



# **TESLA** **STRATEGY**

**EXCEL CONSULTING**

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# OBJECTIVES



- To collaborate with Tesla to maintain and grow their position in their respective industries over the next 5 years.



- To identify potential problems areas to mitigate their negative effects on the company and ensure sustainability.



# MISSION STATEMENT

## Current

“To accelerate the world’s transition to sustainable energy.”

## Updated

“To provide eco-luxurious alternative transportation for everyone invested in the future.”

# VISION STATEMENT

## Current

“To create the most compelling car company of the 21st century by driving the world’s transition to electric vehicles.”

## Updated

“By 2030, the objective is to construct and deliver 20 million vehicles per year. To achieve this goal, we will make our products even more accessible and affordable to the average consumer.”

# STRENGTHS

01

## **Strong brand and Customer loyalty**

Tesla's impressive 74.7% brand loyalty rate underscores its dominant position in the automotive industry.

02

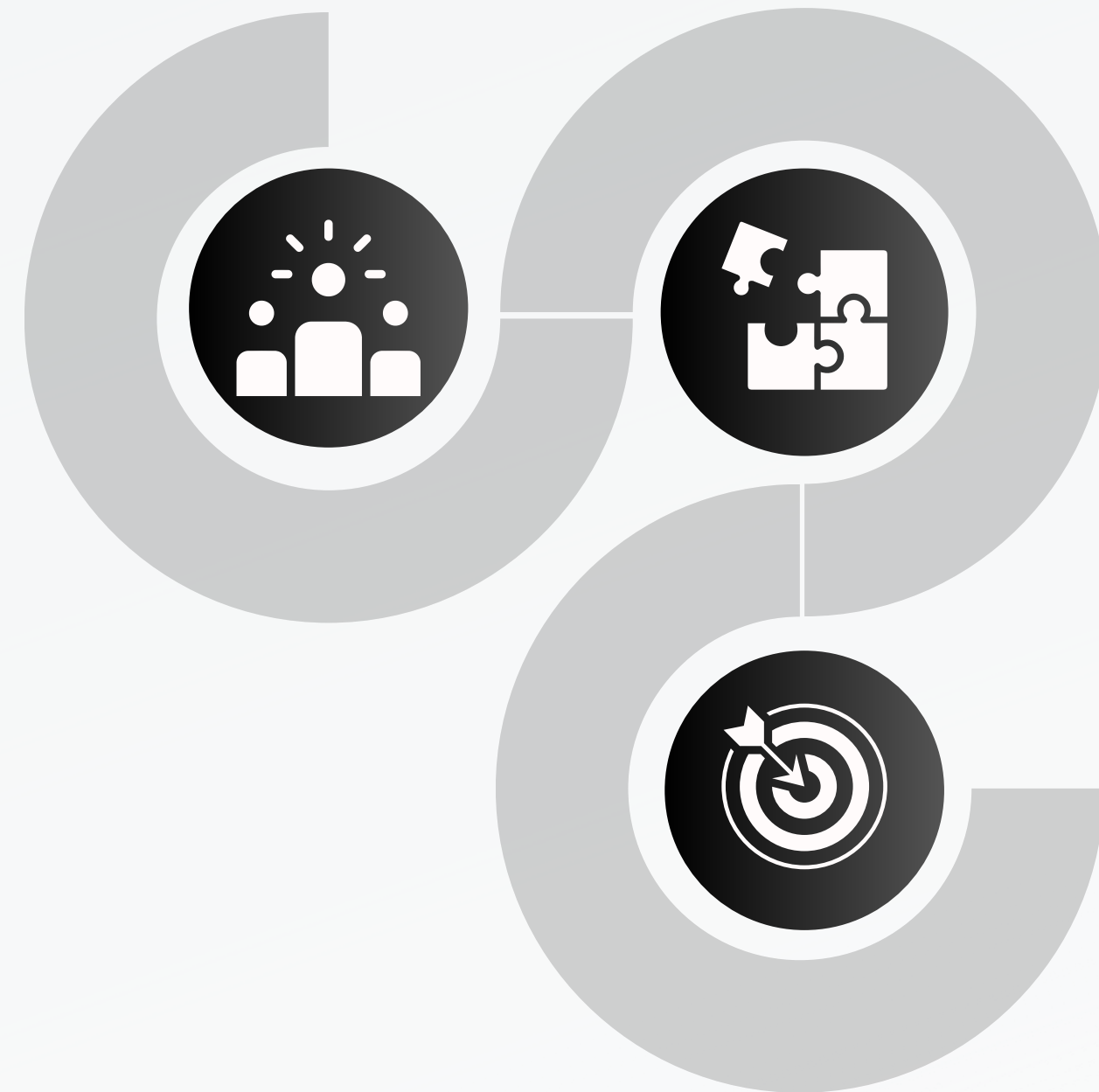
## **Fast Charging Infrastructure**

Tesla's extensive network of over 20,040 superchargers, including nearly 6,000 in California, demonstrates a strategic commitment to convenient and widespread fast-charging accessibility for Tesla owners across the United States.

03

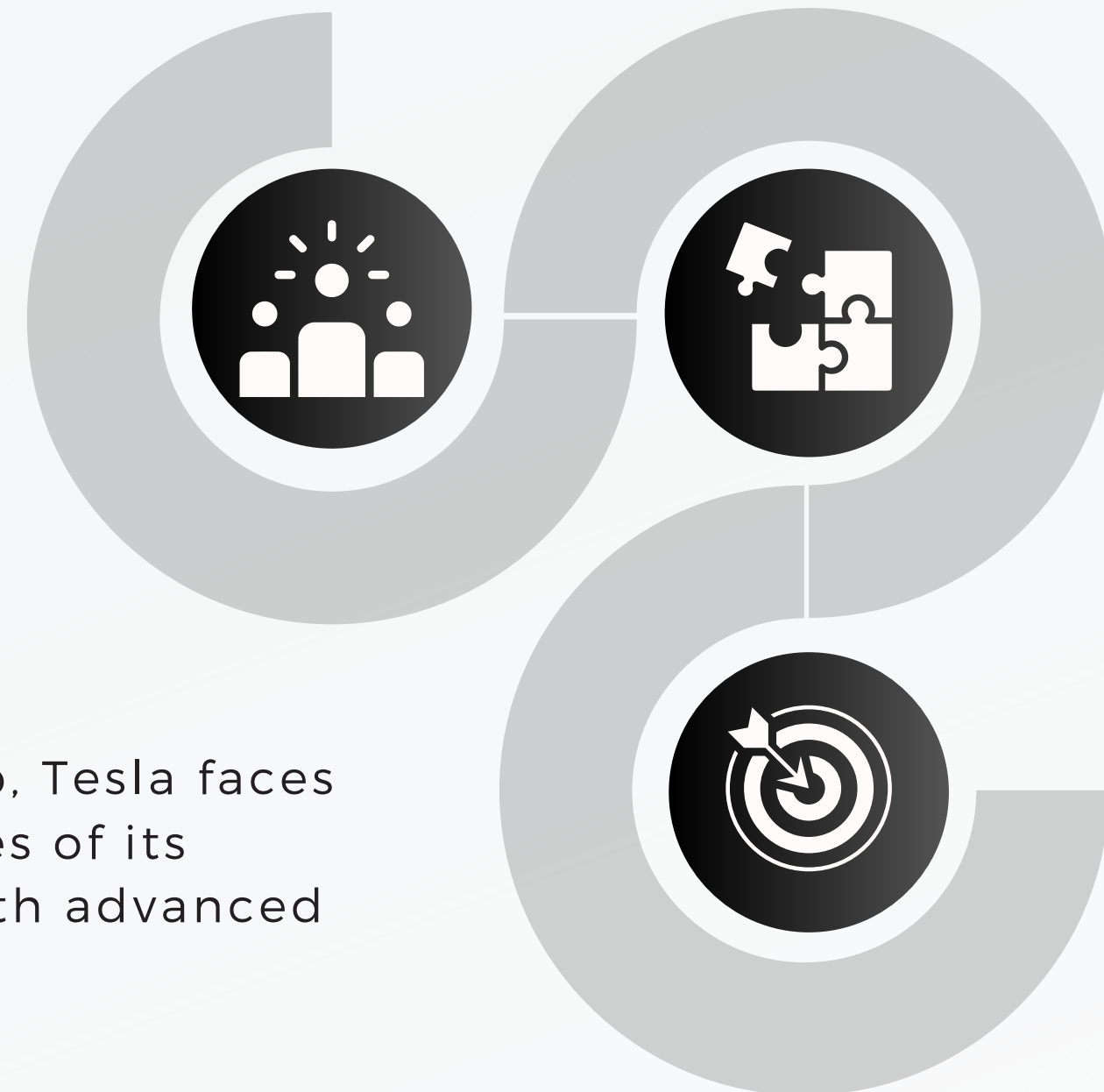
## **Federal Tax Incentives**

Tesla gains a competitive advantage with a potential \$7,500 tax credit on certain electric vehicle purchases, making its cars more affordable for consumers.



# WEAKNESSES

- 01 Manufacturing Issues:** The complex nature of mechanical issues and manufacturing hazards rises with their innovation requirements
- 02 Weak sense of communication and goal accomplishments:** It's a common observation that Tesla's ambition often leads to extremely aggressive timelines for new products and vehicle releases.
- 03 Low Production:** Despite its industry leadership, Tesla faces limitations in achieving high production volumes of its vehicles primarily due to the cost associated with advanced technology and innovation.



# WEAKNESSES

**04** **Battery shortage and other Battery issues:** It is well-documented that the low production levels are partly attributed to the limited availability of batteries.

**05** **The safety of the employees:** For several reasons, Tesla's worker safety has shortcomings. Its tremendous expansion and growth have occasionally surpassed the establishment of strong safety procedures,



# OPPORTUNITIES

**01**

## **Political / Legal**

- Forcing an industry shift
- Benefits early adopters
- Electric vehicle boom

**02**

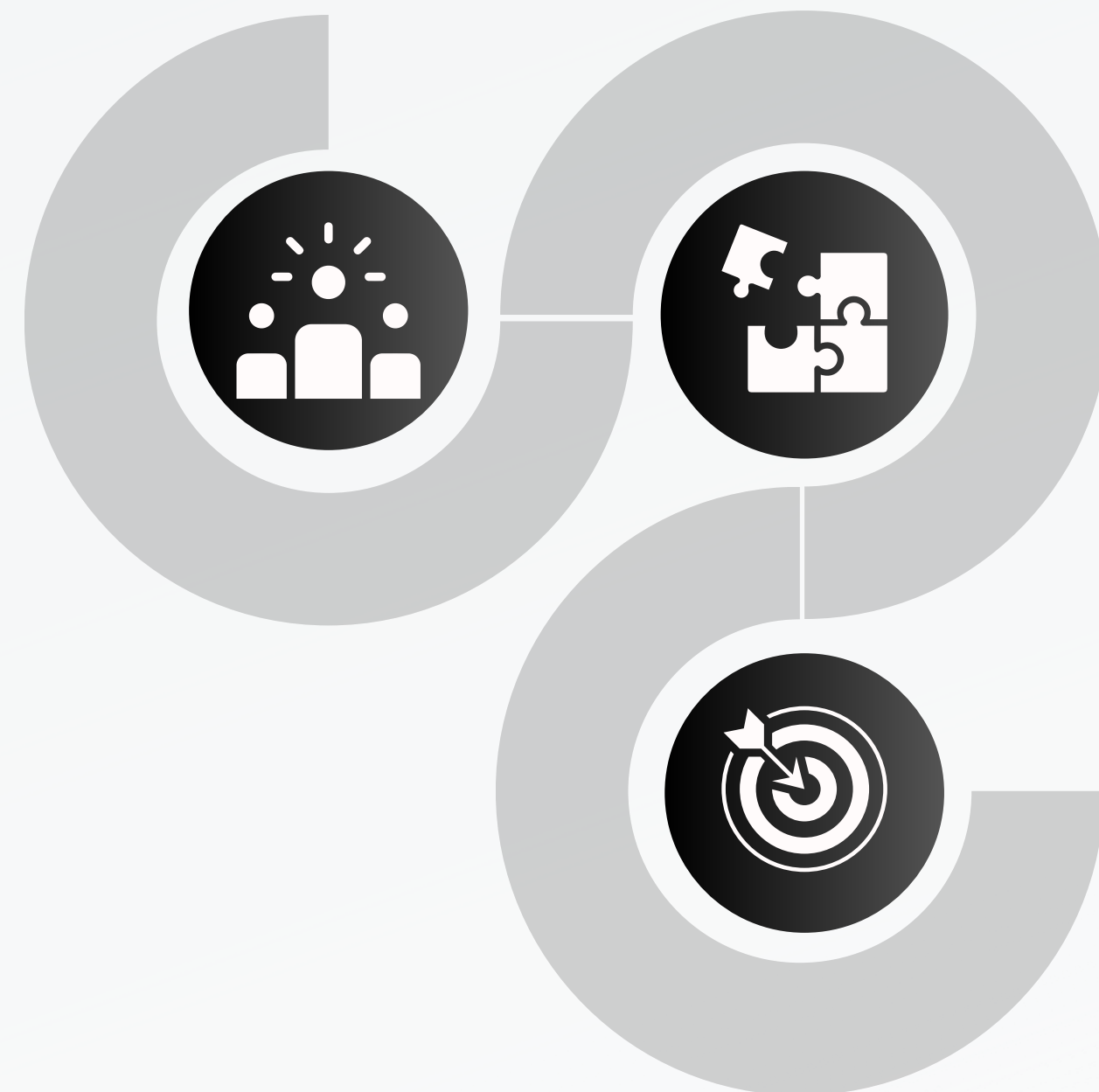
## **Technological**

- Constant increases year after year
- Consistent vehicle turnover
- Drives demand

**03**

## **Sociocultural**

- Tesla has a strong hold on popularity
- Trending toward electric vehicles
- Driving the political opportunity





# THREATS

**01**

## **Environmental**

- Lithium mining
- Sustainability
- Long-term impact

**02**

## **Economic**

- High interest rates
- High electricity prices
- Asset bubble

**03**

## **Political / Legal**

- Gasoline Taxes
- Compliance



# NEAR-TERM ACTION

## Charging Stations

More of them!



Charging station availability is a major concern for prospective buyers. Partnering with high-quality gas stations can alleviate these concerns.

## Communication

Transparency



After Cybertruck delays and changes, many consumers are left wondering how Tesla will perform in the future. Community support can help solve this.

## Off-Road Vehicles

Tesla-Branded



Diversify the company by providing Tesla technology to off-road companies. This is an industry with stability and high sociocultural benefits.



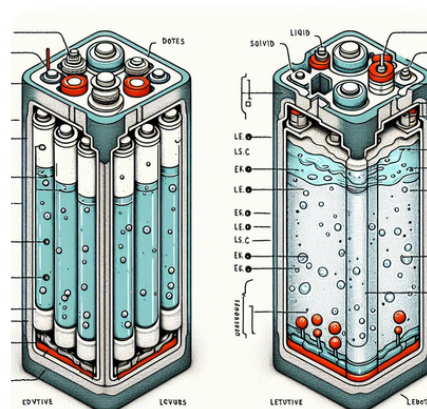
# LONG-TERM ACTION

## Charging Network On-the-grid



Electric vehicles are at a significant disadvantage when it comes to infrastructure support. Tesla can change that with a national charging grid.

## Batteries See Solid State



Tesla is lagging behind in battery technology. With environmental concerns with lithium, Tesla should look into new battery technology.

## Off-Road Vehicles Tesla-Made



Tesla manufactured utility vehicles. This would not only rapidly expand the size of the company, but it would help appeal to rural families who are hesitant to Tesla.



# FINANCIAL FORECAST

2024

Steady growth, with increased R&D in preparation for off-road vehicles.  
 Revenue Growth: 14%  
 Cost of Revenue: 17%  
 R&D Growth: 16%  
 SG&A Growth: 14%

2025

Continued increase in R&D.  
 Revenue Growth: 13%  
 Cost of Revenue: 13%  
 R&D Growth: 16%  
 SG&A Growth: 10%

2026

Projected release year of Tesla off-road vehicles.  
 Revenue Growth: 17%  
 Cost of Revenue: 15%  
 R&D Growth: -3%  
 SG&A Growth: 12%

2027

Still enjoyed increased revenues as numbers begin to plateau.  
 Revenue Growth: 14%  
 Cost of Revenue: 9%  
 R&D Growth: 6%  
 SG&A Growth: 7%

2028

Steady growth into the future.  
 Revenue Growth: 9%  
 Cost of Revenue: 8%  
 R&D Growth: 5%  
 SG&A Growth: 6%



Simplified Tesla Income Statement								Growth Rates Across Different Durations		% Growth or Decline Assumptions											
(\$M)	2016	2017	2018	2019	2020	2021	2022	2016-2022	2020-2022	2023 fore.	2024 fore.	2025 fore.	2026 fore.	2027 fore.	2028 fore.	2023	2024	2025	2026	2027	2028
Total Revenues	\$7,000	\$11,759	\$21,461	\$24,578	\$31,536	\$53,823	\$81,462	50.5%	60.7%	15.0%	14.0%	13.0%	17.0%	14.0%	9.0%	\$93,681	\$106,797	\$120,680	\$141,196	\$160,963	\$175,450
Total Cost of Revenues	(\$5,401)	(\$9,537)	(\$17,419)	(\$20,509)	(\$24,906)	(\$40,217)	(\$60,609)	49.6%	56.0%	21.0%	17.0%	13.0%	15.0%	9.0%	8.0%	(\$73,337)	(\$85,804)	(\$96,959)	(\$111,503)	(\$121,538)	(\$131,261)
Gross Profit	\$1,599	\$2,222	\$4,042	\$4,069	\$6,630	\$13,606	\$20,853	53.4%	53.3%							\$20,344	\$20,993	\$23,722	\$29,693	\$39,426	\$44,189
Gross Profit Margin	22.8%	18.9%	18.8%	16.6%	21.0%	25.3%	25.6%									21.7%	19.7%	19.7%	21.0%	24.5%	25.2%
R&D	(\$834)	(\$1,378)	(\$1,460)	(\$1,343)	(\$1,491)	(\$2,593)	(\$3,075)	24.3%	43.6%	18.0%	16.0%	16.0%	-3.0%	6.0%	5.0%	(\$3,629)	(\$4,209)	(\$4,883)	(\$4,736)	(\$5,020)	(\$5,271)
SG&A and Other	(\$1,432)	(\$2,476)	(\$2,970)	(\$2,795)	(\$3,145)	(\$4,490)	(\$4,122)	19.3%	14.5%	17.0%	14.0%	10.0%	12.0%	7.0%	6.0%	(\$4,823)	(\$5,498)	(\$6,048)	(\$6,773)	(\$7,248)	(\$7,682)
Operating Income	(\$667)	(\$1,632)	(\$388)	(\$69)	\$1,994	\$6,523	\$13,656			Put % in each of the yellow boxes (only yellow)						\$11,893	\$11,286	\$12,791	\$18,184	\$27,158	\$31,236
Operating Margin	-9.5%	-13.9%	-1.8%	-0.3%	6.3%	12.1%	16.8%									12.7%	10.6%	10.6%	12.9%	16.9%	17.8%
Interest Income & Other	\$120	(\$106)	\$46	\$89	(\$92)	\$191	\$254									\$200	\$200	\$200	\$200	\$200	\$200
Interest Expense	(\$199)	(\$471)	(\$663)	(\$685)	(\$748)	(\$371)	(\$191)	-0.7%	-49.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(\$191)	(\$191)	(\$191)	(\$191)	(\$191)	(\$191)
Income Before Taxes	(\$746)	(\$2,209)	(\$1,005)	(\$665)	\$1,154	\$6,343	\$13,719			Only change the Interest Expense % (blue cells above) if you are recommending the addition or subtraction of debt						\$11,902	\$11,295	\$12,800	\$18,193	\$27,167	\$31,245
Taxes	(\$27)	(\$31)	(\$58)	(\$110)	(\$292)	(\$699)	(\$1,132)									(\$1,428)	(\$1,355)	(\$1,536)	(\$2,183)	(\$3,260)	(\$3,749)
Net Income	(\$773)	(\$2,240)	(\$1,063)	(\$775)	\$862	\$5,644	\$12,587									\$10,474	\$9,939	\$11,264	\$16,010	\$23,907	\$27,495
Net Profit Margin	-11.0%	-19.0%	-5.0%	-3.2%	2.7%	10.5%	15.5%									11.2%	9.3%	9.3%	11.3%	14.9%	15.7%
<u>Sample of Annual Growth Rates</u>																					
Annual Growth of Revenues		68.0%	82.5%	14.5%	28.3%	70.7%	51.4%														
Annual Growth of Cost of Revenues		76.6%	82.6%	17.7%	21.4%	61.5%	50.7%														
Annual Growth of R&D		65.2%	6.0%	-8.0%	11.0%	73.9%	18.6%														
Annual Growth of SG&A		72.9%	20.0%	-5.9%	12.5%	42.8%	-8.2%														
<u>Sample of Item as % of Revenues</u>																					
Cost of Revenues	77.2%	81.1%	81.2%	83.4%	79.0%	74.7%	74.4%														
R&D	11.9%	11.7%	6.8%	5.5%	4.7%	4.8%	3.8%														
SG&A	20.5%	21.1%	13.8%	11.4%	10.0%	8.3%	5.1%														
Effective Tax Rate	-3.6%	-1.4%	-5.8%	-16.5%	25.3%	11.0%	8.3%	12.0%													

Source: Tesla Annual Reports for 2018, 2020, and 2022



**THANK YOU**

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