

Tesla – Financial Strategy Report

Posted on January 3, 2024

Being the CEO of Tesla, Inc., it is my honor to present detailed findings to the stakeholders, which would aid them in decision making; moreover, the potential investors would be able to invest in the growing organization with confidence. The clean energy and electric vehicle entity is facing many challenges besides ample growth opportunities. As mentioned in the previous report in detail, the management aims to expand the company's operations and intends to secure funding from a variety of sources to keep the cost of funds manageable. The top leadership of the entity is optimistic about the major offerings, including electric cars, solar panels, energy storage batteries (home to grid-scale), solar roof tiles, and other similar products and services. According to the information collected by the employees and marketing department, the demand for such products has increased in recent time, which has proved a good omen for Tesla, Inc. Besides, the board of directors aims to expand its market coverage by tapping new geographical areas because the management believes that there is ample room for penetration in new markets. The entity needs additional resources to take advantage of emerging opportunities; however, the top leadership would not let the cost of additional resources escalate to undesirable levels. It is envisioned that with the deployment of additional resources, the inventors of the organizations would be able to offer a plethora of cutting-edge products and innovative services, which would further boost the revenue and net profit. The management needs to constantly monitor the operating and business environment to capitalize on available opportunities and overcome various financial challenges; moreover, the administration would remain committed to enhance the shareholder's value.

A closely related analysis is available in [Tesla's Financial Analysis And Statement Preparation](#).

This report was originally prepared using Tesla's 2020 financial statements and market data available in June 2021. Its tables, valuation figures, forecasts and funding assumptions should be read as a historical 2020–2021 analysis. For current context, Tesla's Form 10-K for the year ended December 31, 2025 reports total revenue of \$94.827 billion.

“A brief explanation of a particular financial challenge that the company faces based on the first assessment.”

The company faces numerous financial challenges; however, the lack of resources to expand operations and development is the most notable challenge. The recent surge in market capitalization of the company proves that investors are optimistic about the company's future. According to the Harvard Business Review, at the start of the last year, Tesla's market capitalization reached \$107

billion and exceeded “Ford and GM combined” (Shipley, 2020). However, to meet the expectations of the customers and other stakeholders, the company needs additional sources. The increase in sales in the last year is a good omen. According to Tesla’s 2020 Form 10-K, annual revenue was \$31.536 billion, compared with \$24.578 billion in 2019 (please also see Annexure 1 for details) (Tesla-10k-2020, 2021). These figures form part of the article’s historical 2020 financial analysis and are not the company’s latest results. Tesla’s 2025 Form 10-K reports total revenue of \$94.827 billion. In this historical context, Table 1 shows the resource position reported for 2020 (please also see Annexure 2 for details).

	2020 (in millions of dollars)
Current portion of debt and finance leases	2,132
Debt and finance leases, net of current portion	9,556
Total stockholders’ equity	22,225
Total stockholders’ equity (in 2019)	6,618

Table 1-The composition of debt and equity of Tesla (Tesla-10k-2020, 2021)

The analysis of the financial position reveals that the last year proved good for the company in terms of the generation of resources; however, the company’s cost is also increasing, and to meet its business objectives, the current growth of sources is not enough. For example, one of the significant costs of the entity is research and development (R&D) because the management gives high significance to cutting-edge R&D to maintain the leading position of Tesla. As per policy, such costs are treated as expenses (Tesla-10k-2020, 2021, page 65). Prospective investors and debtors might be pleased to know that from 2019 to 2020, such costs increased by more than ten percent (Statista, 2021). It is projected that R&D would increase by another ten percent in the current year and would be 1640 million dollars. The historical trend of growth in R&D is clear from diagram 1.

Diagram 1- R&D cost has increased over the years (Statista, 2021).

Apart from the planned increase in R&D, Tesla needs to enter new markets with new innovative

products, which would require considerable resources. Unfortunately, the development of new stores and offices is highly capital intensive, and such endeavors cannot be undertaken in the current resources.

A business valuation.

There are various ways for the valuation of a business or entity. The first is based on market capitalization. According to Yahoo Finance, Tesla's market capitalization was reported as \$582.892 billion on June 15, 2021, at 12:13 p.m. EDT (Yahoo Finance, 2021). This is a historical valuation figure from the period covered by the report and should not be treated as the company's present market capitalization. At that time, the valuation could have been relevant to securing resources from investors and lenders. The second method is earning multiplier. In this method, net earnings per share are multiplied with a suitable multiplier. In the third, Discounted Cash Flow (DCF) Method, the projected cash flow is discounted to find the present value of a business. The projections about the company's cash flows are presented in Table 2 below (please also see Annexure 3 for details). From table 2, it is clear that the cash flow situation of the entity would significantly improve in the next three years.

	2020 (Actual) (in millions of dollars)	2021 (Forecasted) (in millions of dollars)	2022 (Forecasted) (in millions of dollars)	2023 (Forecasted) (in millions of dollars)
Total Cash Flows from Operating Activities	5,943	7,131	8,557	10,269
Total Cash Flows used in Investing Activities	(3,132)	(3,601)	(4,142)	(4,763)
Total Cash Flows from Financing Activities	9,973	10,471	10,995	11,544

Table 2-The actual and projected cash flow of Tesla

A brief overview of an appropriate strategy (a, b or

c).

The company has three options available for a possible selection. These options are summarized in the table 3.

Option Name	Details of the option
a Funding through investors	
b Improve the spending, equity, or ownership structure	
c Exit the business	

Table 3-The various options available to Tesla

In order to select the best option, it is critical to evaluate each one in the context of the entity's business and future goals. The option "a" refers to securing resources from investors. A low-interest-rate climate characterizes the country's current business and economic environment; moreover, the government is encouraging companies to expand so that the economy moves out from the negative impacts of the COVID-19 pandemic. According to a recent report by CNBC, the FED has decided to keep the interest rate near zero in the USA to stimulate the economy (Dickler, 2021). The company's management believes that it is the right time that Tesla avails the low-interest rate funding through financial institutions. The company might borrow around 3 billion US dollars for three to five years tenure. Apart from the external factors, the robust financial and operating position of Tesla supports this option "a" because the strong balance sheet would provide the required security to prospective lenders.

The second option available to the company is internal resources in the form of optimized spending and altered structure. This is not viable given the fact that resources requirement are huge, and equity investment might be costly as compared to the option "a" above. Moreover, the required funding cannot be generated due to the magnitude of resources required, as discussed in the previous section of this report. The company might retire the debt in few years; however, the burden of equity might be long-lasting; therefore, the management does not consider "b" a viable option.

The second option listed in table 3 is to exit the business. The company is on a growth trajectory. Its cash flow and revenue situation is projected to improve as discussed in the previous sections of this report; therefore, it is not advisable to sell the company at this stage. It is the time to reap the benefits of consistent hard work for many years. The brand value of the entity is firmly established now, and it is poised for growth, as evident from a rising share price of the company. On the 15th of

June 2021, the share price has touched 610 dollars (Yahoo Finance, 2021). If the majority owners want to take advantage of the higher share price, they might sell some of their stocks; however, they should not completely exit from the business or sell the company. This is not viable given the fact that an exit at this stage is not financially sound and prudent; therefore, the management does not consider “c” as a viable option.

Conclusion

Based on the information available when this report was prepared, the company experienced strong progress in 2020. The following conclusion reflects the historical 2020–2021 analysis rather than Tesla’s current financing position. At that time, the identified challenges included the need for resources to expand, innovate and grow. The company has three main options to overcome the lack of funds. The management has decided to opt for the first one, which is the option “a.” The top leadership is optimistic that low-cost borrowing might be the best option to achieve business goals in the low-interest rate scenario. After securing the loans, the entity would be investing significantly in expansion, research and development, and market penetration, bringing augmented revenue in the near future. The company takes this opportunity to thank all of its stakeholders and assures them of its continued support.

Reference List

Dickler, J. (2021). The Fed keeps rates near zero — here’s how you can benefit. [online] . Available at: <https://www.cnbc.com/2021/04/28/the-fed-keeps-rates-near-zero-heres-how-you-can-benefit.html> [Accessed 15 Jun. 2021].

Shipley, L. (2020). How Tesla Sets Itself Apart. [online]. Available at: <https://hbr.org/2020/02/how-tesla-sets-itself-apart>. [Accessed 15 Jun. 2021].

Statista (2021). *Tesla’s R&D costs 2010-2018 / Statistic*. [online] . Available at: <https://www.statista.com/statistics/314863/research-and-development-expenses-of-tesla/> [Accessed 15 Jun. 2021].

Tesla -10k-2020 (2021). *Tsla-10k_20201231.htm*. [online] www.sec.gov. Available at: https://www.sec.gov/Archives/edgar/data/1318605/000156459021004599/tsla-10k_20201231.htm#Consolidated_Statmnts_of_Cmprehnsve_Loss. [Accessed 15 Jun. 2021].

Yahoo Finance (2021). Tesla, Inc. (TSLA) Stock Price, Quote, History & News. [online] . Available at: <https://finance.yahoo.com/quote/TSLA/> [Accessed 15 Jun. 2021].

Tesla, Inc. (2026). *Form 10-K for the year ended December 31, 2025*. U.S. Securities and Exchange Commission.

<https://www.sec.gov/Archives/edgar/data/1318605/000162828026003952/tsla-20251231.htm>