US AUTOS & INDUSTRIAL TECH

Tesla and Rivian 3Q26 vehicle deliveries takeaways

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Tesla and Rivian both reported 3Q26 deliveries on 10/2/26 before the market open.

Tesla's deliveries were about 487K (up 1% qoq and down 2% yoy), well above company-compiled consensus of 462K, Visible Alpha (VA)/FactSet consensus data in the range of about 455K-465K, and our 435K estimate.

The more cautious view on Tesla's 3Q deliveries from our note on 9/15/26 was incorrect. Based on registration data from the last two weeks of September, we think upside likely came primarily from Europe and the US compared to our forecast. On Europe, while data from the European countries that report daily results was down about ~25% yoy QTD as of mid September, those same countries ended up 3% yoy for the quarter overall implying a very strong quarterly close and that Europe overall was likely up for the quarter. Similarly, more recent US registration data and lead times suggest that the domestic market declined less than we had been anticipating. More generally, we believe higher gas prices, the Model Y L ramp, and FSD (especially for the US market) have been supporting Tesla. Our 4Q26 Tesla delivery estimate was above Visible Alpha consensus prior to the release, and we modestly raise our delivery estimates for 2026/27/28.

Separately, Energy storage deployments were 13.7 GWh in 3Q26, up 10% yoy, but below our estimate of 17.8 GWh and company-compiled consensus at 15.9 GWh.

Rivian reported 3Q26 deliveries of 19.2K (up 58% qoq and up 46% yoy), above both VA consensus at 18.0K and our 18.8K estimate.

For both companies as it relates to vehicle deliveries going forward, we believe key factors will include: 1) that extent that new model/variant launches will be a tailwind (e.g. Model Y L for Tesla which we believe will be rolled out in more geographies this year, and the R2 for Rivian), and; 2) if improving autonomy technology can help vehicle sales and profits.

Tesla

Tesla reported preliminary 3Q26 vehicle deliveries of about 487K (up 1% qoq and down 2% yoy), and production of about 464K (up 3% qoq and up 4% yoy). Model

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3/Y deliveries in the quarter were about 468K (up 2% qoq and down 1% yoy), and other model deliveries (e.g. S/X/Cybertruck) were about 8K (down 33% qoq and down 48% yoy). Recall Tesla ended production of the Model S/X in 2Q with a final limited edition run of both. Lease mix was 1% of deliveries in 3Q26 (vs. ~2% in 2Q26).

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The more cautious view on Tesla's 3Q deliveries from our note on 9/15/26 was incorrect. Based on registration data from the last two weeks of September, we think upside likely came primarily from Europe and the US compared to our forecast. On Europe, while data from the European countries that report daily results was down about ~25% yoy QTD as of mid September, those same countries ended up 3% yoy for the quarter overall implying a very strong quarterly close and that Europe overall was likely up for the quarter. Similarly, more recent US registration data and lead times suggest that the domestic market declined less than we had been anticipating. We currently assume deliveries were down yoy in China and the US, up yoy in Europe, and up significantly yoy in other markets (although more data in the coming weeks will help clarify the final regional results).

More generally, we believe higher gas prices, the Model Y L ramp, and FSD (especially for the US market) have been supporting Tesla.

Separately, Energy storage deployments were 13.7 GWh in 3Q26, up 10% yoy, but below our estimate of 17.8 GWh and company-compiled consensus at 15.9 GWh.

Implications and analysis

We believe deliveries are one of a handful of key drivers and focus areas for Tesla, with the automotive business accounting for about 70% of total revenue, and vehicles being a platform to sell services and software (e.g. FSD).

We expect key focus items for investors from here to be on the following topics:

1) Outlook for vehicle deliveries - We expect the extent the Model Y L (which began deliveries in the US in the quarter) is able to drive incremental demand will remain a focus point. We believe the percent of the market that the Y L can help to address will be larger in the US and to some extent in Europe than in China (see our note sizing the Y L TAM by region here). Tesla also hosted a launch event for its Semi Truck in the quarter, where it announced the start of high volume production at its Nevada facility (targeting 50K units/year over time), and noted the Semi Truck's potential to leverage FSD capabilities over time. We currently estimate that Tesla will deliver 125 Semis in 2026, and 7,500 in 2027.

Overall, our delivery estimates for 2026/27/28 are now 1.83 mn/1.92 mn/2.00 mn from 1.75 mn/1.91 mn/2.00 mn, reflecting the higher 3Q deliveries.

We also believe that the ability for autonomous technology to lead to b sales and profits as FSD performance improves, will be a key variable. T offers what we believe is the most comprehensive supervised ADAS pro the US with an ability to offer point-to-point navigation, with FSD v14 s miles between intervention.



2) Progress with FSD and robotaxis – We think one key area of focus for investors will remain on the progress of FSD. Recall that the current version of v14 has shown a material improvement in miles between critical intervention vs v13 based on crowdsourced data. Specifically, per crowdsourced data, v14.x can currently drive ~1,750-2,500 miles without a critical disengagement relative to ~400-500 miles for v13, though we acknowledge limitations may exist with this data, including controls on data collection and some disengagements not being classified by cause (e.g. lane issue, wrong speed, and other "non-critical" disengagements vs safety issues, obstacles, or other "critical" disengagements).

Additionally, recall that Tesla received approvals for FSD in some European countries, and the ability for Tesla to monetize FSD more fully in international regions could drive further software revenues over time.

We also believe investors will be looking for data on the performance and progress of Tesla's robotaxi service, including driverless commercial launches. Recall Tesla operates driverless robotaxi service in 6 cities (Austin, Dallas, Houston, Orlando, Miami, and Tampa), operates with a safety monitor in the Bay Area, and preparations are underway to launch in Phoenix and Las Vegas. Separately, the company recently launched its Cybercab vehicle, and is now offering robotaxi rides in the Cybercab in Austin. Per recent government filings, there are now 169 Cybercabs registered in Texas, out of 589 total registered Tesla vehicles (which we note may not all be operational, could include test vehicles, and some could be operated with a safety monitor).

We continue to believe that Cybercab will position Tesla well to operate with an attractive cost structure. If Tesla is able to meet its cost targets for Cybercab of $20K to $30K USD at scale, we estimate that it could equate to a $0.05 to $0.30 per mile cost benefit vs. competitor AVs assuming a $50K to $100K upfront cost (assuming no difference in miles over the useful life of the vehicle). Importantly, we think the key factor to monitor for Tesla's robotaxi business in the near to medium term is on the software side rather than vehicle cost, and specifically whether Tesla's more generalized approach to AI allows it to scale quickly (and potentially operate in a wider area than competitors). We believe this is a larger driver of the business economics (e.g. more revenue potential, and leveraging the cost structure over more miles).

Per recent data, miles between intervention for Tesla's unsupervised vehicles has average >80K in recent months, compared to Waymo at >175K (see our note linked here for details).

3) Automotive margins – We are now modeling the automotive non-GAAP gross margin ex. credits to be 16.3% in 3Q, up from our prior from 16.1% estimate, and compared to 15.4% in 3Q25 and 16.3% in 2Q26. The extent to which the company can offset cost/commodity headwinds and the impact of the end of production of Model S and X with operational efficiencies will be key drivers of automotive margins from here, in our opinion. Over time, higher FSD sales would be a tailwind for margins.

4) Growth and investments in other segments, including Energy and Optimus –

Tesla deployed 13.7 GWh of energy storage products in 3Q26 vs 3Q25 at 12.5 GWh and 2Q26 at 13.5 GWh. This was below our estimate of 17.8 GWh. Recall that Energy deployments can be lumpy, and the company has previously commented that it expects 2026 deployments to outpace 2025 on a full year basis. The extent to which Tesla is able

to continue to ramp its Shanghai Megafactory and its third Megafactory and Megablock production in Texas will also be important variables for Energy revenues over the medium term in our opinion. Finally, the company is also focused on expanding its solar business.

We now expect Energy deployments of 52.3/90.3/119.1 GWh in 2026/27/28, from 59.5/97.7/120.9 GWh prior, reflecting the 3Q deployments and our updated views on the pace of the capacity ramp.

On Optimus, Tesla highlighted on its 2Q26 call that the first-gen production lines are being installed for Optimus, with anticipated production in 2026. The company has discussed that it plans to utilize Optimus internally first and expects to start selling Optimus externally in 2027 with the company continuing to target 1 mn bots per year by the end of the decade. We would note that management reiterated that production will follow an S-curve with the initial production being low for a period of time. Tesla has also commented that early units will go to its academy for data collection and training.

As we highlighted in the recent deep dive report, Global Physical AI: Framing the Forward Progress of Humanoids (with a Studied Focus on the Logistics Landscape), we believe that Tesla is well positioned to address the humanoid market utilizing its experience in hardware (e.g. the silicon and compute), software (e.g. AI training, and an ability to train the robots in a factory), its ability to design power efficient full solutions, and its background in high-volume manufacturing. The ability for Tesla to scale Optimus for both internal use cases in the near term, and for external sales over the medium term, will likely be a key focus, and we currently expect external Optimus sales of ~100 units in 2027 and ~10K units in 2028.

5) Capital allocation – Tesla expects capex to be >$25 bn in 2026, and expects this to increase even further over the next two to three years as the company works to scale its robotaxi, AI, semiconductor and energy efforts. On the 1Q26 earnings call, management noted it expects free cash flow to be negative for the remainder of 2026 driven by the increased capex levels, and we model FCF of -$6.3 bn/-$7.7 bn in 2026/27. Tesla also recently entered into credit agreements for up to $30 bn per a filing to support its capital deployment plans, in line with prior management commentary.

Price target, estimate changes and valuation considerations

We adjust our 2026/27/28 EPS estimates including SBC to $0.82/$1.75/$2.45 from $0.79/$1.85/$2.45 prior, with 2026 higher on better vehicle deliveries and in turn higher automotive revenue, but 2027 lower driven by the Energy business.

Our 2026/27/28 non-GAAP EPS estimates (ex. SBC) are now $1.70/$2.55/$3.25.

We remain Neutral rated on the stock, and maintain our 12-month price target of $360, which is still based on 150X applied to our updated Q5-Q8E EPS estimate including SBC.

Key downside risks to our view relate to potentially larger vehicle price reductions than we expect, increased competition in EVs, a larger than expected tariff impact or negative effects from government policy changes more generally, slower EV demand, delays with products/capabilities such as FSD/4680, key person risk, the internal control environment, margins, and operational risks associated with Tesla's high degree of vertical integration. Upside risks include faster EV adoption and/or share gain by Tesla, a stronger macroeconomic environment for new vehicle sales more generally, earlier new

product launches than we expect, an earlier/larger impact from AI-enabled products (e.g., FSD, Optimus and robotaxis), and a smaller than expected tariff impact than we currently anticipate.

Rivian

Rivian reported 3Q26 deliveries of 19.2K (up 58% qoq and up 46% yoy), above both VA consensus at 18.0K and GSe at 18.8K. Rivian produced 19.8K vehicles (up 57% qoq and up 84% yoy). The company noted that production and delivery results for the quarter were in line with their outlook, and reiterated 2026 delivery guidance of 65K to 70K vehicles, which compares to Visible Alpha consensus at 66.7K and GS at 67.3K at the midpoint.

We believe the R2 ramp will be the main focus over the near to medium term for investors, and the company suggested at our Communacopia + Technology conference that the supply chain is a key factor for how fast volumes ramp in the near-term. We believe R2 demand will also remain a debate (see our note linked here sizing the R2 TAM by region), and Rivian's ability to execute on its autonomy roadmap (including its Gen 3 platform on the R2 later this year, and target for eyes-off, hands-off driving in 2027). Longer term, we also believe that the joint venture with Volkswagen and the robotaxi partnership with Uber are important variables, as they provide an avenue to better monetize the R2 vehicle platform and Rivian's autonomous software technology.

We maintain our 2026/27/28 delivery estimates of 67K/139K/200K. We maintain our 2026/27/28 EPS estimates including SBC at -$2.93/-$2.60/-$2.20. Our 2026/27/28 EPS estimates (ex. SBC) are now -$2.28/-$1.99/-$1.60.

We lower our 12-month price target to $16 from $18, which is based on 1.75X (from 2X prior given the change in multiples for early stage companies) applied to our updated Q5-Q8E revenue estimate. We are Neutral rated on the stock. Key upside/downside risks to our view relate to EV adoption/volumes, tariffs, margins and the competitive landscape, Rivian's high degree of vertical integration, cash burn, and the supply chain.