

Tesla Inc

Takeaways from J.P. Morgan European Automotive Conference

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We and our EU JPM colleagues recently hosted TSLA Investor Relations (IR) representative, Abhinav Davuluri, for a virtual investor group meeting during the J.P. Morgan Annual European Auto Conference. Key takeaways from our discussions were:

- **Near-term update.** TSLA's sales momentum is accelerating into May across the board, with registration data pointing to robust trends in Europe (France +655% y/y, Norway +29% y/y, Denmark +136% y/y, Spain +113% y/y, Portugal +349% y/y, and Sweden +71% y/y) and China (+39% y/y), with initial channel checks in the US also indicating accelerating growth. TSLA views ongoing growth momentum supported by a mix of a strong order book exiting 1Q26, coupled with relatively easier prior-year comps when Elon Musk's political involvement hurt throughput. Notably, TSLA is starting to see strong demand trends emerging from the coincidence of: 1) a shrinking EV competitive set as legacy OEMs dial down EV lineups at the same time as TSLA is rolling out relatively less expensive variants in its lineup; 2) FSD awareness and growing consumer appetite for L2/L3+ solutions; and 3) a surge in gasoline prices globally, bolstering BEV cost advantages over ICEVs.
- **FSD is emerging as a visible demand lever, though adoption remains gated by country-level approvals.** Management noted that rising FSD awareness is driving TSLA consideration, with recent European approvals (Netherlands, Lithuania, Estonia) cited as partial demand catalysts. In Europe, FSD is only available in approved countries, and the system disables itself at border crossings. Several EU markets are looking to the Netherlands as a precedent, which could accelerate broader approval. In China, management clarified that only preliminary approval was received in 2025, with full approval still pending, refuting recent press reports.
- **Cybercab is progressing through early production and validation.** Management emphasized that Cybercab production is still ramping, with a focus on smoothing output and validating data collection from the new form factor and camera position layout. A clearer view on production and validation is expected by 2Q26 earnings, but 2026-end run-rate targets remain dependent on supplier ramp, with the slowest supplier setting the pace. Recapping rationale of Cybercab design and specifications, TSLA noted that the two-seat design is optimized for the ~80–90% of consumer miles traveled with 1–2 passengers, enabling a smaller battery, lower BOM, and a more cost efficient robotaxi fleet. Cybercab is positioned as the foundational element for TSLA's robotaxi fleet, with additional variants likely to be rolled out over time. TSLA

Underweight

TSLA, TSLA US
Price (01 Jun 26):\$415.88

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reiterated that manufacturing innovations, including elimination of the paint shop, steer-by-wire, and a reduced overall footprint, are key cost differentiators vs. peers that are reliant on third-party hardware. Regarding Cybercab deployment, TSLA highlighted that deployment will be US-first, with international rollouts dependent on FSD and robotaxi approvals. On certification, TSLA is using engineering vehicles with steering wheels and pedals to self-certify to FMVSS standards, and management highlighted a track record of exceeding safety requirements. Lastly, regarding cost, management benchmarks rideshare at \$2-3/mile, consumer vehicle ownership at \$0.75–0.80/mile, Model Y robotaxi at ~\$0.50/mile at scale, and targets Cybercab at \$0.30/mile, supported by higher utilization, longer useful life, and superior energy efficiency.

- **Optimus is still in the early innings and is viewed as a platform development exercise rather than a near-term cost unlock.** TSLA's focus is on scaling manufacturing, refining use cases, and improving training quality. Gen 2/2.5 did not meet the bar for scaled production or training feedback loops, prompting a redesign for Gen 3, which management believes has the right architecture and human-like degrees of freedom to leverage human data for training. Early units will be expensive, and production rate will be the best proxy for TSLA's success in identifying use cases, capture data, and drive training improvements as the program scales.
- **Distributed inference opportunity is being actively explored.** Management noted that even with Cybercab utilization at 50–60 hours per week, a significant amount of vehicle downtime remains, positioning the in-car AI4 chip and supporting infrastructure as a potentially powerful distributed compute resource over time, with Optimus and other vehicle fleets only likely to compound compute availability. While TSLA's chip is purpose-built for FSD workloads, the company has initiated exploring how AI4 and future silicon generations could be leveraged for broader AI applications beyond driving, with Digital Optimus already in early development as a preliminary use case within the broader distributed inference roadmap. Management emphasized, however, that this opportunity is still gated by TSLA's ability to enable third-party developers to access and utilize TSLA's hardware and compute stack.

