First Read

Tesla, Inc.

Some additional thoughts post 3Q26

2026 capex lowered by $5bn, but we don't think signals an AI "slowdown"

- Last night, Tesla lowered 2026 capex to $20bn from $25bn and this appears to be a factor reverberating though tech/AI trade. We'd note there wasn't a lot of color on the cut other than "efficiencies".
- To us, it isn't clear that this relates to TSLA's AI build out. For instance, they still indicated they intend to get to 400MW of AI training compute by year end which is unchanged from prior communication. Cortex 1 + 2 is at ~225MW and there is another 40MW not part of Cortex 1 and 2. So, call it 265MW total implying a strong 135MW to be added in 4Q26.
- So, aside from "efficiencies" we think the cut could be less from AI compute and more from buying less Robotaxis than expected, a slower ramp on Optimus, and potentially slower solar and other factory buildouts.
- Tesla also reiterated that they will spend "tens of billions" on Terafab by early 2028, though split between Tesla and SpaceX is not yet clear/determined. Further, Elon Musk said that the project will ultimately cost over $100bn. So mid-to-longer term AI capex we don't see as changed. And lets not forget they also said they want 5mm units of vehicle capacity by 2030 which is nearly 2x today's installed capacity.

10-Q provides some more details on one-times helping Auto GM% ex-credits and Energy GM%

- In Auto, Tesla disclosed that during the quarter they recognized IEEPA tariff refund of $260mm. Adjusting for this, it would take the originally calculated auto GM ex-credits at 18.1% to 16.8%, more inline with our and consensus expectations at 16.7%.
- In Energy, Tesla recorded a $526mm IEEPA refund and a $339mm reduction to revenue for refunds contractually owed to certain energy storage customers. Adjusting for both, underlying Energy gross margins would have been 23.1% vs. the 33.1% reported and also closer to UBS/consensus expectations of 25.2%/25.5%. That said, adjusting for the revenue disclosure would also suggest a step up in Energy ASPs, which we believe is what Tesla may be counting on for Energy margin improvement going forward.
- Net, we estimate both disclosures helped 3Q26 EPS by ~$0.11 so otherwise would have bee $0.37 vs. reported $0.48 and vs. consensus of $0.45.

Equities

United States
Automobile Manufacturers

12-month rating	**Neutral ***
12m price target	**US$425.00**
Price (21 Oct 2026)	**US$386.47**

RIC: TSLA.O **BBG:** TSLA US

Trading data and key metrics

52-wk range	US$489.88-298.32
Market cap.	US$1,368b
Shares o/s	3,541m (COM)
Free float	86%
Avg. daily volume ('000)	38,007
Avg. daily value (m)	US$13,370
Common s/h equity (12/26E)	US$90.6b
P/BV (12/26E)	13.6x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (USD)

	12/26E	
	UBS	Cons.
Q1	0.41	0.41
Q2	0.33	0.33
Q3	0.48	0.48
Q4E	0.34	0.46
12/26E	1.56	1.71
12/27E	2.02	2.25
12/28E	3.17	2.96

Joseph Spak, CFA
Analyst
joseph.spak@ubs.com
+1-212-713 3089

Alejandro Nuno
Associate Analyst
alejandro.nuno@ubs.com
+1-212-713 3886

Gabriel Gonzales, CFA
Associate Analyst
gabriel.gonzales@ubs.com
+1-212-713 4866

Highlights (US$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	96,773	97,690	94,827	106,645	118,919	137,152	158,369	183,979
EBIT (UBS)	10,703	9,075	7,180	6,654	8,388	13,959	21,993	30,969
Net earnings (UBS)	10,884	8,005	5,858	5,514	7,170	11,297	17,605	24,047
EPS (UBS, diluted) (US$)	3.12	2.29	1.66	1.56	2.02	3.17	4.93	6.71
DPS (net) (US$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	23,864	28,350	35,683	31,406	19,472	15,631	17,243	28,060

Profitability/valuation	12/23	12/24	12/25	12/26E	12/27E	12/28E
EBIT (UBS) margin %	11.1	9.3	7.6	6.2	7.1	10.2
ROIC (EBIT) %	32.2	21.3	15.5	12.4	12.0	15.9
EV/EBITDA (UBS core) x	39.8	44.2	79.0	92.3	69.0	48.2
P/E (UBS, diluted) x	69.6	NM	NM	NM	NM	NM
Equity FCF (UBS) yield %	(0.3)	(0.5)	(0.1)	(0.2)	(0.9)	(0.3)
Dividend yield (net) %	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price tha
price of US$ 386.47 on 21-Oct-2026

This report has been prepared by UBS Securities LLC. * Exception to core rating bands; See Required Disclosur
**CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE
PUBLISHED BY UBS, BEGIN ON PAGE 4.**

Forecast returns

Forecast price appreciation	1.2%
Forecast dividend yield	0.0%
Forecast stock return	1.2%
Market return assumption	9.8%
Forecast excess return	-8.6%

Company Description

Tesla, Inc. manufactures and sells fully electric vehicles and energy generation and storage systems, and related services. The company's mission is to accelerate the world's transition to sustainable energy. The company is also working on automated driving technology and Optimus, a robotic humanoid.

Valuation Method and Risk Statement

Our price target is based on a P/E on our 2027 forecast. An overall slowdown in the global economy and discretionary spending remains a key risk to automotive production and, as such, to TSLA stock. Other major risks include a slower rate of electric vehicle adoption, inability to deliver on cost reduction, supply of materials and supply chain risk, failure to expand capacity rapidly, regulatory risk, key man risk and execution risk. Upside risks include stronger than expected demand for EVs and Tesla products, stronger than expected Energy products, and faster materialization of robo-taxi and other AI ventures.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Tesla, Inc.

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	