

Tesla Financial Performance Forecast and Analysis

Xing Bai^{1,a,*}

¹*School of Finance & Investment, Guangdong University of Finance, Guangzhou, 510521, China
a. 211511131@m.gduf.edu.cn*

**corresponding author*

Abstract: This paper will give an analysis of Tesla Inc through preparing and presenting its financial performance for the year 2024 to 2028 through the guise of discussing the business's innovation strategy and environment. Using data from Inside EVs, Tesla was found to dominate the current market share for EVs in the United States with an approximate market share of 55% while now beginning to feel the heat from new entrants as well as more traditional automakers. The sensitivity analysis takes into account important assumptions with regard to growth in revenues, employees' remuneration, COGS, and capital outlay. The key variables like market growth within new areas, progress in the area of autonomous vehicles, and change in incentive policies contribute a great deal to the financial performance of Tesla. However, due to higher costs of raw materials and changing regulations affecting the profit margin within the next five years, those projections are expected to be revised upward due to high car sales and subscription software services, which are expected to have a revenue growth rate of about 30% as of the financial year ending in 2028. The research also identifies opportunities and threats such as economic instability, supply chain risks, and increasing competition. In the long run, it will be the capacity of Tesla to overcome these challenges and seize opportunities for the constant development of the automotive industry.

Keywords: Tesla, Financial Analysis, Valuation.

1. Introduction

Tesla, Inc. is a pioneering force in the automotive industry, primarily focused on accelerating the world's transition to sustainable energy through innovative electric vehicles (EVs), solar products, and integrated renewable energy solutions. Founded in 2003 in California by Martin Eberhard and Marc Tarpenning, Tesla has positioned itself at the forefront of the EV market, leveraging advanced technology and design to redefine transportation.

In recent years, Tesla has commanded approximately 55% of the U.S. EV market, showcasing its dominant presence amidst growing competition. The company's revenue streams are diversified across electric vehicle sales, energy generation and storage products, and various services, resulting in significant profit margins. However, Tesla faces increasing pressure from both established automakers and emerging companies, particularly in China, where competition is intensifying rapidly.

In 2024, Tesla has been navigating a challenging landscape characterized by shifting consumer preferences and regulatory changes. Notably, the company announced its expansion plans into several international markets, aiming to enhance its manufacturing capabilities and meet the surging global demand for EVs. Additionally, Tesla has been investing heavily in research and development to

improve battery technology and autonomous driving features, which are critical for maintaining its competitive edge.

Moreover, Tesla's stock performance has reflected investor sentiment amid these market dynamics. Recent earnings reports indicate fluctuations in profit margins due to increased raw material costs and supply chain disruptions, challenges that have impacted the broader automotive sector. In response, Tesla continues to explore strategic partnerships and innovative solutions to mitigate these issues and sustain its growth trajectory.

2. Forecast Assumptions

The financial forecast for Tesla from 2024 to 2028 is based on several critical assumptions. These assumptions are derived from market trends, Tesla's historical performance, and strategic initiatives aimed at maintaining its competitive edge in the electric vehicle (EV) industry. By analyzing revenue growth, employee compensation, cost of goods sold (COGS), capital expenditures, and other key financial metrics, it provides a detailed projection of Tesla's financial trajectory over the next five years.

2.1. Revenue Growth

Tesla's revenue growth is expected to be influenced by several key factors over the next five years:

Market Expansion: Tesla plans to expand its presence in both developed and emerging markets, including India and Southeast Asia, where electric vehicle adoption remains low but has significant potential for growth. The increasing global demand for EVs, driven by government policies promoting clean energy, will contribute to Tesla's revenue growth. However, entry into new markets comes with its own challenges, such as infrastructure readiness and local competition. For instance, the lack of EV charging infrastructure in some regions may slow down Tesla's initial growth in these markets [1].

Autonomous Driving and Software Services: Tesla's continued investment in autonomous driving and software development is expected to yield high-margin revenue streams. The Full Self-Driving (FSD) feature, which Tesla offers as a subscription service, is likely to play a crucial role in driving future profitability. As Tesla refines its AI and autonomous driving capabilities, consumer adoption of these software services is projected to increase significantly from 2025 onward [2]. This shift towards a software-driven business model will help Tesla maintain a competitive edge in the automotive industry and generate recurring revenue.

Competition: While Tesla has been the dominant player in the U.S. EV market, its market share is expected to decline slightly in the coming years due to increased competition. Traditional automakers, such as General Motors and Volkswagen, are ramping up their EV production, while Chinese manufacturers like NIO and XPeng are aggressively expanding into global markets [3, 4]. The influx of new EV models at competitive price points will exert pressure on Tesla's revenue growth, particularly in price-sensitive regions.

Government Incentives and Policies: Government policies, particularly in North America and Europe, have played a critical role in accelerating EV adoption. However, as these subsidies are gradually phased out in key markets, Tesla's revenue growth may be impacted. The reduction in tax credits and other incentives for EV buyers in the U.S., for example, could slow demand in the short term. Nevertheless, regulatory measures aimed at reducing carbon emissions are likely to sustain the overall demand for EVs [5].

Given these factors, Tesla's revenue growth is expected to slow slightly between 2024 and 2025, with recovery anticipated in 2026 as new markets mature and software services contribute more

significantly to overall revenue. By 2028, Tesla is projected to achieve a revenue growth rate of approximately 30%, driven by increased vehicle sales and subscription-based software services [6].

2.2. Salaries and Benefits

Tesla's employee-related costs are anticipated to rise over the forecast period for several reasons:

Gigafactory Expansion: Tesla's global Gigafactory network expansion is a key factor in driving up salaries and benefits. The company is building new factories in the U.S., Europe, and China to meet the growing demand for EVs and energy storage products. As these factories become operational, Tesla will need to hire a significant number of employees, including manufacturing workers, engineers, and R&D staff [6]. This workforce expansion will contribute to higher salaries and benefits, with Tesla's total salary expenses expected to rise by approximately 22% to 25% over the next five years.

Performance-Based Incentives: Tesla has long used performance-based compensation, including stock options and cash bonuses, to attract and retain top talent in the highly competitive EV and tech industries [7]. As Tesla continues to expand and innovate, the use of these incentives will increase, pushing employee compensation costs upward. Additionally, as Tesla's stock price remains volatile, employees may expect larger incentive packages to offset potential market risks.

Regulatory Changes: Changes in labor laws, particularly in key markets like California and Europe, are expected to increase Tesla's compensation costs. For example, California's new regulations on employee benefits and minimum wages will likely raise labor costs in the state [8]. Similarly, Europe's Green Deal could impose additional regulatory burdens that require Tesla to offer more comprehensive employee benefits.

Given these dynamics, Tesla's total salary expenses are expected to exceed \$13 billion by 2028 [6].

2.3. Cost of Goods Sold (COGS)

Several factors are expected to impact Tesla's COGS over the forecast period:

Rising Raw Material Costs: The cost of raw materials, particularly lithium and nickel, is expected to rise over the next few years due to increased global demand for EV batteries. These materials are critical for Tesla's battery production, and securing long-term contracts will be essential to stabilize costs [1]. However, fluctuations in commodity prices could still impact Tesla's production costs, especially in the short term.

Supply Chain Disruptions: Global supply chain disruptions, such as the ongoing semiconductor shortage, have had a significant impact on the automotive industry, including Tesla [8]. While Tesla has made efforts to mitigate these risks by diversifying its supplier base and developing in-house components, the volatility in the supply chain is expected to continue affecting production costs. Transportation costs, driven by rising fuel prices and logistical challenges, are also expected to contribute to higher COGS.

Government Subsidies: Tesla has historically benefited from government subsidies, particularly in North America and Europe. However, as these subsidies are phased out, Tesla will face additional cost pressures. The reduction or elimination of EV subsidies in key markets, such as the U.S., will likely increase Tesla's production costs, as the company may need to absorb some of the cost increases to maintain competitive pricing [5].

Despite these challenges, Tesla is expected to improve production efficiency through continued investment in automation and Gigafactory expansion. As Tesla scales production and secures long-term supply contracts, COGS is projected to stabilize by 2026 [6].

2.4. Capital Expenditure

Tesla's capital expenditure (CapEx) is projected to remain high over the forecast period due to several key initiatives:

Gigafactory Construction: Tesla's aggressive expansion strategy includes the construction of new Gigafactories in the U.S., Europe, and Asia. These factories are essential for meeting the growing global demand for EVs and energy products. Tesla's CapEx is expected to peak between 2024 and 2026 as it invests heavily in new production facilities [6]. By increasing its production capacity, Tesla aims to reduce production costs and improve supply chain efficiency.

Battery Technology: Tesla's focus on manufacturing its own batteries is a critical component of its long-term strategy. By producing its own batteries, Tesla can reduce dependence on external suppliers and improve profitability. This initiative will require substantial investment in R&D and manufacturing capabilities, but it is expected to yield long-term benefits by lowering production costs and improving vehicle range and performance [2].

Autonomous Driving and AI: Tesla's continued investment in autonomous driving technology and AI will also drive CapEx. Developing the Full Self-Driving (FSD) feature requires significant R&D investment, and Tesla is expected to increase its spending in this area over the next five years. The successful commercialization of FSD will not only generate high-margin revenue but also strengthen Tesla's competitive position in the EV market [2].

Based on these assumptions, Tesla's CapEx is projected to reach \$10 billion in 2024 and 2025 before decreasing slightly as Tesla recovers from its initial investment phase. By 2028, Tesla's capital expenditure will stabilize, allowing it to maintain its growth trajectory while improving financial efficiency [6].

3. Forecast Results

Based on the assumptions discussed, Tesla's financial outlook from 2024 to 2028 reflects a period of both challenges and opportunities. The results highlight Tesla's projected revenue growth, operating expenses, and key financial metrics, providing a comprehensive picture of the company's performance trajectory.

Tesla's revenue is forecasted to grow steadily throughout the 2024-2028 period, but the pace of growth will vary. Between 2024 and 2025, revenue growth is expected to slow due to increased competition and the gradual reduction of government subsidies for electric vehicles (EVs). Tesla's reliance on traditional markets, such as North America and Europe, may limit growth in the short term as these regions approach market saturation [5].

However, starting in 2026, Tesla is expected to experience stronger revenue growth, driven by its expansion into emerging markets like Southeast Asia and India, where EV adoption remains low but has significant growth potential [1]. By leveraging its established brand and the introduction of new, more affordable models, Tesla can capture market share in these regions. Additionally, the continued development and commercialization of Tesla's autonomous driving software and Full Self-Driving (FSD) subscriptions will generate high-margin recurring revenue, further boosting overall sales.

By 2028, Tesla's annual revenue is projected to grow at a rate of approximately 30%, supported by increased vehicle sales, growth in emerging markets, and the expansion of software-based services [2]. The shift toward a software-driven business model is expected to significantly improve Tesla's profit margins, with subscription-based services providing a more consistent revenue stream.

Tesla's employee-related expenses, including salaries and benefits, will increase significantly over the forecast period. As Tesla continues to expand its Gigafactory network and scale its operations globally, the demand for skilled labor will rise, leading to higher compensation costs [6]. Additionally,

regulatory changes in key markets, particularly in the U.S. and Europe, will impose further upward pressure on labor costs.

Tesla's use of performance-based incentives, such as stock options and bonuses, will remain a key component of its compensation strategy [7]. While these incentives are effective for retaining top talent, they will significantly increase total employee compensation over the next five years. By 2028, Tesla's total salary expenses are expected to exceed \$13 billion, reflecting the growing scale of its workforce and the competitive nature of the EV and technology industries.

Tesla's COGS is projected to remain high throughout the forecast period due to rising raw material costs and continued supply chain disruptions. Lithium, nickel, and other key materials for battery production are expected to see price increases, putting pressure on Tesla's production costs [1]. Supply chain volatility, particularly in the semiconductor industry, will also impact COGS, though Tesla's investments in automation and production efficiency should help mitigate some of these cost increases.

By 2026, as Tesla expands its production capacity and secures long-term contracts with suppliers, COGS is expected to stabilize. The introduction of new production technologies and vertical integration into battery manufacturing will help Tesla reduce its dependence on external suppliers, lowering production costs in the long run [8].

Tesla's capital expenditure (CapEx) will peak between 2024 and 2026, driven by the construction of new Gigafactories and continued investment in research and development (R&D). Tesla's ambitious expansion plans, particularly in Asia and Europe, will require substantial upfront investment, but these projects are expected to yield long-term benefits in terms of increased production capacity and reduced operational costs [6].

After 2026, Tesla's CapEx is expected to decline slightly as its new facilities become operational and its R&D investments begin to pay off. By 2028, Tesla's CapEx will stabilize, allowing the company to focus on maintaining operational efficiency while continuing to innovate in areas such as autonomous driving and energy storage technologies [2].

4. Risks

Tesla's growth over the next five years is accompanied by several risks that could impact its financial performance. These risks stem from economic uncertainties, intensifying competition, supply chain challenges, and regulatory changes. Addressing these risks will be crucial for Tesla to maintain its leadership in the electric vehicle (EV) and renewable energy markets.

Global economic conditions present a significant risk to Tesla's future growth. Inflation, potential recessions, and rising interest rates could dampen consumer demand for electric vehicles, particularly in emerging markets. In regions like Southeast Asia and India, where Tesla is planning to expand, economic instability could delay EV adoption as consumers prioritize affordability over sustainability (Bloomberg Intelligence, 2023). Additionally, rising interest rates could increase Tesla's borrowing costs, making it more expensive to fund expansion projects, such as new Gigafactories, and invest in research and development (R&D) [6].

A potential global economic downturn could also impact Tesla's ability to generate consistent revenue from its software services, such as Full Self-Driving (FSD) subscriptions. In an economic crisis, consumers may be less willing to pay for premium features, which could reduce Tesla's high-margin software revenue [2].

The electric vehicle market is becoming increasingly competitive, with both established automakers and new entrants aggressively investing in EV technologies. Chinese manufacturers like NIO, XPeng, and BYD have gained significant market share in China and are expanding into Europe and other global markets [9]. Traditional automakers, such as General Motors, Ford, and Volkswagen,

are also transitioning to EV production at scale, leveraging their existing customer bases and manufacturing expertise to challenge Tesla's market dominance [10].

Tesla's response to these competitive pressures will be critical in maintaining its market position. Pricing competition may force Tesla to lower its prices, which could impact its margins. Moreover, competitors' focus on affordability, particularly in emerging markets, poses a risk to Tesla's ability to grow in these regions.

Supply chain disruptions remain a significant risk for Tesla, particularly in the semiconductor industry. Global shortages of semiconductors, combined with rising transportation costs and logistical challenges, could delay Tesla's production and increase its costs [8]. Although Tesla has taken steps to mitigate these risks by diversifying its supply base and investing in vertical integration, the volatility of global supply chains poses an ongoing challenge.

Regulatory changes, particularly in key markets like the United States and Europe, could impact Tesla's operations. Governments are increasingly implementing stricter emissions standards and labor regulations, which may increase Tesla's production costs [8]. For example, the European Union's Green Deal aims to make the region carbon-neutral by 2050, which will require automakers to invest heavily in sustainable production practices. Tesla's compliance with these regulations could lead to higher operating expenses [4].

Furthermore, changes in labor laws, such as rising minimum wage standards and stricter employee benefits regulations in states like California, will increase Tesla's labor costs [7]. These regulatory pressures may reduce Tesla's profit margins and complicate its expansion plans. In conclusion, Tesla is well-positioned to continue its growth trajectory over the next five years, thanks to its leadership in electric vehicle (EV) technology, its innovative approach to software and autonomous driving, and its aggressive expansion into new markets. The company's ability to capitalize on emerging trends, such as the shift towards software-driven revenue streams and the rising demand for sustainable energy solutions, will be key to its success. Tesla's investments in expanding its Gigafactory network and vertical integration in battery production are expected to improve operational efficiency and reduce long-term costs [6].

5. Conclusion

In conclusion, Tesla is well-positioned to continue its growth trajectory over the next five years, thanks to its leadership in electric vehicle (EV) technology, its innovative approach to software and autonomous driving, and its aggressive expansion into new markets. The company's ability to capitalize on emerging trends, such as the shift towards software-driven revenue streams and the rising demand for sustainable energy solutions, will be key to its success. Tesla's investments in expanding its Gigafactory network and vertical integration in battery production are expected to improve operational efficiency and reduce long-term costs.

However, Tesla also faces significant risks that could hinder its growth. Economic downturns, intensified competition, supply chain disruptions, and evolving regulatory requirements are all potential challenges that Tesla must navigate. The company's ability to adapt to these external pressures while maintaining its technological leadership will be critical in sustaining its competitive advantage.

Looking ahead, Tesla is expected to recover from short-term challenges, such as competition and market saturation, and achieve robust growth by 2028. By focusing on innovation and expanding into emerging markets, Tesla is poised to remain a dominant force in the EV industry, providing strong returns for its investors and continuing to drive the global transition to sustainable energy.

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