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IDEA

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Tesla Inc | North America

The Art of the Possible

Tesla's new Roadster is a showcase of engineering prowess: sub-0.6s 0-60, 230+ mph, fan-based down-force and SpaceX thrusters that allow it to fly (literally). Near-term volume and EPS impact are likely negligible, but as a halo for Tesla's engineering edge and SpaceX crossover, it's hard to ignore.

"Success is not certain, but excitement is" – Elon Musk

We're still trying to put into words what we just witnessed with the Roadster launch. 0-60 in <0.59 seconds for the Rocket trim, a top speed exceeding 230 mph, fan suction system capable of holding the vehicle upside down, UV and cryogenic protection, electrostatic dissipation, and SpaceX-developed cold-gas thrusters supporting forward and upward acceleration plus lateral rotational movement. Yes, it can fly. Production is targeted for 2028.

The practical earth-based use case for a flying Roadster is admittedly limited today, but that arguably misses the point. This is less about near-term volume and more about demonstrating the art of the possible – pushing the boundaries of physics, engineering, and innovation. The technological crossover with SpaceX (covered by Adam Jonas) is unmistakable. Commercial success remains to be seen, but as a showcase of engineering ambition, this was impressive.

We are turning more constructive on Tesla heading into 3Q earnings, as improving execution across Robotaxi and the core auto business provides greater support for the long-term thesis. Tesla's rapid Cybercab expansion in Austin, with fleet size increasing eightfold to more than 300 vehicles in just 30 days and cumulative unsupervised miles surpassing 1mn, represents a meaningful improvement toward commercial scale. Meanwhile, two consecutive quarters of auto delivery upside have been supported by higher gas prices and improving FSD adoption. While elevated capex, near-term cash burn, and a demanding valuation may limit significant near-term outperformance, execution is starting to catch up with some of the longer-term goals, creating a more attractive setup into earnings. See our preview here: Tesla Inc: 3Q Preview: Turning More Constructive as Robotaxi Gains Traction

MORGAN STANLEY & CO. LLC

Andrew S Percoco
Equity Analyst
Andrew.Percoco@morganstanley.com +1 212 296-4322

Adam Jonas, CFA
Equity Analyst
Adam.Jonas@morganstanley.com +1 212 761-1726

Daniela M Haigian
Equity Analyst
Daniela.Haigian@morganstanley.com +1 212 761-6071

William Tackett, CFA
Research Associate
William.Tackett@morganstanley.com +1 212 761-6028

Jahvonte G Bain
Research Associate
Jahvonte.Bain@morganstanley.com +1 212 761-9231

Devin Roser
Research Associate
Devin.Roser@morganstanley.com +1 212 296-4539

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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Valuation Methodology and Risks

Tesla Inc (TSLA.O)

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).

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



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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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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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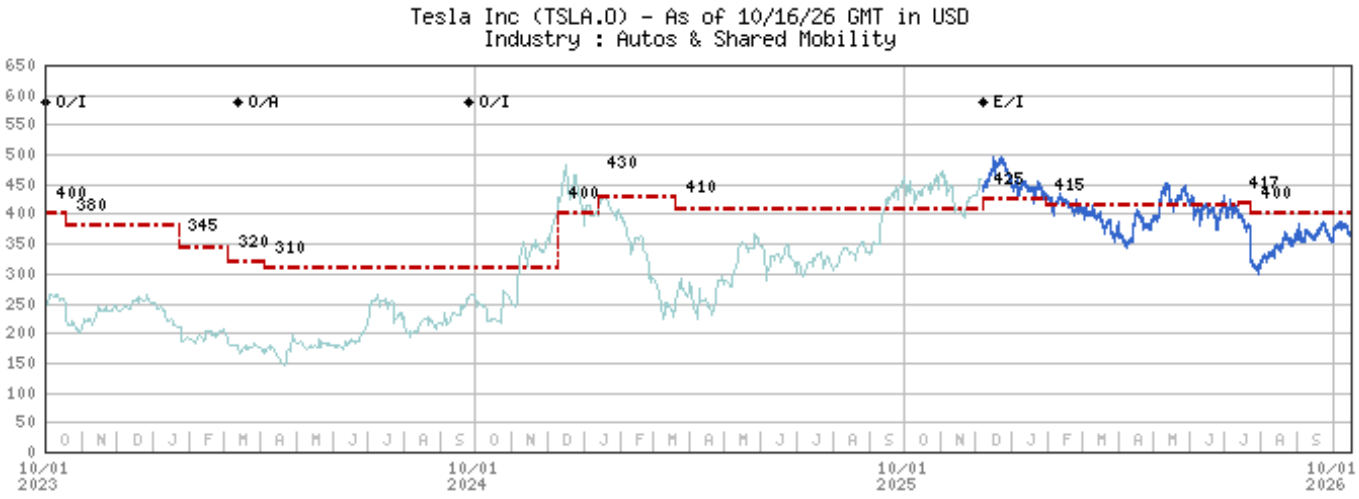
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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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)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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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.

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