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US EQUITY RESEARCH

Tesla

Uncertain delivery outlook persists

Company Overview

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

Investment Overview

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

2Q25 results a miss. Adjusted EPS of USD0.40 missed consensus by 5%, driven by weaker-than-expected automotive deliveries of 384k (-3% miss, +16% q/q, -12% y/y) and soft EBIT margin of 4.1% (below est. of 5.3%, +2ppt q/q, -2.2ppt y/y) amid elevated operating expenses related to Al and R&D. Automotive gross margin improved q/q to 14.1% (vs est. of 12.5%, +2.7ppt q/q, +0.2ppt y/y), supported by a favourable product mix, higher ASPs (+6% vs est., +7% q/q, -2% y/y), and reduced discounting. However, these gains were partially offset by rising material and logistics costs, which lifted per-vehicle cost 5% q/q to USD35k (+4% q/q, -2% y/y). Group EBIT margin stood at 4.1%, up from 3.0% in 1QFY25 but below 6.2% in 2QFY24. Management reiterated its capital deployment priority on organic growth and next-gen platform scale-up, though acknowledged share buyback flexibility remains open.

Uncertain delivery trajectory persists, though upcoming product rollouts offer potential valuation support. For 3Q25, management expects sequential growth in vehicle volumes, noting Tesla is now "past the trough in volume" seen in 2Q. However, margins are likely to remain under short-term pressure due to sustained investment in Al, autonomy, and vertical integration initiatives. While delivery and near-term earnings visibility remains clouded by tariffs and EV incentive rollbacks, we see several upcoming catalysts supporting sentiment: (i) mass production of the next-gen affordable model starting 2H25, (ii) potential monetisation of Full Self-Driving via OEM licensing, with one unnamed automaker currently exploring integration, (iii) full-scale Semitruck production by 2026, and (iv) broader Cybercab rollout across the Bay Area, Nevada, Arizona, and Florida. These developments could lend upside optionality to Tesla's current valuation.

Raised TP to USD450.00. To reflect the focus on growth initiative boost its medium-to-long-term outlook, we have rolled forward our valuation to FY26 earnings, using a target PE of 200x and arrive at a TP of USD450 (or 2.5SD above historical mean). Maintaining HOLD.

Risks

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

Analysts
Elizabelle Pang | groupresearch@dbs.com
Rachel Miu | groupresearch@dbs.com

Key Financial Data

Bloomberg Ticker	TSLA US
Sector	Consumer
	Discretionary
Share Price (USD)	416.85
DBS Rating	HOLD
12-mth Target Price (USD)	450.0
Market Cap (USDbn)	1,386.1
Volume (mn shares)	90.5
Free float (%)	84.6
Dividend yield (%)	-
Net Debt to Equity (%)	-31.1
Fwd. P/E (x)	239.0
P/Book (x)	17.4
ROE (%)	8.4

Closing Price as of 18 Sep 2025 Source: Bloomberg, DBS

Indexed Share Price vs Composite Index Performance



Source: Bloomberg



Financial Summary

FY Dec (USDmn)	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Sales	81,462	96,773	97,690	93,779	110,779
% y/y	51.4	18.8	0.9	(4.0)	18.1
Gross Profit	21,447	18,401	18,226	16,003	20,078
% y/y	52.9	(14.2)	(1.0)	(12.0)	25.3
EBITDA	18,963	15,370	14,443	11,544	15,524
% y/y	64.1	(18.9)	(6.0)	(17.7)	34.3
Net Profit	14,116	10,882	7,999	5,965	8,949
% y/y	84.8	(23.0)	(26.5)	(29.9)	51.0
FCF	7,566	4,358	3,581	2,289	4,246
% y/y	50.9	(42.4)	(17.8)	(36.2)	87.6
CAPEX	7,158	8,898	11,342	9,901	10,387
% y/y	10.4	24.3	27.4	(12.7)	4.8
EBITDA Margin (%)	23.3	15.9	14.8	12.2	13.8
Net Margin (%)	17.3	11.2	8.2	6.3	7.9
ROA (%)	19.6	11.5	7.0	4.7	6.5
ROE (%)	36.5	19.9	11.7	7.7	10.3
Tax Rate (%)	7.4	(15.5)	19.5	21.5	20.3
Source: Visible Alpha					

Valuation Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
P/E (x)	34.1	57.7	205.4	326.1	200.5
P/B (x)	9.6	13.8	19.4	18.1	16.4
EV/EBITDA (x)	19.7	50.0	88.0	111.6	85.2
FCF Yield (%)	1.8	0.5	0.3	0.2	0.3
Course: Visible Alpha					

Credit & Cashflow Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Debt / Equity	6.8	8.2	11.1	9.6	8.8
Net Debt / Equity	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Debt / Assets	3.8	4.9	6.7	5.9	5.6
Net Debt / Assets	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
EBITDA / Int Exp	92.1	98.5	41.3	31.2	41.6
ST Debt / Total Debt	0.5	0.5	0.3	0.3	0.3
Debt / EBITDA	0.2	0.3	0.6	0.7	0.5
[Cash + CFO] / ST Debt	24.6	17.8	21.2	22.6	25.0
Receivables Days	13.2	13.2	16.5	16.1	16.6
Days Payable	68.4	54.4	46.6	54.0	52.1
Inventory Days	57.5	51.4	44.9	54.5	52.7
Source: Visible Alpha					





#	Date of Report	Closing Price	12-m Target Prio	e Rating
1	15 Oct'24	219.57	230.00	HOLD
2	24 Oct'24	260.48	250.00	HOLD
3	02 Jan'25	403.84	400.00	HOLD
4	27 Feb'25	292.98	300.00	HOLD
5	07 Apr'25	239.43	275.00	HOLD
6	10 Jul'25	295.88	300.00	HOLD

Source: DBS Analysts: Elizabelle Pang Rachel Miu

DBS Group Research recommendations are based on an Absolute Total Return* Rating system, defined as follows:

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

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DBS REGIONAL RESEARCH OFFICES

HONG KONG DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam 13th Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong Tel: 852 3668 4181 Fax: 852 2521 1812 e-mail: dbsvhk@dbs.com

INDONESIA PT DBS Vickers Sekuritas (Indonesia)

Contact: William Simadiputra
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943

e-mail: indonesiaresearch@dbs.com

SINGAPORE DBS Bank Ltd

Contact: Andy Sim
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

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DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul 989 Siam Piwat Tower Building, 9th, 14th-15th Floor Rama 1 Road, Pathumwan, Bangkok Thailand 10330 Tel. 66 2 857 7831 Fax: 66 2 658 1269

e-mail: DBSVTresearch@dbs.com Company Regn. No 0105539127012

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