

Operating Execution Improved Materially, but a Durable Earnings Acceleration Is Not Yet Established

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue	\$28.046B	\$28.13B	-0.3%
Operating Income	\$718M	\$599.3M	+19.8%
Adjusted EPS	\$0.48	\$0.44	+9.1%
SEGMENT REVENUE			
Automotive revenue	\$20.560B	\$19.83B	+3.7%
Energy generation and storage revenue	\$2.881B	\$3.91B	-26.3%
Services and other revenue	\$4.605B	\$4.3B	+7.1%

2 | GUIDANCE AND OUTLOOK

The central change was a cut in 2026 capital-spending guidance to approximately \$20 billion, from more than \$25 billion; with \$13.014 billion spent through September, implied fourth-quarter capex is approximately \$6.986 billion. Management still expects investment to rise over several years. Operating expenses are expected to keep rising until new products commercialize. Energy pricing and margins are expected to improve further, and training compute is targeted at 400 MW by year-end. No numerical fourth-quarter revenue, EPS, operating-margin, or full-year free-cash-flow guidance was provided.

3 | EARNINGS ANALYSIS

THE BEAT WAS NARROWLY BASED. Adjusted EPS of \$0.48 beat consensus by 9.1% and operating income of \$718 million beat by 19.8%, but revenue of \$28.046 billion missed by 0.3%, declining 0.2% year over year. Automotive revenue beat by 3.7% and services grew 32.5%, beating by 7.1%, while energy revenue fell 15.6% and missed by 26.3%. The largest surprise was free cash flow of \$1.531 billion against an expected \$4.99 billion outflow, approximately 49% of it attributable to capex below consensus.

EARNINGS QUALITY TEMPER THE RECOVERY. Gross margin recovered to 19.6% from 16.8% sequentially, but approximately 42% of the \$743 million sequential gross-profit improvement came from energy, driven principally by tariff refunds and warranty adjustments. Adjusted net income of \$1.697 billion adds back \$982 million of after-tax stock compensation, approximately 58% of it, and net interest income of \$355 million equaled approximately 49% of operating income. Operating cash flow included approximately \$2.590 billion from operating-asset and liability changes, 41% of the total.

SPENDING IS ABSORBING THE GAINS. Operating expenses increased \$423 million sequentially, absorbing approximately 57% of the gross-profit improvement, as R&D increased \$390 million; year over year, R&D rose 69.4% and operating income fell 56% to a margin of only 2.6%. Management said this trend of growing operating expenses would continue until new products commercialize. Energy's 33.1% gross margin overstates the run rate: at 25%, energy gross profit would have been about \$234 million lower.

LIQUIDITY IS STRONG; ACCELERATION UNPROVEN. Cash and short-term investments totaled \$45.447 billion, about \$35.924 billion net of debt and finance leases, with up to \$30 billion of borrowing capacity secured and undrawn in 2026. Trailing-12-month free cash flow fell to \$3.303 billion from \$6.834 billion; Robotaxi is not expected to be financially noticeable until about Q2 2027, and external Optimus deliveries are framed around late 2027. The quarter improves the product and gross-profit case; it does not yet establish a durable acceleration in underlying earnings or free cash flow.

4 | KEY READ-THROUGHS

U.S.-MANUFACTURED LFP CELLS HAVE A CLEARER REVENUE PATH THAN MANY DOWNSTREAM AI APPLICATIONS
LG Energy Solution (373220) | Positive | Meaningful for its U.S. stationary-storage business; moderate at the consolidated level
Tesla said it is almost sold out of Megapacks for 2027, amid extreme data-center demand. LG Energy Solution has a confirmed \$4.3 billion Tesla LFP supply agreement from Lansing lines, 2027 to 2030. Tesla's Nevada LFP plant is 7 GWh against 50 GWh planned in Texas, so insourcing and external supply expand together.

THE CLEANEST AI-POWER BENEFICIARIES SELL THE ELECTRICAL SYSTEM
Eaton (ETN), Schneider Electric (SU), Siemens Energy (ENR) | Positive | Moderate for relevant electrical and power businesses; modest consolidated impact
Battery installations require protection, switching, distribution, controls and integration with power systems; Eaton and Schneider Electric supply those categories, and Siemens Energy adds generation and grid equipment. Batteries buffer and shift energy across time but cannot create sustained net generation, so storage growth raises demand for the surrounding electrical system.

TESLA'S OWNED-FLEET MODEL IS A DISINTERMEDIATION THREAT
Lyft (LYFT), Uber Technologies (UBER), Alphabet (GOOGL) | Negative | Potentially meaningful for Lyft; moderate for Uber; meaningful for Waymo, small for Alphabet
Musk said the vast majority of Cybercabs will be 'essentially Tesla owned and transport as a service,' Dallas launching in November and contribution noticeable around Q2 2027. An owned fleet does not become supply for Uber or Lyft, whose markets face ride-conversion and pricing pressure, Lyft most exposed. Tesla has not reached its \$0.30 cost-per-mile goal.

TERAFAB'S MOST DEFENSIBLE BENEFICIARIES ARE EQUIPMENT SUPPLIERS
Applied Materials (AMAT), Lam Research (LRCX), KLA (KLAC), ASML (ASML) | Positive | Potentially moderate across the project; low company-specific visibility
Musk described Terafab's capital needs as 'in the tens of billions' through early 2028 and 'probably be north of \$100 billion long term'; most research-fab equipment is ordered, commissioning in the first half of 2027, production for late 2028. Deposition, etch, lithography and inspection suppliers recognize revenue on delivery and acceptance; Tesla bears yield and financing risk.