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## Tesla Inc | North America

# 3Q Preview: Turning More Constructive as Robotaxi Gains Traction

Resilient auto demand and an accelerating Cybercab rollout drive our constructive view into earnings. Valuation remains demanding, but we believe the catalyst path has improved following a successful Cybercab launch.

## Key Takeaways

- Robotaxi scaling remains the key catalyst, with greater Austin density making commercialization tangible. Utilization, safety and unit economics are next tests.
- Auto demand remains resilient despite tough comps, with higher gas prices and FSD improvements as tailwinds. Broader FSD approval could support demand/ margins.
- We remain more measured on Optimus, with commercialization timelines and scalability still uncertain.
- Energy remains an underappreciated business, with integrated storage, solar, and compute driving Tesla as an integrated distributed compute and power provider.
- Elevated capex keeps returns in focus; improving execution supports our constructive view, though cash burn and valuation temper near-term upside.

**We are turning more constructive on Tesla heading into 3Q earnings.** Following the September Cybercab launch, Tesla has scaled to more than 300 Cybercabs serving Austin - an eightfold increase in 30 days - and surpassed 1 million cumulative unsupervised robotaxi miles, up from approximately 380,000 at 2Q earnings. This represents meaningful progress toward the in-city density needed to make robotaxi a more useful, scalable commercial offering. Combined with a second consecutive quarter of meaningful automotive delivery upside, execution is beginning to provide greater support for the longer-term thesis.

**Robotaxi density remains the critical first step in supporting elevated spend.** As we have written previously, we see improving in-city density as a key catalyst for the stock this year. With Tesla expecting capex to exceed $25 billion in 2026, the market increasingly needs evidence that growing capex and opex can translate into commercially scaled Physical AI (Robotaxi, FSD, Optimus). Fleet growth alone does not establish attractive unit economics or demonstrate safety at scale, but it makes the path to monetization more tangible. While management has indicated Dallas is next for Cybercab expansion, we believe increasing density and utilization within existing markets provides more useful evidence of execution than geographic expansion alone. **Into earnings, we are focused on fleet size, weekly paid and unsupervised miles, utilization, safety and unit economics.**

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**Tesla Inc (TSLA.O, TSLA US)**

**Autos & Shared Mobility | United States of America**

| | |
|---|---|
| **Stock Rating** | **Equal-weight** |
| **Industry View** | **In-Line** |
| **Price target** | **$400.00** |
| Shr price, close (Oct 15, 2026) | $362.44 |
| Mkt cap, curr (mm) | $1,283,038 |
| 52-Week Range | $498.83-297.38 |

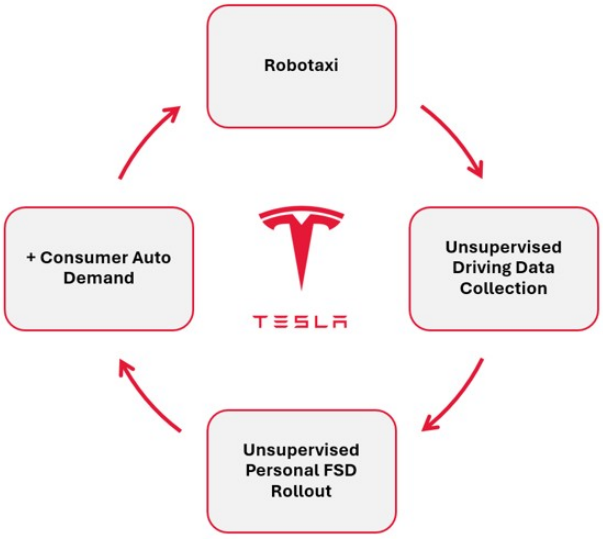
| Fiscal Year Ending | 12/25 | 12/26e | 12/27e | 12/28e |
|---|---|---|---|---|
| EPS ($)** | 1.67 | 1.73 | 2.00 | 2.56 |
| Prior EPS ($)** | - | - | - | - |
| ModelWare EPS ($) | 1.07 | 0.73 | 0.69 | 1.25 |

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
e = Morgan Stanley Research estimates

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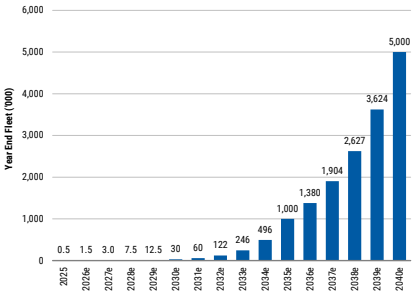
**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.**

**Exhibit 1:** Tesla Robotaxi Flywheel



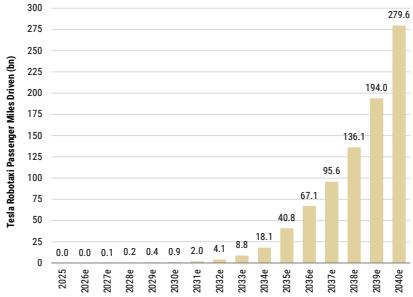

Source: Morgan Stanley Research

**Exhibit 2:** TSLA Robotaxi Fleet Size ('000)




Source: Morgan Stanley Research estimates

**Exhibit 3:** TSLA Robotaxi Passenger Miles (bn)




Source: Morgan Stanley Research estimates

**The core automotive business is performing materially better than expected, even against a difficult comparison.** Tesla delivered 486,532 vehicles in 3Q, approximately 5% above company-compiled consensus and 10% above our estimate, following an approximately 18% consensus beat in 2Q. Deliveries declined just 2% year over year despite lapping the record 497k vehicles delivered in 3Q25, which benefited from demand pull-forward ahead of the US EV tax-credit expiration. We forecast 3Q automotive gross margin excluding ZEV credits of 16.4%, slightly below consensus of 16.7%; for 2026, our estimate is 17.1% versus consensus of 17.2%.

**Higher fuel prices are providing a helpful tailwind, but improving FSD capabilities is a more important source of demand.** At gasoline prices at $4.50/gallon, we estimate EV fuel costs are approximately 60% below those of an internal-combustion vehicle, equivalent to roughly $1,200 in annual fuel savings under our assumptions. That does not eliminate the broader affordability challenge: after incorporating other ownership costs, we still estimate EV total cost of ownership at a 10-15% premium to ICE. Nevertheless, higher gasoline prices improve the relative economics of EV ownership and are likely contributing to recent demand strength. Meanwhile, Tesla's reported 55% North American FSD attach rate

in 2Q suggests autonomy is becoming a more meaningful part of the vehicle purchase decision.

**Exhibit 4:** EV Fuel Cost Savings

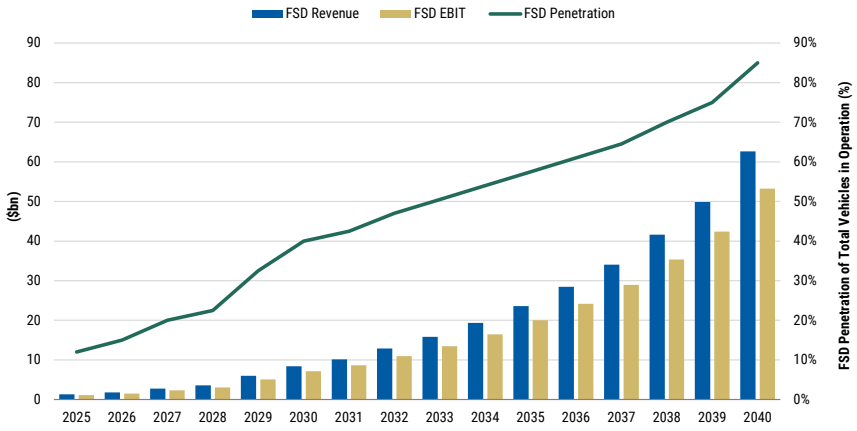
| Electricity price ($/kWh) | Gas Price ($/gallon) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | $3.90 | $4.05 | $4.20 | **$4.35** | **$4.50** | **$4.65** | $4.80 | $4.95 | $5.10 | $5.25 |
| $0.14 | 67.7% | 68.9% | 70.0% | 71.0% | 72.0% | 72.9% | 73.8% | 74.5% | 75.3% | 76.0% |
| $0.16 | 63.1% | 64.4% | 65.7% | 66.9% | 68.0% | 69.0% | 70.0% | 70.9% | 71.8% | 72.6% |
| $0.18 | 58.5% | 60.0% | 61.4% | 62.8% | 64.0% | 65.2% | 66.3% | 67.3% | 68.2% | 69.1% |
| **$0.20** | 53.8% | 55.6% | 57.1% | **58.6%** | **60.0%** | **61.3%** | 62.5% | 63.6% | 64.7% | 65.7% |
| $0.22 | 49.2% | 51.1% | 52.9% | 54.5% | 56.0% | 57.4% | 58.8% | 60.0% | 61.2% | 62.3% |
| $0.24 | 44.6% | 46.7% | 48.6% | 50.3% | 52.0% | 53.5% | 55.0% | 56.4% | 57.6% | 58.9% |
| $0.26 | 40.0% | 42.2% | 44.3% | 46.2% | 48.0% | 49.7% | 51.3% | 52.7% | 54.1% | 55.4% |
| $0.28 | 35.4% | 37.8% | 40.0% | 42.1% | 44.0% | 45.8% | 47.5% | 49.1% | 50.6% | 52.0% |
| $0.30 | 30.8% | 33.3% | 35.7% | 37.9% | 40.0% | 41.9% | 43.8% | 45.5% | 47.1% | 48.6% |
| $0.32 | 26.2% | 28.9% | 31.4% | 33.8% | 36.0% | 38.1% | 40.0% | 41.8% | 43.5% | 45.1% |

Electricity prices will inflate at a lag to higher gas prices

Source: Morgan Stanley Research estimates

**Broader FSD capability and regulatory approval could strengthen both vehicle demand and margins.** Progress on v15, the timing of personal unsupervised FSD and regulatory approvals in Europe and China are therefore important potential drivers of higher penetration. Broader European approval could still strengthen Tesla's product differentiation and expand the addressable market for FSD adoption.

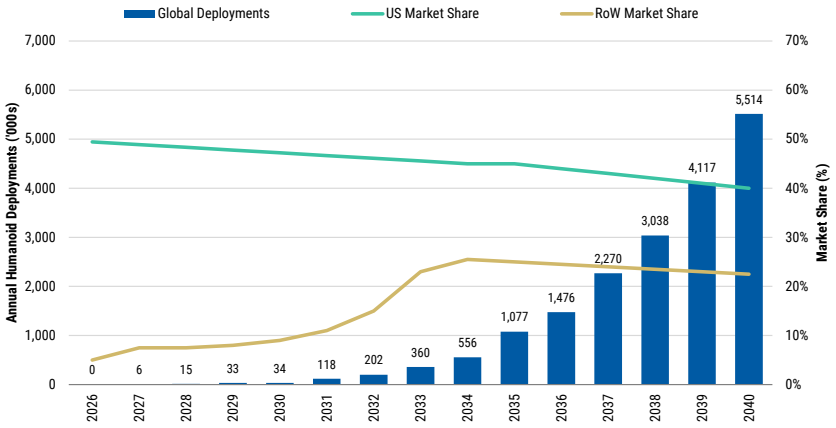
**Exhibit 5:** FSD Penetration




Source: Morgan Stanley Research estimates

**Optimus is the other major proof point in determining whether Tesla's capex cycle can generate sufficient returns.** At 2Q earnings, Tesla said first-generation Optimus production lines were being installed ahead of production in 2026, while acknowledging that new supply-chain requirements, dexterity and generalized task capability could constrain the initial ramp. Into 3Q earnings, we are looking for updates on the Gen 3 design, supply-chain readiness, production cadence and early internal applications. Robotaxi remains the nearer-term validation point for Tesla's broader Physical AI strategy, but greater confidence in Optimus will require evidence of both product capability and manufacturing readiness.

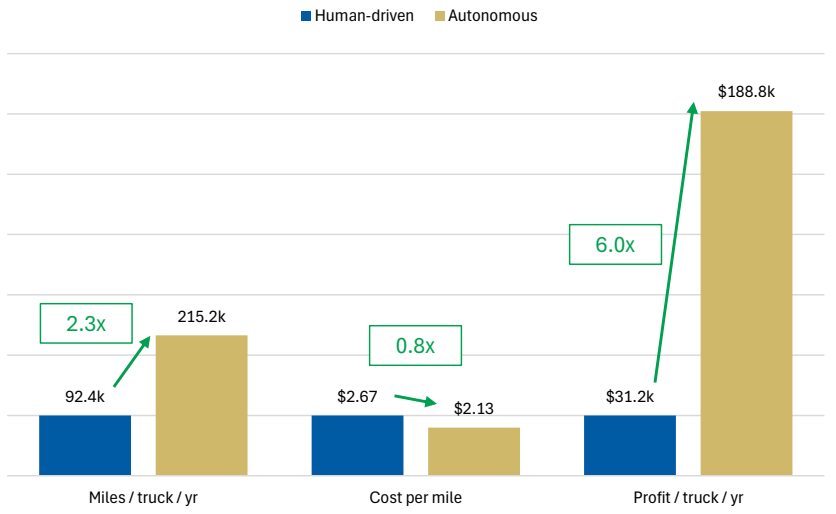
**Exhibit 6:** Optimus Deployments




Source: Morgan Stanley Research estimates

**Tesla Semi remains an underappreciated opportunity, particularly when viewed through the lens of autonomy.** The unveiling of Tesla's Nevada Semi facility and the expected near-term introduction of supervised FSD provide more concrete milestones to monitor. Electrification offers potential fuel and maintenance savings, but the longer-term opportunity is to combine those advantages with lower driver-related costs and higher asset utilization. We built a proprietary analysis on autonomous electric truck economics in conjunction with our freight transportation team's recent deep dive. We estimate 2.3x utilization, 20% lower costs, and 6x higher profit per truck in moving to autonomous. Our framework illustrates why trucking could be a compelling commercial application of Tesla's autonomy technology. We expect Semi's potential contribution to the broader business to receive increasing attention from investors and management.

**Exhibit 7:** Compelling Unit Economics in Switching to Autonomous



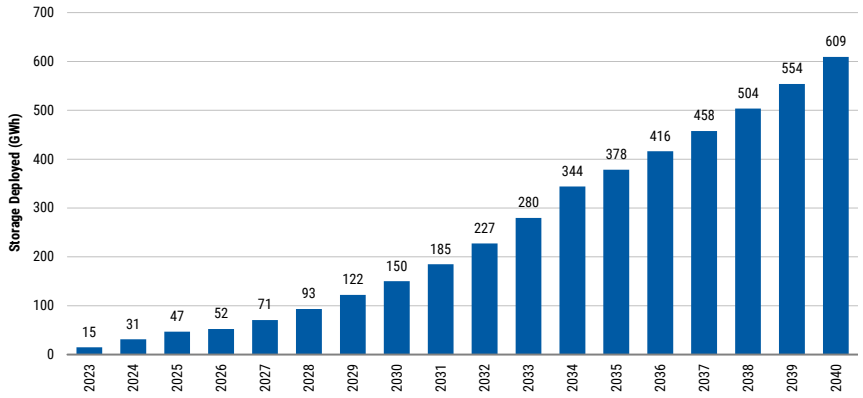

Source: Morgan Stanley Research

**Energy deserves a larger place in the discussion, with storage providing the operating foundation for a broader power opportunity.** Following 13.7 GWh of deployments in 3Q, we forecast 2026 storage deployments of 55.2 GWh versus

consensus of 56.6 GWh. Our 3Q and full-year Energy gross-margin estimates are 26.5% and 27.3%, respectively, versus consensus of 25.7% and 27.1%. We continue to view quarterly deployments as inherently lumpy, with backlog, capacity growth and margins more informative than any single-quarter result. Beyond storage, Tesla's expansion in solar manufacturing broadens its opportunity, while growing power requirements from AI infrastructure create additional potential applications for its energy products. We believe the combination of generation, storage and power-management capabilities could make Energy an increasingly important contributor over time.

**Megapod is an early but noteworthy extension of our distributed compute and power theme.** Tesla's intent-to-use trademark filing describes modular AI computing systems integrating compute hardware, power distribution and cooling. We see the concept as a potential bridge between Tesla's power infrastructure capabilities and the growing need to deploy compute closer to available electricity. *For more on the distributed power opportunity and implications for AI infrastructure, see our recent deep dive: Autos & Shared Mobility / Utilities & Clean Tech / Energy / Industrials: Living on the Edge: The Rise of Distributed Power (6 Oct 2026)*

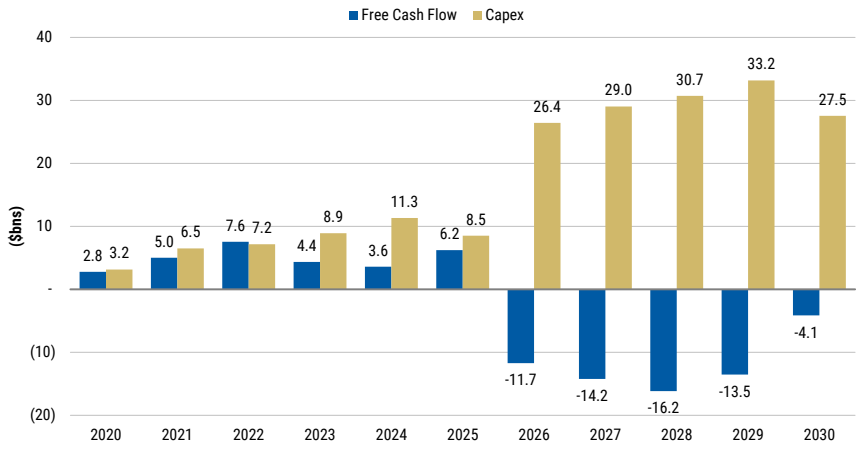
**Exhibit 8:** ESS Deployments




Source: Morgan Stanley Research estimates

**The duration of the capex cycle remains a key area of debate.** We estimate $26.4 billion of capex and $11.8 billion of free-cash-flow burn in 2026, with our capex forecast consistent with Tesla's guidance of more than $25 billion. Management expects spending to increase over the next two to three years across Robotaxi, Optimus, semiconductor manufacturing, solar and AI compute. TeraFab adds another potential long-term opportunity, but also raises questions around timing, initial capacity and the allocation of funding between Tesla and SpaceX (covered by Adam Jonas). Into earnings, we are looking for greater clarity on how long the current investment cycle extends, how spending is sequenced and which commercial milestones will validate returns. Stronger automotive demand is helpful, but the central debate remains whether Robotaxi and Optimus can progress quickly enough to justify the scale and duration of the AI investment cycle.

**Exhibit 9:** Capital Expenditures and FCF




Source: Morgan Stanley Research estimates

**Where we stand vs. consensus ( Exhibit 10 ):**

**Exhibit 10:** MSe vs Consensus

| | 3Q26 | | | 2026 | | |
|---|---|---|---|---|---|---|
| | MSe | Cons | % Diff | MSe | Cons | % Diff |
| **Auto Deliveries** | **486,532** | **486,532** | **0.0%** | **1,735,829** | **1,780,524** | **-2.5%** |
| Model 3/Y | 478,237 | 478,237 | 0.0% | 1,694,477 | 1,744,311 | -2.9% |
| Other | 8,295 | 8,295 | 0.0% | 41,352 | 47,094 | -12.2% |
| **Storage Deployed (GWh)** | **13.7** | **13.7** | **0.0%** | **52.3** | **51.5** | **1.5%** |
| **Revenue** | **28,239** | **27,731** | **1.8%** | **104,155** | **106,683** | **-2.4%** |
| **Auto Gross Profit** | **3,746** | **3,494** | **7.2%** | **13,861** | **13,739** | **0.9%** |
| *% Margin (excl. Credits)* | *16.4%* | *16.7%* | | *17.1%* | *17.2%* | |
| *% Margin (incl. Credits)* | *18.0%* | *17.7%* | | *18.5%* | *18.2%* | |
| **Energy Gross Profit** | **959** | **1,006** | **-4.6%** | **3,658** | **3,789** | **-3.5%** |
| *% Margin* | *26.5%* | *25.7%* | | *27.3%* | *27.1%* | |
| **Services & Other Gross Profit** | **425** | **470** | **-9.7%** | **1,843** | **1,918** | **-3.9%** |
| *% Margin* | *11.3%* | *10.5%* | | *11.6%* | *11.1%* | |
| **Total Gross Profit** | **5,129** | **4,961** | **3.4%** | **19,362** | **19,711** | **-1.8%** |
| *% Margin* | *18.2%* | *17.9%* | | *18.6%* | *18.5%* | |
| **Adj. EBITDA** | **3,896** | **3,671** | **6.1%** | **15,305** | **13,766** | **11.2%** |
| *% Margin* | *13.8%* | *13.2%* | | *14.7%* | *12.9%* | |
| **EPS** | **$0.54** | **$0.43** | **25.8%** | **$1.73** | **$1.65** | **5.2%** |
| **FCF** | **(4,483)** | **(5,083)** | **11.8%** | **(11,728)** | **(9,717)** | **-20.7%** |

Source: FactSet, Visible Alpha, Morgan Stanley Research estimates

**Valuation remains demanding, but we believe we are past peak negativity.** A demanding valuation and near-term cash-flow pressure continue to limit our conviction in significant immediate upside. Our more constructive stance is not predicated on those constraints abating. Rather, robotaxi scaling and stronger automotive volumes are beginning to provide the evidence needed to support greater confidence in the long-term thesis. The next step is to demonstrate that greater deployment translates into useful utilization, sustainable economics and a clearer path to returns. Execution is gaining traction, even if valuation still demands discipline.

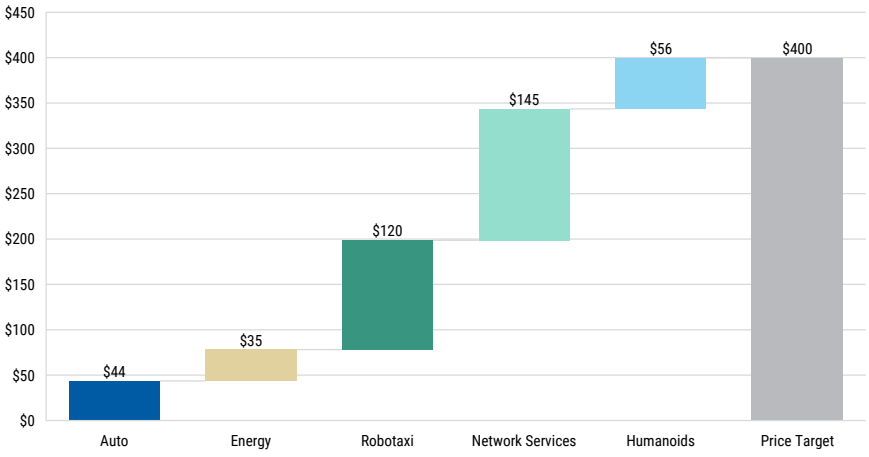
**Changes to estimates and valuation:** We raise our 3Q26 revenue estimate by 5% to $28.2bn and adj. EBITDA by 9% to $3.9bn, reflecting stronger auto deliveries and

revenue, partially offset by lower Energy estimates following the weaker 3Q storage deployment print. For 2026, revenue increases 1% to $104.2bn, while adj. EBITDA remains broadly unchanged at $15.3bn and adj. EPS increases 2% to $1.73. Our Base Case PT remains $400, with Auto moving to $44/share from $45 and Network Services to $145 from $144, while Energy, Robotaxi and Humanoids remain unchanged at $35 / $120 / $56 per share.

**Changes to Valuation**

- **Our Base Case PT of $400.** Comprised of five components: (1) Auto at $44/share, assuming ~8.5mn units in 2040, an 8.2% exit EBIT margin (ex-FSD), 10.9% WACC and 10x 2040 exit EBITDA multiple; (2) Network Services at $145/share, assuming an 80% attach rate at $240/month ARPU by 2040; (3) Tesla Mobility at $120/share on DCF with ~5mn cars at ~$1.33/mile by 2040; (4) Energy at $35/share, assuming a 16% 15-year revenue CAGR and 17% terminal EBIT margin; and (5) Humanoids at $56/share (50% probability discount).
- **Our Bull Case PT of $835.** Comprised of five components: (1) Auto at $83/share, assuming ~12.5mn units in 2040 and a ~13.5% EBIT margin (ex-FSD); (2) Network Services at $281/share, assuming a 90% attach rate at ~$250/month ARPU by 2040 on the LV fleet plus Semi technology licensing; (3) Tesla Mobility at $201/share, assuming an 8.5mn vehicle fleet and 30% EBITDA margin in 2040; (4) Energy at $72/share, assuming a 21% 15-year revenue CAGR and 21% terminal EBIT margin; and (5) Humanoids at $199/share (0% probability discount).
- **Our Bear Case PT of $129.** Comprised of five components: (1) Auto at $23/share, assuming ~6.0mn units in 2040 and a 3.6% EBIT margin (ex-FSD); (2) Network Services at $52/share, assuming a 60% attach rate at $200/month ARPU by 2040; (3) Tesla Mobility at $39/share, assuming a 2mn vehicle fleet and ~40% EBITDA margin in 2040; (4) Energy at $14/share, assuming ~15% 15-year revenue CAGR and 13% terminal EBIT margin; and (5) Humanoids at $0/share.

**Exhibit 11:** Tesla SOTP




Source: Morgan Stanley Research estimates

## Exhibit 12: Changes to Estimates

| Income Statement ($MM) | 3Q26e New | 3Q26e Old | 3Q26e Δ | 2026e New | 2026e Old | 2026e Δ | 2027e New | 2027e Old | 2027e Δ |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Auto | 20,863 | 18,966 | 10.0% | 74,890 | 72,149 | 3.8% | 79,613 | 78,496 | 1.4% |
| Energy + Services and Other | 7,376 | 8,018 | -8.0% | 29,265 | 30,621 | -4.4% | 38,233 | 40,572 | -5.8% |
| ZEV Credit | 389 | 353 | 10.2% | 1,244 | 1,192 | 4.4% | 1,131 | 1,113 | 1.6% |
| **Total Revenue** | **28,239** | **26,984** | **4.7%** | **104,155** | **102,770** | **1.3%** | **117,846** | **119,068** | **-1.0%** |
| **COGS** | | | | | | | | | |
| Auto | 17,117 | 15,591 | 9.8% | 61,029 | 58,645 | 4.1% | 64,785 | 63,847 | 1.5% |
| Energy + Services and Other | 5,993 | 6,568 | -8.7% | 23,764 | 24,970 | -4.8% | 31,892 | 33,740 | -5.5% |
| **Gross Profit** | | | | | | | | | |
| Auto Gross Profit | 3,746 | 3,375 | 11.0% | 13,861 | 13,504 | 2.6% | 14,828 | 14,650 | 1.2% |
| % Gross Margin | 18.0% | 17.8% | 0.2% | 18.5% | 18.7% | -0.2% | 18.6% | 18.7% | 0.0% |
| % Gross Margin (ex. ZEV) | 16.4% | 16.2% | 0.2% | 17.1% | 17.4% | -0.2% | 17.5% | 17.5% | 0.0% |
| Energy + Services and Other Gross Profit | 1,384 | 1,451 | -4.6% | 5,501 | 5,651 | -2.7% | 6,341 | 6,832 | -7.2% |
| % Gross Margin | 18.8% | 18.1% | 0.7% | 18.8% | 18.5% | 0.3% | 16.6% | 16.8% | -0.3% |
| **Total Gross Profit** | **5,129** | **4,825** | **6.3%** | **19,362** | **19,155** | **1.1%** | **21,169** | **21,481** | **-1.5%** |
| % Gross Margin | 18.2% | 17.9% | 0.3% | 18.6% | 18.6% | 0.0% | 18.0% | 18.0% | -0.1% |
| R&D | 2,486 | 2,486 | 0.0% | 9,344 | 9,344 | 0.0% | 10,371 | 10,278 | 0.9% |
| % of Sales | 8.8% | 9.2% | -0.4% | 9.0% | 9.1% | -0.1% | 8.8% | 8.6% | 0.2% |
| SG&A | 2,118 | 2,024 | 4.7% | 7,956 | 7,852 | 1.3% | 8,249 | 8,335 | -1.0% |
| % of Sales | 7.5% | 7.5% | 0.0% | 7.6% | 7.6% | 0.0% | 7.0% | 7.0% | 0.0% |
| RX | 0 | 0 | 0.0% | 0 | 0 | 0.0% | 0 | 0 | 0.0% |
| **Operating Income** | **526** | **316** | **66.4%** | **2,062** | **1,960** | **5.2%** | **2,548** | **2,869** | **-11.2%** |
| % Margin | 1.9% | 1.2% | 0.7% | 2.0% | 1.9% | 0.1% | 2.2% | 2.4% | -0.2% |
| **Adjusted EBITDA** | **3,896** | **3,585** | **8.7%** | **15,305** | **15,084** | **1.5%** | **15,347** | **15,717** | **-2.4%** |
| % Margin | 13.8% | 13.3% | 0.5% | 14.7% | 14.7% | 0.0% | 13.0% | 13.2% | -0.2% |
| SBC | 1,266 | 1,240 | 2.1% | 4,702 | 4,673 | 0.6% | 4,655 | 4,653 | 0.0% |
| Interest Expense | (336) | (336) | 0.0% | (1,311) | (1,304) | -0.5% | (849) | (826) | -2.8% |
| Other expense / (income), net | 0 | 0 | NA | 55 | 55 | 0.0% | 0 | 0 | NA |
| **Pre-Tax Earnings** | **861** | **651** | 32.2% | **3,428** | **3,319** | 3.3% | **3,397** | **3,694** | -8.0% |
| Income Tax | 218 | 163 | 33.4% | 800 | 772 | 3.7% | 871 | 948 | -8.2% |
| % Tax Rate | 25.3% | 25.0% | 0.2% | 23.3% | 23.2% | 0.1% | 25.6% | 25.7% | 0.0% |
| Net loss contributable to NCI | (12) | (12) | 0.0% | (52) | (52) | 0.0% | (55) | (55) | 0.0% |
| **Net Income** | **631** | **476** | 32.6% | **2,576** | **2,496** | 3.2% | **2,472** | **2,692** | -8.2% |
| **GAAP Diluted EPS** | **$0.18** | **$0.13** | **32.6%** | **$0.73** | **$0.71** | **3.2%** | **$0.69** | **$0.76** | **-8.2%** |
| **Non-GAAP Diluted EPS** | **$0.54** | **$0.49** | **10.6%** | **$1.73** | **$1.70** | **1.8%** | **$2.00** | **$2.07** | **-3.0%** |
| Diluted Common Shares Outstanding | 3,531 | 3,531 | 0.0% | 3,531 | 3,531 | 0.0% | 3,556 | 3,556 | 0.0% |
| Free Cash Flow | (4,483) | (5,141) | 12.8% | (11,728) | (12,427) | 5.6% | (14,236) | (13,958) | -2.0% |
| Capital Expenditures | 7,500 | 7,500 | 0.0% | 26,416 | 26,805 | -1.5% | 29,034 | 29,378 | -1.2% |

Source: Morgan Stanley Research estimates

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## AlphaSignals Earnings Preview

| Focus KPI | Focus KPI Surprise | Likely impact to consensus EPS* |
|---|---|---|
| **Tesla Inc** TSLA.O | | |
| Auto Gross Margin ex credits | ↑ Likely upside surprise | ↑ Modest revision higher |

*Likely impact to consensus EPS is for the next 12 months
Source: Company data, Morgan Stanley Research

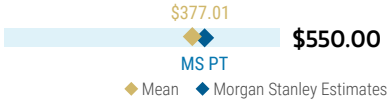
# Risk Reward – Tesla Inc (TSLA.O)

AI Optionality Offset by Near-Term Auto Headwinds, Full Valuation

## PRICE TARGET $400.00

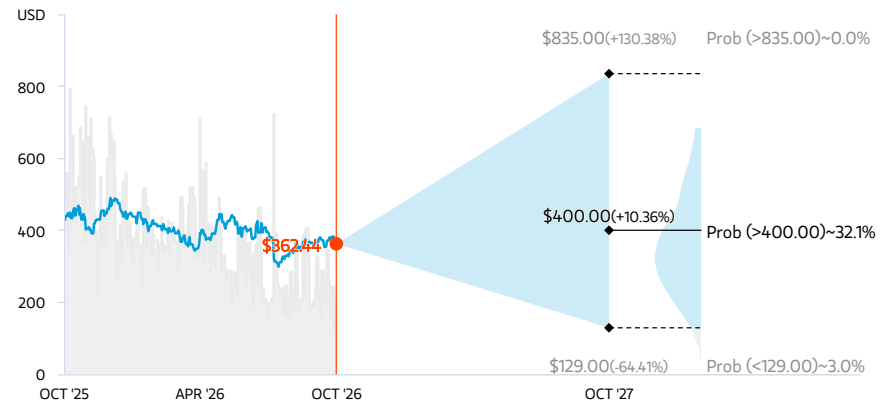
Our PT of $400 is comprised of 5 components: (1) $44/share for core Tesla Auto business on ~8.5mm units in 2040, 8.2% exit EBIT margin (ex-FSD), 10.9% WACC, and 10x 2040 exit EBITDA multiple. (2) Network Services at $145/share, 80% attach rate at $240/month ARPU by 2040 (3) Tesla Mobility at $120/share on DCF with ~5mn cars at ~$1.33/mile by 2040. (4) Energy at $35/share, and (5) Humanoids at $56/share (50% probability discount).

**Consensus Price Target Distribution**




Source: Refinitiv, Morgan Stanley Research

## RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



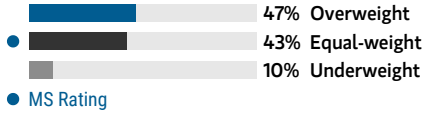

Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 15 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

## EQUAL-WEIGHT THESIS

- **Leader in Physical AI.** Tesla under Elon Musk's leadership is poised to be a market leader across autonomous mobility, renewable energy, and robotics.
- **Network Services the Crown Jewel.** We believe TSLA can leverage its EV cost leadership to expand user base and generate a higher % of revenue from recurring/high-margin software & services.
- **AI optionality offset by cautious EV outlook and balanced Risk Reward skew near-term.** We include Autos, Network Services, Energy, Mobility, and Optimus in our $400 PT, with Bear Case $129, Bull Case $835.

**Consensus Rating Distribution**




Source: Refinitiv, Morgan Stanley Research

**Risk Reward Themes**

| | |
|---|---|
| Disruption: | *Positive* |
| Secular Growth: | *Positive* |
| Electric Vehicles: | *Positive* |

View descriptions of Risk Rewards Themes here

## BULL CASE $835.00

**~78x 2030e EV/EBITDA**

For core auto, we assume TSLA is able to deliver ~12.5mm units by 2040 with ~13.5% EBIT margin (ex-FSD), implying ~$83/share. TSLA Network Services valued at $281/share, on 90% attach rate at ~$250 Monthly ARPU by 2040 on LV fleet plus Semi tech licensing. We value TSLA Mobility at $201/share with 8.5mn fleet and 30% EBITDA margin in 2040. For Energy, $72/share (21% 15yr rev CAGR and 21% terminal EBIT margin). Tesla Humanoids at $199/share (0% probability discount).

## BASE CASE $400.00

**~54x 2030e EV/EBITDA**

Our PT of $400 is comprised of 5 components: (1) $44/share for core Tesla Auto business on ~8.5mm units in 2040, 8.2% exit EBIT margin (ex-FSD), 10.9% WACC, and 10x 2040 exit EBITDA multiple. (2) Network Services at $145/share, 80% attach rate at $240/month ARPU by 2040 (3) Tesla Mobility at $120/share on DCF with ~5mn cars at ~$1.33/mile by 2040. (4) Energy at $35/share (16% 15yr rev CAGR and 17% terminal EBIT margin), and (5) Humanoids at $56/share (50% probability discount).

## BEAR CASE $129.00

**~26x 2030e EV/EBITDA**

Our $129 bear case ascribes $23/share for automotive which assumes ~6.0mn units by 2040 at a 3.6% EBIT margin (ex-FSD). Tesla Network Services at $52/share (60% attach rate at $200 Monthly ARPU by 2040). Other value is ascribed to Tesla Mobility at $39/share on a 2mn car fleet and ~40% EBITDA margin by 2040, and Tesla Energy at $14/share (~15% 15 yr rev CAGR and 13% terminal EBIT margin). Humanoids at $0/share.

# Risk Reward – Tesla Inc (TSLA.O)

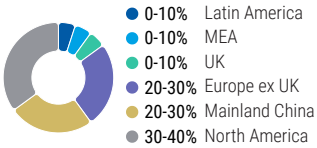
## KEY EARNINGS INPUTS

| Drivers | Dec 2025 | Dec 2026e | Dec 2027e | Dec 2028e |
|---|---|---|---|---|
| Total Deliveries (000s) | 1,636 | 1,736 | 1,884 | 2,171 |
| Total Revenue ($, mm) | 94,827 | 104,155 | 117,846 | 141,585 |
| Auto Gross Margin (%) | 17.8 | 18.5 | 18.6 | 18.6 |
| Free Cash Flow ($, mm) | 6,220 | (11,728) | (14,236) | (16,157) |
| Net Debt (Cash) ($, mm) | (35,683) | (22,102) | (7,829) | 8,365 |

## INVESTMENT DRIVERS

- Robotaxi city launches
- Advancements in FSD
- New Model announcements
- Emerging Competition (from traditional OEMs, startups, & large tech firms)

## GLOBAL REVENUE EXPOSURE




Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

## MS ALPHA MODELS

| | | | |
|---|---|---|---|
| 5/5 BEST | 24 Month Horizon | 5/5 MOST | 3 Month Horizon |

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

## RISKS TO PT/RATING

**RISKS TO UPSIDE**

- Increased FSD attach rate / unsupervised FSD
- Cost milestones on new battery
- New model intro (Roadster, multivan)
- Robotaxi rollout
- Optimus announcement

**RISKS TO DOWNSIDE**

- Competition: legacy OEMs/Chinese players/big tech in Autos and Robotics
- Execution risk across robotaxi/FSD/humanoid
- Regulatory
- China risk
- Dilution
- Valuation

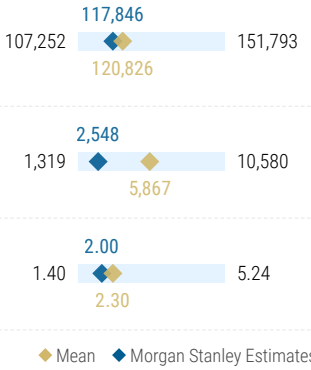
## OWNERSHIP POSITIONING

| | |
|---|---|
| **Inst. Owners, % Active** | 44.3% |
| **HF Sector Long/Short Ratio** | 1.8x |
| **HF Sector Net Exposure** | 11.3% |

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

## MS ESTIMATES VS. CONSENSUS

*FY Dec 2027e*




Source: Refinitiv, Morgan Stanley Research

# Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of September 30, 2026)

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| | Coverage Universe | | Investment Banking Clients (IBC) | | | Other Material Investment Services Clients (MISC) | |
|---|---|---|---|---|---|---|---|
| Stock Rating Category | Count | % of Total | Count | % of Total IBC | % of Rating Category | Count | % of Total Other MISC |
| Overweight/Buy | 1599 | 43% | 455 | 48% | 28% | 783 | 44% |
| Equal-weight/Hold | 1563 | 42% | 394 | 42% | 25% | 763 | 43% |
| Not-Rated/Hold | 2 | 0% | 1 | 0% | 50% | 1 | 0% |
| Underweight/Sell | 570 | 15% | 96 | 10% | 17% | 227 | 13% |
| Total | 3,734 | | 946 | | | 1774 | |

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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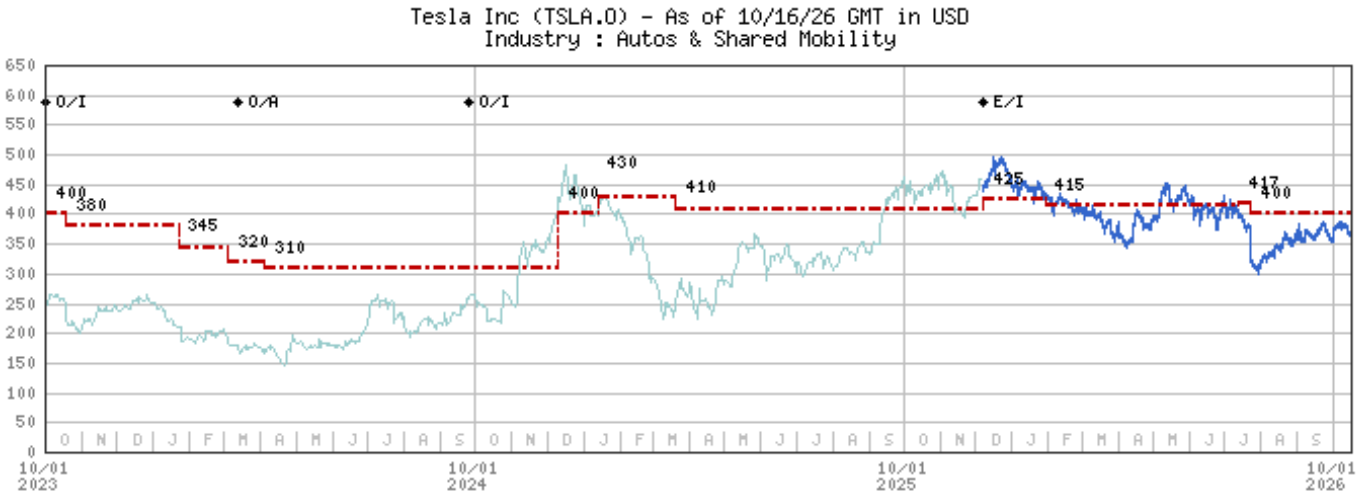
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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## Stock Price, Price Target and Rating History (See Rating Definitions)




Stock Rating History: 10/1/21 : O/I; 6/22/23 : E/I; 9/10/23 : O/I; 3/13/24 : O/A; 9/25/24 : O/I; 12/7/25 : E/I

Price Target History: 4/22/21 : 300; 10/24/21 : 400; 1/10/22 : 433.33; 6/22/22 : 400; 7/14/22 : 383.33; 8/25/22 : 383; 10/10/22 : 350; 10/24/22 : 330; 12/28/22 : 250; 1/25/23 : 220; 4/20/23 : 200; 6/22/23 : 250; 9/10/23 : 400; 10/19/23 : 380; 1/22/24 : 345; 3/5/24 : 320; 4/4/24 : 310; 12/10/24 : 400; 1/13/25 : 430; 3/20/25 : 410; 12/7/25 : 425; 1/29/26 : 415; 7/13/26 : 417; 7/23/26 : 400

Source: Morgan Stanley Research  Date Format : MM/DD/YY  Price Target  No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)  Stock Price (Covered by Current Analyst)
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## INDUSTRY COVERAGE: Autos & Shared Mobility

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (10/15/2026) |
|---|---|---|
| **Andrew S Percoco** | | |
| Adient PLC (ADNT.N) | E (12/07/2025) | $18.18 |
| Aptiv Plc (APTV.N) | E (08/04/2026) | $45.19 |
| Avis Budget Group Inc (CAR.O) | E (12/07/2025) | $109.77 |
| BorgWarner Inc. (BWA.N) | O (10/06/2026) | $58.67 |
| Dauch Corporation (DCH.N) | E (12/07/2025) | $5.10 |
| Ford Motor Company (F.N) | E (09/25/2024) | $12.31 |
| General Motors Company (GM.N) | O (12/07/2025) | $83.66 |
| Hertz Global Holdings Inc (HTZ.O) | E (02/08/2024) | $1.83 |
| Lear Corporation (LEA.N) | E (12/07/2025) | $121.49 |
| Lucid Group Inc (LCID.O) | U (12/07/2025) | $3.50 |
| Magna International Inc. (MGA.N) | E (09/25/2024) | $66.41 |
| Mobileye Global Inc (MBLY.O) | E (08/02/2024) | $7.43 |
| Quantumscape Corp (QS.O) | E (12/07/2025) | $4.23 |
| Rivian Automotive, Inc. (RIVN.O) | U (12/07/2025) | $13.02 |
| Tesla Inc (TSLA.O) | E (12/07/2025) | $362.44 |
| Versigent Plc (VGNT.N) | O (05/07/2026) | $43.71 |
| Visteon Corporation (VC.O) | E (06/01/2022) | $88.67 |
| **Daniela M Haigian** | | |
| Asbury Automotive Group Inc (ABG.N) | E (09/25/2024) | $169.87 |
| AutoNation Inc. (AN.N) | E (10/04/2026) | $159.80 |
| Carmax Inc (KMX.N) | E (11/10/2025) | $52.62 |
| Carvana Co (CVNA.N) | O (08/07/2025) | $60.62 |
| Group 1 Automotive, Inc (GPI.N) | U (10/04/2026) | $239.80 |
| Lithia Motors Inc. (LAD.N) | E (09/25/2024) | $295.31 |

| | | |
|---|---|---|
| Penske Automotive Group, Inc (PAG.N) | E (07/23/2026) | $212.00 |
| Sonic Automotive Inc (SAH.N) | U (08/06/2026) | $63.51 |
| **Javier Martinez de Olcoz Cerdan** | | |
| Goodyear Tire & Rubber Company (GT.O) | U (09/28/2025) | $4.42 |

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

## INDUSTRY COVERAGE: Space Technology

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (10/15/2026) |
|---|---|---|
| **Adam Jonas, CFA** | | |
| SpaceX (SPCX.O) | O (07/07/2026) | $148.62 |
| **Justin M Lang** | | |
| Gogo Inc (GOGO.O) | E (08/14/2025) | $2.25 |
| Iridium Communications Inc (IRDM.O) | E (01/16/2026) | $44.99 |
| MDA Space Ltd (MDA.TO) | O (01/16/2026) | C$40.59 |
| Viasat Inc (VSAT.O) | E (12/15/2017) | $61.50 |
| **Kristine T Liwag** | | |
| Firefly Aerospace Inc (FLY.O) | E (09/02/2025) | $17.83 |
| HawkEye 360 Inc (HAWK.N) | O (06/01/2026) | $12.89 |
| Planet Labs PBC (PL.N) | E (01/22/2023) | $14.54 |
| Rocket Lab USA Inc (RKLB.O) | O (01/16/2026) | $55.25 |
| Virgin Galactic Holdings Inc (SPCE.N) | U (11/22/2023) | $2.58 |
| Voyager Technologies Inc (VOYG.N) | U (07/15/2026) | $26.76 |

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* Historical prices are not split adjusted.

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