

Tesla, Inc.

NASDAQ: TSLA | Automotive, energy storage and autonomy | Third-quarter 2026 results | 22 October 2026

Last close (21 Oct 2026)	\$386.47, before the results	Recommendation	WATCHLIST (from Avoid)
Previous report (3 Oct)	\$370.59, Avoid	Investment Score	52.5 / 100 (prior 47.6)
Q3 non-GAAP EPS	\$0.48 vs \$0.45 consensus; \$0.50 a year ago	Weighted fair value	\$334.75 (prior \$330); -13.4%
Q3 revenue	\$28.05bn vs \$28.34bn consensus; flat y/y	Becomes interesting	\$300-\$340
Price / 2026 consensus EPS	229x non-GAAP; 429x GAAP	Technical read (chart only)	Neutral; see section 13

Price timing. Tesla released its results after the close on 21 October. The \$386.47 close, and every multiple, distance and technical level in this report, describe the price before the announcement. The shares rose 3.4% in the regular session ahead of the release and traded roughly 2% to 3% lower after hours. No regular session has yet priced the results, so nothing here should be read as the market's verdict on them.

The Margin Came Back. The Multiple Did Not Move.

The last report set one condition for leaving Avoid before the price fell to \$330: third-quarter margins recovering with volume intact. The automotive half of that test was met. Automotive gross margin excluding regulatory credits rose to 18.1%, from 16.3% in the second quarter and 15.4% a year earlier, on deliveries of 486,532, down 2% on the year and up 1% on the quarter. Total gross margin reached 19.6% against a consensus of 17.9%. Free cash flow was \$1.53bn, where the 23 analysts polled by the company expected an outflow of \$4.5bn, and management cut its 2026 capital spending plan to about \$20bn.

The quarter was not as clean as the gross margin suggests. Revenue of \$28.05bn fell 1.0% short of consensus and was flat on the year. Operating margin was 2.6%, against 5.8% a year earlier, because operating expenses rose 39% on research, the CEO's 2025 performance award and selling costs. Energy's margin jumped to 33.1% from 20.4%, mainly on tariff refunds recognised in the quarter, and the \$3bn gap between capital spending and consensus is timing as much as thrift: management said spending will keep rising to fund the Robotaxi, Optimus, compute and a chip fab. GAAP EPS was \$0.22, down 44% on the year.

The rating moves to **Watchlist from Avoid**, from fundamentals. The core business improved where the last report said it had to, and positive cash flow has lowered the funding risk. The price has not changed its problem. At \$386.47 the shares trade at 229 times 2026 consensus non-GAAP earnings, and the weighted fair value of \$334.75 sits 13.4% below the pre-release close. The name becomes interesting between **\$300 and \$340**, where the base case pays. Technical read (chart only): Neutral. The chart is building a base just under its 200-day average, so a close above that line followed by a higher low is the signal to watch. The Robotaxi and Cybercab programme is the High-impact development of the period: it carries most of the valuation, and its revenue is still too small to show in the accounts.

1. What the quarter showed

Measure	Q3 2026	Consensus	Q3 2025	Q2 2026	Read
Revenue	\$28,046m	\$28,341m	\$28,095m	\$28,236m	1.0% below consensus; flat y/y
Automotive revenue	\$20,560m		\$21,205m	\$20,516m	Lower ASP and credits; deliveries -2% y/y
Energy revenue	\$2,881m		\$3,415m	\$3,139m	Down 16% y/y, partly tariff-related customer refunds
Services and other	\$4,605m		\$3,475m	\$4,581m	+33% y/y; record margin of 15.9%
Gross margin	19.6%	17.9%	18.0%	16.8%	Auto ex-credits 18.1% (Q2 16.3%, Q3'25 15.4%)
Operating income	\$718m	\$721m	\$1,624m	\$398m	Margin 2.6% vs 5.8% a year ago

Measure	Q3 2026	Consensus	Q3 2025	Q2 2026	Read
Pre-tax income	\$956m		\$1,959m	\$1,329m	Tax rate 15.9% vs 15.1% in Q2
EPS, GAAP	\$0.22	\$0.23	\$0.39	\$0.32	In line; -44% y/y
EPS, non-GAAP	\$0.48	\$0.45	\$0.50	\$0.33	Beat by \$0.03; excludes stock-based pay
Free cash flow	\$1,531m	-\$4,506m	\$3,990m	-\$1,092m	Capex \$4,732m vs \$7,771m expected

Company figures from the Q3 2026 Update (8-K Exhibit 99.1, 21 October 2026). Consensus is the company-compiled mean of 23 analysts, 19 October 2026. Non-GAAP figures are company measures.

What sits under the headline EPS. Non-GAAP EPS of \$0.48 adds back \$982m of stock-based pay after tax and removes a \$224m after-tax gain on digital assets, a \$108m loss on the SpaceX stake and \$44m of tax items. Keeping stock-based pay as a cost and removing only the mark-to-market and tax items gives about **\$0.20** a share, against about \$0.05 in the second quarter and \$0.37 a year ago. The tax rate of 15.9% is close to the second quarter's 15.1%, so the sequential improvement is not a tax effect. Energy is the larger caveat. Had its margin stayed at the second quarter's 20.4%, gross profit would have been about \$0.37bn lower, worth about \$0.09 a share after tax. That is an upper bound on the one-off, because warranty adjustments and a richer mix also helped, but on it the total gross margin would have been about 18.3% and non-GAAP EPS about \$0.39, below consensus. These are this report's calculations from the company's reconciliation tables, not company measures. The automotive recovery does not depend on them: it is the cleanest improvement in the quarter.

2. Guidance and the call

Item	Before	Now (21 Oct)	Read
2026 capital spending	About \$25bn plan; \$25.4bn consensus	About \$20bn	Lower this year; rising again from 2027
Vehicle volume	No guidance	No guidance; about 5m a year by around 2030 (management)	Demand said to exceed production
Cybercab	Production in H1 2026	Rides in Austin since 3 Sep; customer availability by end-2026	Mostly a Tesla-owned fleet
Robotaxi	Austin focus	Dallas next month; 24/7 service by year end	Revenue noticeable from about Q2 2027 (management)
Unsupervised FSD for owners	No date	"Somewhere around Q2" 2027	Hedged; depends on fleet-management work
Optimus	Fremont line in build	Early production; customer units around end-2027	Industrial uses first
Operating expenses	Rising	Rising until new products are commercialised	Margin pressure persists

Company statements from the Q3 2026 Update and the 21 October earnings call; the prior capital spending plan and consensus are from earlier company commentary and the company-compiled consensus.

The call spent most of its time on products that do not yet earn money. The CFO said more than 75% of North American deliveries in the quarter included a sign-up for paid FSD, and confirmed an analyst's estimate of about \$1bn of annual recurring revenue from FSD subscriptions, while declining to give churn or retention figures. Management said the Robotaxi service operates in six cities, while the Cybercab itself runs only in Austin, with Dallas due to launch next month. The Director of AI said expansion is limited by technology today and expects it to become limited by regulation around the first half of 2027. On the economics, the CFO said Robotaxi is not yet at its cost target of \$0.30 per paid mile, and Musk would only say revenue "maybe" becomes noticeable in the second quarter of 2027.

The hedges matter more than the claims. An analyst asked how Tesla would scale the Cybercab past Austin given the federal safety review; the answer covered the Dallas launch and the shared software, not the review. A question on FSD price deflation from competition was answered with a statement that FSD is a hard problem no rival will match for years. Asked for the capital needed for the chip fab, management gave "tens of billions" through early 2028 and "north of \$100 billion" in the long run, with the split between Tesla and SpaceX undecided. Management declined to discuss a combination with SpaceX. Each answer leaves the largest cost or the largest risk without a number.

3. Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Robotaxi and Cybercab programme	Cybercab rides from 3 Sep; federal reviews open	Austin hours 6am to midnight; nearly 2m cumulative unsupervised miles, up eightfold in the quarter; Cybercab line >125,000 a year; NHTSA reviewing the Cybercab self-certification and, since 12 Oct, a school-zone speeding petition covering about 1,000 vehicles	Dallas next month, customer Cybercabs by end-2026, owner unsupervised FSD around Q2 2027, revenue significant by H2 2027 (management)	High
FSD adoption	Reported 21 Oct	1.74m paid FSD customers (1.04m a year ago); over 75% of North American deliveries signed up; available in nine EU countries	About \$1bn of subscription ARR (analyst figure, confirmed as about right by the CFO)	Medium
2026 capital spending cut to about \$20bn	Guided 21 Oct	Q3 capex \$4.73bn; Q2 \$5.79bn	Spending rises again for Robotaxi, Optimus, compute and the fab (management)	Medium
Austin chip fab (Terafab)	Under construction	Equipment commissioning planned for 2027	First test chip mid-2027; volume chips late 2028; tens of billions to early 2028 (management)	Medium
Tesla Semi volume production	Started Q3 (Nevada)	Installed capacity 25,000 a year	None quantified	Medium
Optimus	Early production, Fremont	High-volume line in early ramp; Texas plant under construction	Customer deliveries around end-2027 (management)	Medium
Energy: Megafactory Texas and in-house LFP	Production began Q3	50 GWh planned capacity; first Megapacks on Tesla's own LFP cells; record order rate and backlog	Megapack nearly sold out for 2027 (management)	Medium
SpaceX combination	Reported speculation only	No proposal, committee or process disclosed; Tesla holds a SpaceX stake bought for \$2.0bn in Q1 2026	Some analysts expect a combination; management declined to comment	Medium
Next-Gen Roadster	Unveiled 15 Oct	Design development; no price or date	None	Low
Annual meeting	3 Dec 2026	Three directors, say-on-pay and auditor on the ballot	None	Low
\$30bn bank facilities	Signed 29 Sep	Undrawn; no draws planned in 2026	None	Low

Company filings (Q3 2026 Update, DEF 14A of 19 October), the 21 October earnings call, and NHTSA actions as reported by Bloomberg on 13 October. Impact is this report's assessment for the thesis over two years.

Items carried from the last report. Third-quarter deliveries were released on 2 October as expected and are now part of the results. The \$30bn of bank facilities remain undrawn, and the CFO repeated that no draw is planned this year. The Cybercab question from the federal regulator, with answers due on 30 September, has produced no published determination, and the agency's review of the self-certification remains open.

3a. The Robotaxi and Cybercab programme (High)

What is known. Tesla began Robotaxi rides in purpose-built Cybercabs on 3 September in Austin, where service now runs from 6am to midnight. Cumulative unsupervised miles reached nearly two million by the end of September, up eightfold in a quarter. The Texas Cybercab line is listed at more than 125,000 vehicles a year, which management described as the rate it can run today rather than a ceiling. The federal regulator is reviewing how Tesla self-certified a vehicle with no steering wheel or pedals, and on 12 October began evaluating a petition alleging that Cybercabs and Model Ys using automated systems speed in school zones.

Why it matters here. Robotaxi revenue is too small for the company to report. Automotive, energy and services earned \$5.5bn of gross profit in the quarter; none of it came from the fleet in a measurable way. Yet at 229 times this year's expected earnings, a large share of the \$1.37tn market value is a bet on this programme. Success is visible in a handful of measures: the number of cities running driverless service, paid miles and their cost against the \$0.30 target, Cybercab output, and the regulator's findings. The first hard data are the Dallas launch next month, year-end 24/7 operation and

customer Cybercab deliveries, which management targets for the end of 2026.

Economics. The Cybercab is meant to be a Tesla-owned transport service rather than a car sold once, so revenue arrives per mile over years, and Tesla carries the capital, the insurance and the utilisation risk. That model rewards scale and punishes idle vehicles. Competitors set the reference: Waymo already runs paid driverless service in several US cities, so the first-mover advantage is not Tesla's; its case rests on cost per vehicle and the shared software with the Model Y fleet. The company's own record argues for caution on dates. Cybercab production was due to start in the first half of 2026 and rides began in September; unsupervised driving in owners' cars has been promised many times before.

Case (our assumptions)	Avg fleet 2027	Paid miles / vehicle	Revenue / mile	2027 revenue	EPS effect
Failure	1,000	30,000	\$1.20	\$36m	\$0.003
Base	5,000	40,000	\$1.20	\$240m	\$0.017
Success	25,000	45,000	\$1.20	\$1,350m	\$0.095

Our calculation, not a company figure: fleet x paid miles x revenue per mile; EPS at a 30% margin, 16% tax rate and 3.6bn shares. The company discloses no fleet size, paid miles or price per mile. Base 2026 revenue is the \$107.1bn consensus.

Sized outcomes and what the price assumes. Even the success case adds about \$1.4bn of revenue in 2027, around 1% of the company's sales, and about \$0.09 a share. The programme therefore shows up in the multiple, not in earnings, inside this report's horizon. That is where the risk sits too. On this report's base 2028 EPS of \$3.30, the base case applies 125 times; a failure that left investors valuing Tesla as a car and energy company on 60 times would put the base value near \$164, against \$341 with the programme. The fair value with and without the item therefore spans about \$164 to \$341 on the same earnings, and the bear case below is close to that failure path. The shares have risen about 30% from their 60-session closing low near \$298, and the Cybercab launch and the delivery beat are the main company news over that period; this report cannot show how much of the move each explains.

What is unknown. Fleet size, paid miles, prices and the cost per mile are undisclosed. The regulator's view of a car without manual controls is the binary question, and nothing has been published. The rating does not depend on the programme succeeding, but the price does: without it, the verdict would be Avoid or lower. The Watchlist band below assumes the programme stays on its base path through the Dallas launch and the year-end milestones.

4. What drives the shares

Tesla makes its money selling cars, about three-quarters of revenue, plus energy storage, services and a growing stream of FSD subscriptions. Five variables drive returns over two years: automotive margin excluding credits, which decides whether the core business funds the rest; energy storage growth and margin, the most profitable segment; the Robotaxi and Cybercab programme, judged on cities, miles, cost per mile and the regulator; capital spending, which is moving from cars to compute, robots and a chip fab; and the multiple, which depends almost entirely on how investors weigh the autonomy and robotics options. Each is judged on what Tesla reports, not on what it targets.

5. Financials

Operating cash flow was \$6.26bn in the quarter, level with \$6.24bn a year earlier, and capital spending fell to \$4.73bn from \$5.79bn in the second quarter, leaving \$1.53bn of free cash flow. Cash, equivalents and short-term investments rose to \$45.4bn, and \$30bn of bank facilities signed in September are undrawn. On the earnings line, operating income of \$718m was less than half the year-ago \$1.62bn: gross profit rose \$440m while operating expenses rose \$1.35bn, led by research (\$2.76bn, from \$1.63bn) and stock-based pay (\$1.17bn, from \$0.66bn, including the CEO's 2025 award). Pre-tax income fell to \$956m from \$1.33bn in the second quarter because that quarter included a \$1.0bn gain on the SpaceX stake. The balance sheet is strong; the income statement is thin, and the spending plan is about to rise again.

6. Competitors

Competitor	Where it meets Tesla	Read for Tesla
BYD and Chinese makers	EV volume and price, China and Europe	Price pressure explains the lower ASP; Shanghai still carries >950,000 of capacity
Waymo	Driverless ride-hailing	Ahead on paid driverless cities; Tesla's case is cost and fleet scale

Competitor	Where it meets Tesla	Read for Tesla
Legacy automakers	EVs and driver assistance	No rival sells a comparable supervised FSD product (management claim)
Fluence, Sungrow, CATL	Grid-scale storage	Tesla's storage deployments rose to 13.7 GWh; in-house LFP cuts its exposure to imported cells
Humanoid robot developers	Optimus	Musk said he would be "stunned" by a comparable rival by late 2027; no external evidence either way

Peer positions from company disclosures; competitive claims attributed to Tesla management are labelled as such.

7. Management

Guidance accuracy is mixed. In January management said Semi and Cybercab production would commence in the first half of 2026; Semi volume production began in the third quarter and Cybercab rides on 3 September, about a quarter late. Capital spending will land near \$20bn against an earlier plan of about \$25bn, which helps cash flow but also shows how loose the spending plans are. The automotive margin recovery is a genuine operating result. The record on autonomy dates remains the weakest part of the case, and the call kept the pattern: unsupervised FSD for owners is "somewhere around Q2" next year, and Robotaxi revenue "maybe" noticeable in the second quarter. The CEO's 2025 performance award now costs about \$1.2bn a year in stock-based pay, and his interests also span SpaceX, which Tesla holds a stake in and buys from and sells to.

8. Growth drivers

Driver	Status	Likelihood / impact	Fact vs forecast
Energy storage	Shipping; Megafactory Texas started	High / Medium	Fact: 13.7 GWh in Q3. Forecast: nearly sold out for 2027 (management)
FSD subscriptions	Shipping; 1.74m paid	High / Medium	Fact: >75% NA sign-up. Forecast: about \$1bn ARR (analyst, CFO agreed)
Robotaxi and Cybercab	Austin; Dallas next	Medium / High	Forecast: revenue significant by H2 2027 (management)
Tesla Semi	Volume production started	Medium / Low	Fact: 25,000 a year capacity; no volume disclosed
Optimus	Early production	Low / High beyond 2027	Forecast: customer units around end-2027 (management)
Core vehicles	Deliveries -2% y/y	Medium / Medium	Forecast: about 5m a year by around 2030 (management)

Likelihood and impact are this report's assessments.

9. Risks

Risk	Probability	Severity	Comment
Valuation and multiple	High	High	229x 2026 consensus earnings; the price sits above every case but the bull.
Cybercab certification	Medium	High	A finding against the self-certification could force a redesign or cap the fleet.
School-zone speeding review	Medium	Medium	Evaluation of a petition covering about 1,000 vehicles; could become a recall.
Quality of the margin beat	Medium	Medium	Energy's margin was lifted by tariff refunds; the next quarter shows the run rate.
Capital spending ramp	High	Medium	Spending to rise from 2027 with a fab costing tens of billions; cost split with SpaceX undecided.
Operating expense growth	High	Medium	Opex up 39% y/y and guided to keep rising until new products earn money.

Risk	Probability	Severity	Comment
Related-party and governance	Medium	Medium	SpaceX stake, cross-company purchases and merger talk; the CEO's interests span both.
Rates and car financing	Medium	Medium	Ten-year near 5.1%; a Fed increase is on the table for 27-28 October.

Probability and severity are this report's assessments.

10. Valuation

At \$386.47 Tesla is worth about \$1.37tn on 3,541m diluted shares. That is 229 times 2026 consensus non-GAAP EPS of \$1.69 and 429 times consensus GAAP EPS of \$0.90. Trailing and forward earnings cannot carry this price, so the method is a forward multiple on earnings two years out, discounted back: 2028 EPS for each case, times the multiple the market would pay at that point, discounted for two years at 10%. The multiple carries the autonomy and robotics options, and it is the input most open to challenge. The base case applies 125 times to \$3.30 of 2028 non-GAAP EPS, which assumes the margin recovery holds and the Robotaxi keeps expanding without yet carrying earnings. It is worth \$340.91. The weighted fair value is \$334.75, up from \$330 at the last report because the base earnings path is a little higher after the automotive recovery and the bear case is less likely with cash flow positive. It sits 13.4% below the pre-release close.

Two macro variables matter. The first is the price of fuel: September gasoline prices were 34.2% above a year earlier, which helps electric-car demand and is consistent with management's claim that orders exceed production. The second is the cost of money, which works on both car loans and the multiple. The ten-year Treasury closed at 5.13% on 21 October, and the Federal Reserve meets on 27 and 28 October with a rate increase still on the table after core consumer prices rose 0.3% in September. A stock valued on earnings years away is among the most exposed to a higher discount rate.

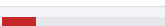
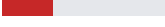
11. Sentiment

Indicator	Reading	Read
Consensus rating and target	Buy; mean target \$397.83, range \$128.11-\$600 (44 analysts, 21 Oct)	Mean target 2.9% above the pre-release close
Recent broker actions	RBC Buy, \$480 (21 Oct); J.P. Morgan Hold, \$415 (21 Oct); Cantor Fitzgerald Overweight, \$485 (20 Oct); BofA Buy (19 Oct); Morgan Stanley puts \$120 a share of its target on the Robotaxi (16 Oct)	Constructive, with targets spread widely
News tone after the release	Mixed	Margin and cash recovery against flat revenue, higher spending and later autonomy dates
Company notices	Q3 8-K (21 Oct); annual meeting proxy (19 Oct)	No unusual filings

Ratings and targets as published by each broker; consensus as of 21 October 2026.

Analysts went into the print constructive, with a mean target close to the price and a range so wide, from \$128 to \$600, that it says more about disagreement on the autonomy options than about the quarter. Coverage after the release split along the same line: the margin and cash flow recovery on one side, flat revenue, higher operating costs and the absence of firm autonomy dates on the other.

12. Investment scorecard

Criterion	Weight	Score	Change	Basis
Business Quality	15%		6/10 unchanged	Automotive margin recovered and Services hit a record margin, but operating margin is still 2.6%.
Financial Strength	15%		8/10 +1 vs last report	Free cash flow \$1.53bn against a consensus loss of \$4.5bn; cash \$45.4bn plus \$30bn of undrawn facilities.
Competitive Advantage	15%		6/10 +1 vs last report	Over 75% of North American buyers signed up for paid FSD; unsupervised Robotaxi miles up eightfold in a quarter.
Management	10%		5/10 unchanged	Semi and Cybercab started about a quarter after the first-half target; unsupervised FSD for owners hedged to around Q2 2027.
Growth Potential	15%		7/10 unchanged	Revenue flat year on year; Cybercab, Semi, Optimus and Megafactory Texas all now in production.
Valuation	20%		2/10 unchanged	229x 2026 consensus non-GAAP EPS; price 13% above weighted fair value.
Risk (10 = lowest risk)	10%		3/10 +1 vs last report	Funding risk eased with positive cash flow; two federal reviews of the Robotaxi fleet stay open.
Investment Score	100%	52.5 / 100	prior 47.6	Weighted sum of the seven scores

Scored 1–10, where 10 is always best, including Risk. Weights 15/15/15/10/15/20/10; composite computed in code.

Three scores moved. Financial Strength rises to 8 on positive free cash flow and a lower spending plan. Competitive Advantage rises to 6 on the FSD take-up and the growth in unsupervised miles, the first evidence of the autonomy lead that the multiple assumes. Risk rises to 3 because funding risk has eased; it stays low because two federal reviews of the fleet are open and spending is set to climb. Business Quality, Management, Growth Potential and Valuation are unchanged: operating margin is still thin, autonomy dates still slip, revenue is flat and the price is still above every case but the bull. A Risk score of 3 describes a high-risk position, and the risks above (an extreme multiple, binary regulatory questions, rising spending) describe the same. The Robotaxi programme moved Competitive Advantage; the other changes came from the quarter. The prior score is restated without the former technical factor for comparability. Factor weights changed on 18 October 2026, so part of the change in the Investment Score reflects the new weights.

13. Technical read

Chart as of the 21 Oct 2026 close, before the results.

Verdict: Watchlist, from fundamentals. Technical read (chart only): Neutral. The chart state is base-building: the shares sit just under the 200-day average (\$386.94) after closing below it within the last ten sessions, with a rising 50-day average (\$362.18) and a 15-session range of about three daily ranges. Watch for a close above the 200-day and then a higher low above the 20-session low near \$346; a break back below the 50-day would point toward the band set by the fundamentals. The Technical read looks only at the price chart. It does not change the verdict or the Investment Score and only guides entry timing.

Indicator	Value	Reading
Price of record (21 Oct 2026)	\$386.47	Up 4.3% since the previous report; before the results
SMA 20 / EMA 20	\$370.03 / \$370.31	Price 4.4% and 4.4% above
SMA 50 / EMA 50	\$362.18 / \$366.60	Price 6.7% and 5.4% above; 50-day rising
SMA 100 / EMA 100	\$369.17 / \$370.72	Price 4.7% and 4.2% above
SMA 200 / EMA 200	\$386.94 / \$383.33	Price -0.1% and +0.8%; at the line
RSI (14)	59.8	Firm, not overbought

Indicator	Value	Reading
MACD (12,26,9)	2.85, signal 2.78, hist. +0.07	Positive, just above its signal
ATR (14)	\$12.42, 3.2% of price	Daily range of about \$12
Volume, 20-day vs 50-day	35.5m vs 37.0m	Participation slightly lower; 48.9m on 21 Oct
Support / resistance	\$362.18, \$345.88, \$298.32 / \$388.84, \$498.83	50-day, 20-session low, 60-session closing low / 20-session high, 52-week high

Computed in code from a Twelve Data daily series to 21 Oct 2026, all averages from that one series; distances against the price of record.

14. Recommendation and what would change the view

Verdict: Watchlist, from fundamentals, upgraded from Avoid. Technical read (chart only): Neutral. The quarter changed the investment case: the core business met the margin test the last report set, and positive cash flow lowered the funding risk. It did not make the shares cheap. The base case is worth \$340.91, -11.8% from the pre-release close, and the weighted value \$334.75. The rating would have stayed at Avoid on the second quarter's margins; it is the automotive recovery, not the Robotaxi, that moved it, while the Robotaxi is what the price depends on.

The name becomes interesting between **\$300 and \$340**. The top is the base-case value rounded down; at the bottom, which sits near the 60-session closing low, the base case offers about 14%. The levels assume the Robotaxi programme stays on its base path through the Dallas launch and the year-end milestones; an adverse regulatory finding before then would move the band down rather than open it. A Buy without a lower price would need the fourth quarter to hold automotive margin ex-credits at 18% or better without energy one-offs, and Robotaxi to run driverless in more cities with disclosed paid miles. No entry, stop or target is published under a Watchlist rating.

Trigger	Direction	Note
A pullback to \$300-\$340 with the Robotaxi programme on its base path	Toward Buy	Base case pays at that price
Q4 automotive margin ex-credits at 18% or better, with energy margin holding without one-offs	Toward Buy	Confirms the run rate
Driverless service in more cities, with paid miles or cost per mile disclosed	Toward Buy	First evidence on unit economics
The regulator finds the Cybercab non-compliant or requires manual controls	Toward Avoid	Failure path for the High item
The school-zone review becomes an investigation or recall	Toward Avoid	Caps the fleet's growth
Operating margin back near 1% with free cash flow negative again	Toward Avoid	Reverses the quarter
Car-loan costs rising further alongside weakening consumer demand	Lowers fair value	Demand and multiple
A formal SpaceX combination proposal	Re-assess	Terms decide the direction

Macro rows are directional. The price range comes from this report's base case.

Last report's conditions. A price at or below \$330: not met; the shares closed at \$386.47. Automotive margin ex-credits recovering toward 20% with volume intact: largely met (18.1%, deliveries -2% y/y). Free cash flow clearly positive with spending still elevated: met (\$1.53bn, capex \$4.73bn). Robotaxi beyond Texas with monitor-free miles up an order of magnitude: partly met (miles up eightfold; driverless Cybercab only in Austin). A Cybercab finding against Tesla, or a second quarter of operating margin near 1% with negative free cash flow: not met.

15. Scenario analysis

Case	Prob.	Outlook	2028 EPS x multiple	Fair value	vs price
Bull	22%	Cybercab is certified without redesign and reaches customers on time; unsupervised FSD in customer cars by mid-2027; Robotaxi revenue becomes significant in the second half of 2027; automotive margin ex-credits passes 20% and Megapack 3 and the Semi ramp. 2028 EPS \$4.90.	\$4.90 x 140	\$566.94	+46.7%
Base	50%	Automotive margin ex-credits holds near 18% on flat-to-modest volume growth; energy and FSD subscriptions keep growing; Robotaxi spreads city by city but stays immaterial to revenue until late 2027; capital spending rises again in 2027. 2028 EPS \$3.30.	\$3.30 x 125	\$340.91	-11.8%
Bear	28%	A regulator forces a Cybercab redesign or caps deployment, unsupervised FSD slips again, price competition takes margin back toward Q2 levels and opex keeps growing ahead of revenue. 2028 EPS \$1.80.	\$1.80 x 95	\$141.32	-63.4%
Weighted	100%	Probability-weighted		\$334.75	-13.4%

EPS, multiples and the 10% two-year discount are this report's assumptions; values and the weighted \$334.75 computed in code. Prior report: bull \$520, base \$330, bear \$215, weighted \$330.

The bull case rises to 22% from 20%: FSD take-up and the eightfold rise in unsupervised miles are real evidence, but the regulator has not ruled and the company has given no unit economics. The base case rises to 50% from 47% because the automotive recovery makes its earnings path more likely. The bear case falls to 28% from 33%: positive cash flow and a lower spending plan remove the funding route to it, while the regulatory route and the margin quality question keep it large. The bear value is lower than before because it now assumes the market prices Tesla closer to a carmaker if the autonomy case fails.

16. Final verdict

Would new money go into Tesla today? Not at \$386.47. The quarter delivered what the last report asked of the core business: automotive margin recovered, cash flow turned positive and the spending plan came down. That earns a move to Watchlist. The single biggest concern is still the price, 229 times this year's expected earnings for a company whose revenue is flat and whose operating margin is 2.6%, with the gap filled by a Robotaxi programme that has no disclosed economics and two open federal reviews. What must change is the price, toward \$300-\$340, or the evidence: a fourth quarter that keeps the margin without one-offs and a Robotaxi that runs driverless beyond Austin with paid miles disclosed. A finding against the Cybercab would invalidate the thesis. The High development did not drive the upgrade; it is what the valuation rests on.

Sources

- Tesla, Q3 2026 Update, Form 8-K Exhibit 99.1, 21 October 2026 (sec.gov); Tesla, Q3 2026 Production, Deliveries and Deployments, 2 October 2026
- Tesla Investor Relations, Q3 2026 Earnings Consensus (23 firms), 19 October 2026
- Tesla Q3 2026 earnings call, 21 October 2026: transcript and summary, Investing.com
- Tesla, Definitive Proxy Statement (DEF 14A), 19 October 2026 (sec.gov)
- Bloomberg (via The Star), NHTSA evaluation of Robotaxi school-zone speeding petition, 13 October 2026; Outlook Business, Musk comments on a SpaceX combination, 23 July 2026
- Analyst consensus and targets: StockAnalysis.com (S&P; Global), 21 October 2026. Broker actions, notices and news: moomoo news, notices and research channels, 15-22 October 2026
- Price of record: Alpha Vantage global quote, 21 October 2026 close. Technicals: Twelve Data daily series to 21 October 2026, computed in code
- Macro: Beating The Bull economic data posts of 13, 14, 15, 16 and 21 October 2026