the 10-year bond is consistent with the conventional approach used in equity analysis, which approximates the long-term perspective of the DCF model.

#### 7.2.2. Cost of Debt (Kd)

Kd is estimated through combining the Rf with a company-specific default spread that reflects credit spread risk associated with Tesla's debt. To maintain model simplicity and robustness, this spread combines three technique based on generally used measures.

The interest coverage ratio (ICR) technique is employed as a starting point. From Tesla's FY24 financials, we calculate  $ICR = EBIT / \text{Interest expense} = 22.17$ . Referencing Damodaran mapping table for mature non-financial companies, this coverage replenishes an implied credit rating of Aaa/AAA, equivalent to a credit spread of 0.45% (Appendix 5 – Synthetic Credit Rating Table (Damodaran 2026)).

A second method also employs external credit ratings. Given Tesla's credit ratings of Baa3/BBB by S&P and Moody's, Damodaran's default spread table implies a default spread of 1.20%.

The third method employs a bond market approach. All outstanding bonds issued by Tesla are obtained from Refinitiv and a weighted average bond yield of 7.29% is determined, using bond notional amount as weights over the \$191mm of total debt. The bond default spread equals the Refinitiv bond yield minus the 10-year US T-Bond yield.

These three estimates are averaged to arrive at a final estimate of the spread, which turns out to be 1.62%. This spread is further added to the Rf to arrive at the pre-tax Kd of 5.78%. This in turn is taxed at a rate of 16%, to arrive at a post-tax Kd of 4.86% (Table 26).

**Table 26 - Estimation of Default Spread and Kd.**

<b>COST OF DEBT</b>	
Interest Coverage Ratio	22,17
ICR Rating	Aaa/AAA
ICR Spread	0,45%
Credit Rating (Moody's/S&P)	Baa3/BBB
CR Spread	1,20%
Bonds - Amount Outstanding	191
Bonds Weighted Yield	7,29%
Bonds Spread	3,09%
<b>Avg. Default Spread</b>	<b>1,58%</b>

Avg. Default Spread	1,58%
Rf	4,20%
Pre-Tax Kd	5,78%
Tax Rate	16%
<b>After-Tax Kd</b>	<b>4,86%</b>

7.2.3. Beta

Equity beta has been estimated through three complementary methodologies to reflect not just the market behavior of Tesla but also its business risk. Since each methodology has limitations, especially for a firm with a hybrid business model of automobiles and technology, the final equity beta was estimated as a weighted average of the three.

First, a market-implied beta for Tesla stock was obtained by performing a regression analysis using the logarithmic excess stock returns versus the logarithmic excess stock returns of the S&P500. Monthly observations from 12/2020 to 11/2025 were employed in the analysis. During the analysis period, the excess stock returns were based on the US 10-Year T-Bond Yield. A beta figure of 1.75 resulted from the analysis, which doesn't deviate that much from the 1.87 obtained from Yahoo/Refinitiv that uses the similar "5Y Monthly" approach (Appendix 6 – TSLA vs. S&P500 Excess Returns (5-year monthly data); Appendix 7 – Market Beta Regression).

Second, a bottom-up beta calculation was done based on a group of peers that comprised automakers either fully dedicated to EVs or those that were undergoing rapid electrification. After an initial screening based on industry, peers were further filtered based on revenue size. The levered beta of peers was collected from Refinitiv and unlevered based on respective tax

rates (Appendix 8 – Tesla’s Peer Group). A weighted average unlevered beta was estimated based on market capitalization weights, with greater weight given to larger peers. This was then relevered based on Tesla’s capital structure to obtain a beta of 0.50 (Table 27).

**Table 27** - Estimation of Tesla's Bottom-up Levered Beta.

	Weighted Unlevered Beta - Peers	Market Cap	BV of Debt (FY24)	Tax Rate	Levered Beta (Bottom-Up)
Tesla Inc	0,50	\$ 1 486 722 000 000	\$ 13 686 000 000	16%	<b>0,50</b>

Although the bottom-up beta has some theoretical strengths, it was given a lower weight in the final estimate. Tesla’s business model differs from those of traditional automakers because it relies more on software, autonomy, and technology-driven growth, ending up being valued more like a high-growth tech company rather than a mature car manufacturer. For this reason, more weight was given to market-based measures, as these better reflect how investors perceive Tesla’s future risks.

The final levered beta of 1.55 was worked out by giving 40% weight to both the market regression beta and the Refinitiv/Yahoo beta, and 20% to the bottom-up beta (Table 28). This approach blends real market data with fundamental risk analysis, recognizing that comparing Tesla to pure carmakers has limitations.

**Table 28** - Estimation of Tesla's Equity Beta.

	Beta	Weight
<b>1)</b> Market Regression	1,75	40%
<b>2)</b> Refinitiv/Yahoo Beta	1,87	40%
<b>3)</b> Bottom-up (Peers)	0,50	20%
<b>Avg. Beta</b>	<b>1,55</b>	100%

7.2.4. Cost of Equity (Ke)

Ke is estimated using the Capital Asset Pricing Model. This relates the expected return on equity to the Rf, company's systematic risk and Equity Risk Premium (ERP). Using the following figures as of 01/2026, Tesla’s Ke can be calculated: Rf of 4.2%, a Levered Beta of 1.55, and a US ERP of 4.46%, retrieved from Damodaran as the risk-adjusted Implied ERP of the S&P500.

This leads to a Ke of 11.10%, reflecting the return demanded by equity investors for taking on Tesla's systematic risk (Table 29).

**Table 29** - Estimation of Tesla's Ke.

<b>COST OF EQUITY</b>	
Rf (10y T-Bond)	4,20%
USA ERP	4,46%
Levered Beta	1,55
<b>Ke</b>	<b>11,10%</b>

7.2.5. WACC

WACC is calculated by weighting the Ke and the after-tax Kd by their respective MVs, according to Equation 1.

**Equation 1** - WACC Formula.

$$WACC = \frac{E}{D + E} * Ke + \frac{D}{D + E} * Kd * (1 - T)$$

Tesla's market capitalization is used as a proxy for the MV of equity. This is calculated by multiplying the number of shares outstanding (3,326mm) by the share price (\$447), values as of December 12, 2025. This results in an equity value of \$1,487bn. Given the low level of financial leverage and the difficulty of estimating the MV of debt, its book value (BV) of \$13,686mm is used as a reasonable approximation.

As a negligible portion of total capital is represented by Tesla's debt, the WACC converges towards the Ke. A WACC of 11.04% is retrieved by applying the previously calculated inputs and will further be used as the discount rate to value Tesla's forecasted FCFs (Table 30).

**Table 30** - Tesla's WACC Calculation.

Discount Rate Calculation	
E	\$ 1 486 722
D	\$ 13 686
D+E	\$ 1 500 408
E/(D+E)	99%
Ke	11,10%
D/(D+E)	1%
Pre-tax Kd	5,78%
1-T	84,00%
<b>WACC</b>	<b>11,04%</b>

### 7.3. Long-Term Growth Rate (g)

The long-term growth rate is a critical assumption because it determines the TV, reflecting the sustainable growth potential of the firm over an indefinite period. As a first approach, the paper applied a 10% haircut to the US 10-year T-Bond yield of 4.20%, resulting in a growth rate of 3.78%. Nevertheless, this estimate was excessively ambitious, given that current interest rates are elevated in comparison to historical long-term averages and may not embody sustainable economic growth conditions (Table 31).

**Table 31** - Estimation of Long-Term Growth Rate (1st Approach).

10-Y USD T-bond	4,20%
<b>LT Growth Rate (g)</b>	<b>3,78%</b>

An alternative approach used the US nominal GDP growth, calculated as the aggregate of long-term real GDP growth of 2.25% and long-term inflation of 2.40%, resulting in a nominal growth estimate of 4.65%. Applying the same 10% haircut produced a long-term growth rate of 4.19% (Table 32). This outcome was also deemed inappropriate, as it exceeds the Rf and implies a perpetual growth at a pace inconsistent with long-run economic constraints.

**Table 32** - Estimation of Long-Term Growth Rate (2nd Approach).

GDP Real Growth US	2,25%
Long-Term Inflation US	2,40%
GDP Nominal Growth US	4,65%
<b>LT Growth Rate (g)</b>	<b>4,19%</b>

Given Tesla's global footprint and diversified geographic exposure, the final long-term growth rate was anchored to global Nominal GDP growth instead. A terminal growth rate of 2.88% is yielded by using a World Nominal GDP growth estimate of 3.2% (Statista 2026) and a conservative 10% haircut (Table 33). In steady state, a firm's growth is generally assumed to remain below the level of long-term nominal global economic growth to account for competitive dynamics and market saturation. This assumption ensures consistency with long-term macroeconomic fundamentals and provides a conservative estimate of Tesla's sustainable growth in perpetuity.

**Table 33** - Estimation of Long-Term Growth Rate (3rd Approach).

GDP Nominal Growth World	3,20%
<b>LT Growth Rate (g)</b>	<b>2,88%</b>

7.4. DCF Model

Having estimated all the required valuation inputs, the analysis proceeds to discount Tesla's forecasted FCFs using the WACC, to derive the firm's intrinsic value. As the objective is determining the target price as of 30/06/2026, all cash flows are discounted to that date.

7.4.1. Enterprise Value

The enterprise value is found by adding together the present value of the FCFs expected to be generated between 2026-2030, and the present value of the TV, which is based on the idea that operating profits will grow at a steady rate of 2.88% in perpetuity. Discounted FCFs over the explicit forecast period amount to \$25,206mm, while the present value of the TV is \$100,655mm, resulting in an implied enterprise value of \$125,861mm (Table 34).

**Table 34** - Calculation of Tesla's Enterprise Value.

(\$mm)	Explicit Forecasts					2030	TV
	2025	2026	2027	2028	2029		
Year Factor	0,0	0,5	1,5	2,5	3,5	4,5	
FCF	\$ 1 983	\$ 1 373	\$ 3 663	\$ 7 535	\$ 10 712	\$ 12 091	\$ 13 158
Present Value of FCF		\$ 1 303	\$ 3 131	\$ 5 800	\$ 7 425	\$ 7 548	
Terminal Value						\$ 161 247	
Sum of Present Value of FCFO	\$ 25 206						
Present Value of Terminal Value	\$ 100 655						
<b>Enterprise Value</b>	<b>\$ 125 861</b>						

#### 7.4.2. Bridge to Equity Value

To work out the equity value, the enterprise value is adjusted to account for non-operating assets and financial claims attributable to equity holders. Surplus assets and minority holdings are added to enterprise value and surplus liabilities, net debt, minority interests are deducted. This is done in order to isolate the value attributable to common shareholders.

Net debt is calculated by subtracting cash and cash equivalents from the BV of gross debt, as reported on the balance sheet. Due to the low level of financial leverage, using BVs instead of MVs is a simplifying assumption with an immaterial impact on the overall valuation. The MV of minority interests is estimated using Tesla's price-to-book multiple of 16.82, as reported on Yahoo Finance, n.d..

With a significant cash position, Tesla's equity value surpasses its enterprise value, resulting in an implied equity value of \$138,921mm. This corresponds to an implied EV/EBITDA multiple of 10.8x, which provides an additional reference point for the valuation outcome (Table 35).

**Table 35** - Calculation of Tesla's Equity Value.

<b>Enterprise Value</b>	<b>\$ 125 861</b>
+ Surplus Assets	\$ 11 233
- Surplus Liabilities	\$ 9 209
- Net Debt	\$ (22 877)
- Minority Interests	\$ 11 841
<b>Implied Equity Value</b>	<b>\$ 138 921</b>
Implied EV / EBITDA	10,6x

### 7.4.3. DCF Implied Share Price

By dividing the estimated value of equity by the total number of shares issued (3,326mm), an estimated price per share of \$41.77 is indicated as of 30/06/2026. This compares unfavorably to the current share price of \$447.00 as of 12/12/2025 (Table 36). This model assumes a significant downside of 90.7% as it only includes the value of Tesla's core auto, energy, and services segments, while not assessing the value of its long-term bets in AI and robotics, which appear to be embedded in market perceptions.

**Table 36** - Downside implied by the DCF Model.

N° Shares Outstanding	3 326
<b>Target Price 30/06/2026</b>	<b>\$ 41,77</b>
<b>Stock Price 12/12/2025</b>	<b>\$ 447,00</b>
Implied Downside	-90,7%

### 7.5. Sensitivity Analysis

One of the essential components of the DCF valuation, particularly applicable to high-duration growth firms like Tesla, where a significant proportion of enterprise value is driven by its TV, is the sensitivity analysis. The sensitivity of the DCF model to changes in core assumptions, particularly to the WACC and the long-term growth rate, can significantly affect the resultant equity value. This helps evaluating the robustness of the valuation, assessing whether the investment case is driven by overly optimistic assumptions.

WACC assumptions were subject to stress testing, wherein the value was decreased and increased in 1pp increments, while the long-term growth rate was adjusted in 0.5pp increments (Table 37). As indicated in the matrix below, even with the lower WACC and higher long-term growth rate, the target price does not exceed \$63.89, which is significantly lower than the current market price of \$447.00, thereby suggesting that, within the structural confines of the

DCF valuation framework, Tesla’s current price cannot be justified by the two most critical assumptions of the model.

**Table 37-** Sensitivity Analysis Matrix.

		WACC				
		9,04%	10,04%	11,04%	12,04%	13,04%
Long-Term Growth Rate	1,88%	\$ 49,39	\$ 43,25	\$ 38,46	\$ 34,64	\$ 31,51
	2,38%	\$ 52,20	\$ 45,30	\$ 40,02	\$ 35,85	\$ 32,47
	2,88%	\$ 55,46	\$ 47,65	\$ 41,77	\$ 37,19	\$ 33,52
	3,38%	\$ 59,30	\$ 50,35	\$ 43,74	\$ 38,68	\$ 34,68
	3,88%	\$ 63,89	\$ 53,48	\$ 46,00	\$ 40,36	\$ 35,97

## 8. Comparable Company Analysis

The CCA is a relative valuation technique that is used to determine the value of a given company. This is done by comparing it with publicly traded companies which have similar operating characteristics and risks. In this case, the analysis uses valuation multiples that are available to the public, such as EV/EBITDA, EV/Sales and P/E ratios, to work out the value of the entity. The analysis is based on the application of the ratios to Tesla, with the aim of estimating the Equity/Enterprise Value of the company.

The peer group used here was the one used in the bottom-up beta calculation, to maintain consistency in the two methodologies. The valuation multiples were sourced from Refinitiv and further weighted according to the market capitalization of each peer.

The weighted average was calculated for each valuation metric used in the analysis, resulting in an EV/EBITDA multiple of 7.78x, an EV/Sales multiple of 0.89x, and a P/E ratio of 14.46x (Table 38). Further, descriptive statistics in terms of the minimum, maximum, mean, median, as well as the 25th and 75th percentiles, were also calculated to provide a wider perspective (Appendix 9 – Descriptive Statistics for Peer Multiples).

**Table 38** - Estimation of Weighted Multiples from the Peer Group.

Company Name	EV to EBITDA	EV to Sales	Price / EPS	Mkt Cap	Weight
BYD Co Ltd	7,29x	0,94x	22,70x	\$ 120 563	26%
General Motors Co	6,42x	0,91x	6,89x	\$ 66 000	14%
Mercedes-Benz Group AG	5,33x	0,98x	11,30x	\$ 64 888	14%
Bayerische Motoren Werke AG	6,84x	1,04x	8,10x	\$ 60 814	13%
Ford Motor Co	12,48x	0,91x	12,48x	\$ 52 635	11%
Hyundai Motor Co	10,23x	1,13x	5,85x	\$ 45 253	10%
SAIC Motor Corp Ltd	9,19x	0,17x	16,01x	\$ 25 788	6%
Li Auto Inc	9,70x	0,51x	36,45x	\$ 21 339	5%
Volvo Car AB	1,15x	0,25x	22,12x	\$ 10 600	2%
<b>Weighted Multiple</b>	<b>7,78x</b>	<b>0,89x</b>	<b>14,46x</b>		

### 8.1. Based on Financials of FY24

Based on Tesla's FY24 financial information, the CCA estimates a share price ranging between \$30.10 (using the EV/Sales multiple) and \$31.78 (using the EV/EBITDA multiple). The

average of the share prices estimated by the three multiple approaches is \$30.99 (Table 39). However, the low-price estimate and the fact that the market had already incorporated information up to the 3Q25 imply that the application of the valuation multiples to the projected 2025 estimates of the company’s EBITDA, revenues, and earnings will produce a more representative estimate of Tesla’s fair value.

**Table 39 - CCA Valuation based on FY24 Financials.**

Using 2024 values:									
1) EV / EBITDA	Weighted Avg. EV/EBITDA	EBITDA	EV	+ Equity Bridge Adj.	Equity	N° Shares Outstanding	Share Price	Implied EV/EBITDA	
	7,78	\$ 11 908	\$ 92 645	\$ 13 060	\$ 105 705	3 326	\$ 31,78	7,78x	
2) EV / Sales	Weighted Avg. EV/Sales	Sales	EV	+ Equity Bridge Adj.	Equity	N° Shares Outstanding	Share Price	Implied EV/EBITDA	
	0,89	\$ 97 690	\$ 87 063	\$ 13 060	\$ 100 122	3 326	\$ 30,10	7,31x	
3) P/E	Weighted Avg. P/E	Earnings	EV	+ Equity Bridge Adj.	Equity	N° Shares Outstanding	Share Price	Implied EV/EBITDA	
	14,46	\$ 7 153	\$ 80 527	\$ 13 060	\$ 103 404	3 326	\$ 31,09	6,76x	
<b>Avg. Share Price</b>							<b>\$</b>	<b>30,99</b>	

8.2. Based on Financial Estimates for FY25

Based on Tesla’s FY25 projected financial information, the multiple-based valuation analysis results in a share price ranging between \$23.90 (using the Price/Earnings multiple) and \$34.77 (using the EV/EBITDA multiple). The average of the share prices estimated by the three valuation methods is \$29.31 (Table 40). This valuation estimate is significantly lower than Tesla’s current market price but reasonably close to the \$41.77 estimated by the DCF analysis.

**Table 40 - CCA Valuation based on FY25e Financials.**

Using 2025e values:									
1) EV / EBITDA	Weighted Avg. EV/EBITDA	EBITDA	EV	+ Equity Bridge Adj.	Equity	N° Shares Outstanding	Share Price	Implied EV/EBITDA	
	7,78	\$ 13 184	\$ 102 572	\$ 13 060	\$ 115 632	3 326	\$ 34,77	7,78x	
2) EV / Sales	Weighted Avg. EV/Sales	Sales	EV	+ Equity Bridge Adj.	Equity	N° Shares Outstanding	Share Price	Implied EV/EBITDA	
	0,89	\$ 94 595	\$ 84 304	\$ 13 060	\$ 97 364	3 326	\$ 29,27	6,39x	
3) P/E	Weighted Avg. P/E	Earnings	EV	+ Equity Bridge Adj.	Equity	N° Shares Outstanding	Share Price	Implied EV/EBITDA	
	14,46	\$ 5 500	\$ 56 551	\$ 13 060	\$ 79 508	3 326	\$ 23,90	4,29x	
<b>Avg. Share Price</b>							<b>\$</b>	<b>29,31</b>	

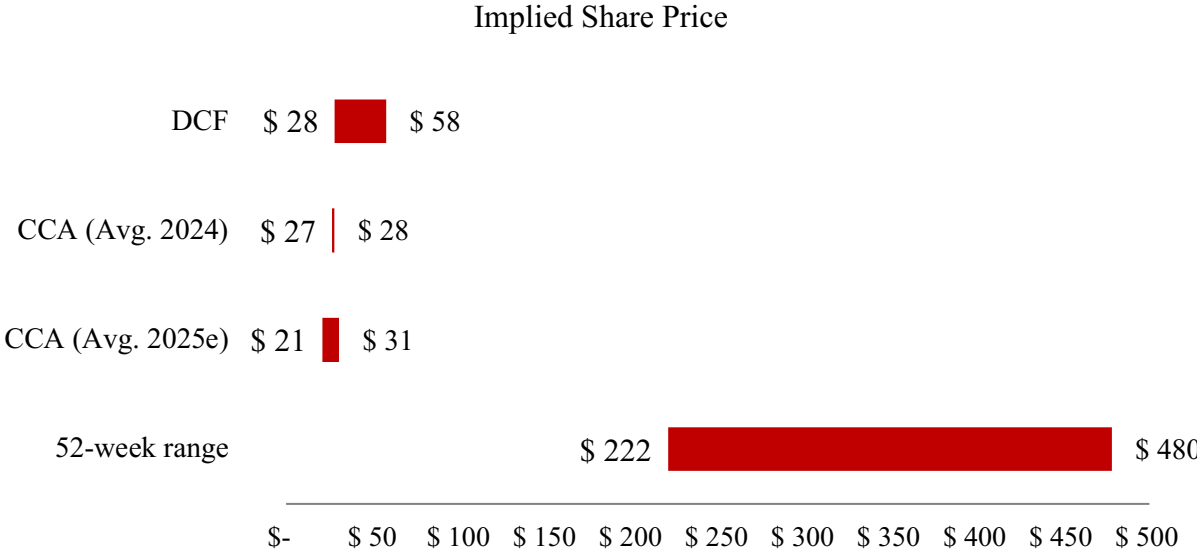
## 9. Conclusion

### 9.1. Football Fields

The football field chart is used to graphically present and compare the valuation ranges derived from the different approaches employed throughout the paper. The graphical presentation of the minimum, maximum, and median valuation ranges enables a clear assessment of the relative position and spread of the valuation ranges.

Two football fields are presented: one based on implied share prices and the other based on implied EV/EBITDA multiples. EV/EBITDA is employed in the analysis because it's a common valuation multiple employed in equity and corporate finance analysis and it's considered a good measure of a company's valuation because it's neutral to a company's capital structure. The results indicate that the 52-week trading range employed in the analysis generates valuation ranges substantially higher than ones derived from the DCF and CCA approaches. The 52-week trading range approach retrieves a share price range of \$222-480 (Table 41) and EV/EBITDA multiples in the range of 97-214x (Appendix 10 - Football Field based on EV/EBITDA Multiples.).

**Table 41** - Football Field based on Share Price.



## 9.2. Target Share Price

The final target price stems from a weighted average of the four valuation reference points, which are the DCF, CCA using forecast data for 2025, CCA using actual data for 2024, and the 52-week median stock price. The DCF is given a weight of 50%, as it's a key input in this analysis and intrinsic value and cash flow generation are prioritized over market sentiment. Market information is also factored in by giving a 25% weight to the 52-week median stock price, as it synthesizes forward-looking information. 10% and 15% weights are assigned to the CCA analysis using financial and forecast data for 2024 and 2025, respectively, as this is still a widely adopted valuation methodology, despite the limitations of relative valuation. The final target price is \$113.14, which implies a 75% downside versus the current market price of \$447.00, resulting in a Strong Sell recommendation for every investor that believes that Tesla is a pure EV maker with some revenue diversification through the Energy segment, rather than a tech stock focused on monetizing its AI & Robotics investments (Table 42).

**Table 42** - Estimation of Target Stock Price.

	<b>Median Stock Price</b>	<b>Weight</b>
DCF	\$ 41,77	50%
CCA (Avg. 2025e)	\$ 31,78	15%
CCA (Avg. 2024)	\$ 29,27	10%
52-week Median	\$ 338,23	25%
<b>Weighted Avg. Stock Price</b>	<b>\$ 113,14</b>	
Stock Price 12/12/2025	\$ 447,00	
<b>Implied Downside</b>		<b>75%</b>

## 10. Limitations

### Exclusion of AI & Robotics Monetization

The DCF doesn't rely on any potential earnings of AI and robotics endeavors beyond what is already built into Tesla's current segments, like FSD subscriptions. This is somewhat conservative as it doesn't rely on any guesswork, but it limits the analysis to its main business lines. However, the calculated intrinsic value may not fully capture the long-run tech optionality that is already inherent in Tesla's market capitalization.

### Limited Explicit Forecast Horizon

The DCF has an explicit five-year horizon, indicating that Tesla's transition to a mature, steady-growth company will be rapid. However, with Tesla's continued growth trajectory and presence in structurally growing markets, the actual period of high growth could be longer than what the analysis suggests. However, an extension of the horizon becomes increasingly speculative, particularly with respect to revenue, margins and reinvestment assumptions, thereby impacting the overall robustness of the analysis.

### Peer Selection Bias in the CCA

One of the key constraints of the CCA is the grouping of Tesla as a car manufacturer and an energy company, rather than a technology company. This has a significant impact on the valuation multiples, as the peer group used in the analysis has significantly lower multiples than technology companies. It is likely that Tesla would have significantly higher equity/enterprise values if it were to be grouped with technology peers.

### Conservative Terminal Growth Rate Assumption

The 2.88% long-run growth rate is constrained by global nominal GDP growth, which is consistent with conventional valuation theory. However, this assumption can underestimate Tesla's TV if it's considered more of a technology company rather than an industrial company.

In the past, top technology companies have demonstrated growth rates above global GDP over long periods of time. Therefore, the terminal growth assumption used might pull down the target price retrieved by the DCF.

### Simplifying Balance Sheet Assumptions

This valuation model utilizes the BV of debt instead of MV in assessing Tesla's capital structure upon the WACC calculation. Ideally, MV of debt should be used to obtain a precise capital structure for the firm in the calculation of the discount rate. This problem is, however, mitigated by the low level of leverage in Tesla's capital structure, which reduces its impact on the calculations.

### Market Sentiment and Speculative Dynamics

While market signals are partially captured in the 52-week trading range, the valuation doesn't explicitly capture speculative premiums and option-like characteristics that are potentially linked to long-term technological outcomes, which appear to be important in the valuation of Tesla.

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### Appendix 1 – 52-week Historical Daily Stock Price



Figure 10 - 52-week Historical Daily Stock Price between October 2024 and October 2025.

### Appendix 2 - Tesla's EV Production Capacity per Factory as of 3Q25.

Table 43 - Tesla's vehicle production capacity per factory as of 3Q25.

Current Installed Annual Vehicle Capacity			
Region	Model	Capacity	Status
California	Model S / Model X	100,000	Production
	Model 3 / Model Y	>550,000	Production
Shanghai	Model 3 / Model Y	>950,000	Production
Berlin	Model Y	>375,000	Production
Texas	Model Y	>250,000	Production
	Cybertruck	>125,000	Production
	Cybercab	-	Construction
Nevada	Tesla Semi	-	Construction
TBD	Roadster	-	Design development

### Appendix 3 – Production Capacity of Tesla’s Factories.

**Table 44** - Tesla's Available Production Capacity as of 3Q25.

LTM 3Q25	Model 3/Y	Other Models	Total
Capacity	2,13	0,23	2,35
Deliveries	1,65	0,06	1,71
Available Capacity	22%	72%	27%

### Appendix 4 – Forecast of Tesla’s Manufacturing Capacity.

**Table 45** - Check-test on Tesla's Available Production Capacity.

	2022	2023	2024	LTM 2025	2026	2027	2028	2029	2030
EV Sales & Leases	\$ 69 686	\$ 80 629	\$ 74 307	\$ 69 488	\$ 76 071	\$ 84 036	\$ 92 830	\$ 101 268	\$ 110 543
Total Deliveries	1,31	1,81	1,79	1,71	1,90	2,13	2,37	2,60	2,84
Avg. Selling Price	\$ 53 039	\$ 44 581	\$ 41 530	\$ 40 554	\$ 39 946	\$ 39 546	\$ 39 151	\$ 38 955	\$ 38 955
YoY Growth	8%	-16%	-7%	-2%	-1,5%	-1,0%	-1,0%	-0,5%	0%
Available Capacity	56%	77%	76%	73%	81%	90%	101%	111%	121%

### Appendix 5 – Synthetic Credit Rating Table (Damodaran 2026)

**Table 46** - Synthetic Credit Rating Table by Damodaran.

**Date of Analysis:** Data used is as of January 2025

**For large non-financial service firms**

If interest coverage ratio is		Rating is	Spread is
>	≤ to		
-100000	0.199999	D2/D	19.00%
0.2	0.649999	C2/C	15.50%
0.65	0.799999	Ca2/CC	10.10%
0.8	1.249999	Caa/CCC	7.28%
1.25	1.499999	B3/B-	4.42%
1.5	1.749999	B2/B	3.00%
1.75	1.999999	B1/B+	2.61%
2	2.249999	Ba2/BB	1.83%
2.25	2.499999	Ba1/BB+	1.55%
2.5	2.999999	Baa2/BBB	1.20%
3	4.249999	A3/A-	0.95%
4.25	5.499999	A2/A	0.85%
5.5	6.499999	A1/A+	0.77%
6.5	8.499999	Aa2/AA	0.60%
8.50	100000	Aaa/AAA	0.45%

## Appendix 6 – TSLA vs. S&P500 Excess Returns (5-year monthly data)

**Table 47 - TSLA vs. S&P500 Excess Returns.**

Source: Investing.com

Date	S&P 500	S&P500 Return	TSLA	TSLA Return	Rf	TSLA ExcRet	S&P500 ExcRet
01/11/2025	6850,91	0,16%	469,33	2,76%	4,16%	2,41%	-0,19%
01/10/2025	6840,20	2,24%	456,56	2,63%	4,10%	2,29%	1,90%
01/09/2025	6688,46	3,47%	444,72	28,67%	4,15%	28,32%	3,13%
01/08/2025	6460,26	1,89%	333,87	7,98%	4,23%	7,63%	1,54%
01/07/2025	6339,39	2,14%	308,27	-3,00%	4,36%	-3,36%	1,78%
01/06/2025	6204,95	4,84%	317,66	-8,68%	4,23%	-9,03%	4,49%
01/05/2025	5911,69	5,97%	346,46	20,53%	4,42%	20,16%	5,60%
01/04/2025	5569,06	-0,77%	282,16	8,50%	4,18%	8,15%	-1,11%
01/03/2025	5611,85	-5,93%	259,16	-12,27%	4,21%	-12,62%	-6,28%
01/02/2025	5954,50	-1,43%	292,98	-32,28%	4,20%	-32,63%	-1,78%
01/01/2025	6040,53	2,67%	404,6	0,19%	4,54%	-0,19%	2,29%
01/12/2024	5881,63	-2,53%	403,84	15,70%	4,57%	15,32%	-2,91%
01/11/2024	6032,38	5,57%	345,16	32,31%	4,18%	31,97%	5,22%
01/10/2024	5705,45	-0,99%	249,85	-4,61%	4,28%	-4,96%	-1,35%
01/09/2024	5762,48	2,00%	261,63	20,04%	3,79%	19,73%	1,68%
01/08/2024	5648,40	2,26%	214,11	-8,05%	3,91%	-8,38%	1,93%
01/07/2024	5522,30	1,13%	232,07	15,94%	4,03%	15,60%	0,79%
01/06/2024	5460,48	3,41%	197,88	10,54%	4,39%	10,18%	3,04%
01/05/2024	5277,51	4,69%	178,08	-2,88%	4,50%	-3,25%	4,32%
01/04/2024	5035,69	-4,25%	183,28	4,17%	4,68%	3,78%	-4,64%
01/03/2024	5254,35	3,05%	175,79	-13,84%	4,21%	-14,19%	2,70%
01/02/2024	5096,27	5,04%	201,88	7,50%	4,25%	7,15%	4,69%
01/01/2024	4845,65	1,58%	187,29	-28,27%	3,92%	-28,60%	1,25%
01/12/2023	4769,83	4,33%	248,48	3,44%	3,87%	3,12%	4,01%
01/11/2023	4567,80	8,54%	240,08	17,85%	4,33%	17,49%	8,18%
01/10/2023	4193,80	-2,22%	200,84	-21,98%	4,93%	-22,39%	-2,63%
01/09/2023	4288,05	-4,99%	250,22	-3,09%	4,58%	-3,47%	-5,38%
01/08/2023	4507,66	-1,79%	258,08	-3,56%	4,11%	-3,90%	-2,13%
01/07/2023	4588,96	3,07%	267,43	2,14%	3,97%	1,81%	2,74%
01/06/2023	4450,38	6,27%	261,77	24,97%	3,84%	24,65%	5,95%
01/05/2023	4179,83	0,25%	203,93	21,60%	3,65%	21,30%	-0,06%
01/04/2023	4169,48	1,45%	164,31	-23,32%	3,43%	-23,60%	1,17%
01/03/2023	4109,31	3,45%	207,46	0,85%	3,47%	0,56%	3,16%
01/02/2023	3970,15	-2,65%	205,71	17,19%	3,93%	16,86%	-2,97%
01/01/2023	4076,60	5,99%	173,22	34,09%	3,51%	33,80%	5,70%
01/12/2022	3839,50	-6,08%	123,18	-45,78%	3,88%	-46,10%	-6,40%
01/11/2022	4080,11	5,24%	194,7	-15,59%	3,61%	-15,89%	4,93%
01/10/2022	3871,98	7,68%	227,54	-15,33%	4,05%	-15,67%	7,35%
01/09/2022	3585,62	-9,80%	256,25	-3,83%	3,83%	-4,15%	-10,12%
01/08/2022	3955,00	-4,34%	275,61	-7,53%	3,20%	-7,79%	-4,60%
01/07/2022	4130,29	8,72%	297,15	28,05%	2,66%	27,83%	8,50%
01/06/2022	3785,38	-8,77%	224,47	-11,87%	3,02%	-12,12%	-9,02%
01/05/2022	4132,15	0,01%	252,75	-13,83%	2,85%	-14,07%	-0,23%
01/04/2022	4131,93	-9,21%	290,25	-21,31%	2,94%	-21,56%	-9,45%
01/03/2022	4530,41	3,51%	359,2	21,35%	2,35%	21,16%	3,32%
01/02/2022	4373,94	-3,19%	290,14	-7,34%	1,82%	-7,49%	-3,34%
01/01/2022	4515,55	-5,40%	312,24	-12,06%	1,78%	-12,21%	-5,55%
01/12/2021	4766,18	4,27%	352,26	-8,00%	1,51%	-8,12%	4,14%
01/11/2021	4567,00	-0,84%	381,59	2,73%	1,46%	2,60%	-0,96%
01/10/2021	4605,38	6,69%	371,33	36,22%	1,56%	36,09%	6,56%
01/09/2021	4307,54	-4,87%	258,49	5,26%	1,49%	5,14%	-5,00%
01/08/2021	4522,68	2,86%	245,24	6,82%	1,31%	6,71%	2,75%
01/07/2021	4395,26	2,25%	229,07	1,10%	1,23%	1,00%	2,15%
01/06/2021	4297,50	2,20%	226,57	8,35%	1,47%	8,23%	2,07%
01/05/2021	4204,11	0,55%	208,41	-12,64%	1,58%	-12,77%	0,42%
01/04/2021	4181,17	5,11%	236,48	6,03%	1,63%	5,90%	4,97%
01/03/2021	3972,89	4,16%	222,64	-1,13%	1,74%	-1,28%	4,01%
01/02/2021	3811,15	2,58%	225,17	-16,10%	1,41%	-16,22%	2,46%
01/01/2021	3714,24	-1,12%	264,51	11,74%	1,07%	11,65%	-1,21%
01/12/2020	3756,07		235,22		0,92%		

## Appendix 7 – Market Beta Regression

**Table 48 - Market Beta Regression.**

Regression Statistics	
Multiple R	0,451961734
R Square	0,204269409
Adjusted R Square	0,190309224
Standard Error	0,152880428
Observations	59

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	0,341991972	0,341991972	14,63228444	0,000326373
Residual	57	1,332228232	0,023372425		
Total	58	1,674220205			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95,0%	Upper 95,0%
Intercept	-0,003989177	0,020186731	-0,197613817	0,844050262	-0,044412409	0,036434055	-0,044412409	0,036434055
X Variable 1	1,746452878	0,456563096	3,825216914	0,000326373	0,832201048	2,660704708	0,832201048	2,660704708

## Appendix 8 – Tesla's Peer Group

**Table 49 - Valuation Measures of Tesla's Peer Group.**

Company Name	BV of Debt (FY24)	Market Cap	Revenue (FY24)	Levered Beta (5Y Monthly)	Tax Rate	Unlevered Beta (5Y Monthly)	Weight
Tesla Inc	\$ 13 686 000 000	\$ 1 486 722 000 000	\$ 97 690 000 000				
General Motors Co	\$ 130 693 000 000	\$ 73 426 000 000	\$ 187 442 000 000	1,37	30%	0,61	14%
Ford Motor Co	\$ 160 862 000 000	\$ 56 212 000 000	\$ 184 992 000 000	1,67	19%	0,50	10%
Bayerische Motoren Werke AG	\$ 100 894 720 000	\$ 64 347 760 000	\$ 168 008 400 000	0,75	30%	0,36	12%
Mercedes-Benz Group AG	\$ 109 789 560 000	\$ 61 603 080 000	\$ 171 800 920 000	0,68	26%	0,29	11%
Hyundai Motor Co	\$ 108 848 510 800	\$ 121 053 600 000	\$ 120 909 495 600	1,32	24%	0,78	23%
BYD Co Ltd	\$ 40 459 600 000	\$ 109 498 000 000	\$ 116 565 368 200	0,47	16%	0,36	20%
SAIC Motor Corp Ltd	\$ 25 741 628 940	\$ 24 709 050 000	\$ 94 138 491 990	0,45	45%	0,29	5%
Volvo Car AB	\$ 4 071 760 000	\$ 8 110 300 000	\$ 44 025 740 000	1,01	30%	0,75	2%
LiAuto Inc	\$ 16 744 319 000	\$ 17 824 000 000	\$ 21 668 991 900	0,60	14%	0,33	3%
<b>Median</b>	\$ 100 894 720 000	\$ 61 603 080 000	\$ 120 909 495 600	0,75	26%	<b>0,36</b>	

## Appendix 9 – Descriptive Statistics for Peer Multiples

**Table 50 - Descriptive Statistics of Peer Multiples.**

	EV to EBITDA	EV to Sales	Price / EPS
<b>Min</b>	1,15x	0,17x	5,85x
<b>Max</b>	12,48x	1,13x	36,45x
<b>25th Percentile</b>	6,42x	0,51x	8,10x
<b>Mean</b>	7,62x	0,76x	15,77x
<b>Median</b>	7,29x	0,91x	12,48x
<b>75th Percentile</b>	9,70x	0,98x	22,12x
<b>Weighted Multiple</b>	<b>7,78x</b>	<b>0,89x</b>	<b>14,46x</b>

**Appendix 10 - Football Field based on EV/EBITDA Multiples.**

**Table 51 - Football Field based on EV/EBITDA Multiples.**

**Implied EV/EBITDA**

