



Tesla, Inc.

TSLA

EQUITY RESEARCH REPORT

October 15, 2026

TSLA — Tesla, Inc.

Report Date: 2026-10-15

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	AVOID
Current Price	USD \$367.16 / EUR €327.21
Fair Value (Base Case)	USD \$250.00 / EUR €222.75
Margin of Safety	-31.9%
Target Entry (if HOLD)	Not applicable

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	0.0%
Expected Price Appreciation	-3.8% CAGR
Total Expected Return (Base)	-3.8% CAGR
Bear Case Total Return	-10.5% CAGR
Bull Case Total Return	+5.0% CAGR
Probability-Weighted Return	-3.3% CAGR

Risk Assessment	Value
Wealth Preservation Score	35 / 100
Downside Protection Score	45 / 100
Quality Score	36 / 100
Risk Level	ELEVATED
Probability of >50% Loss	30%
Recession Profile	VULNERABLE

One-Line Thesis:

Tesla at \$367.16 prices a successful autonomy and robotics pivot that does not yet exist in reported earnings; with no dividend, a negative probability-weighted ten-year return, and a bear case that loses more than half your capital, it fails every wealth-preservation gate.

INVESTMENT THESIS

Tesla is not a wealth preservation asset. The business is a vertically integrated electric vehicle and energy company whose automotive segment, roughly 73% of revenue and about 95% of unit volume, produced \$3.8 billion of net income on \$94.8 billion of revenue in fiscal 2025. Net margin compressed from 15.5% in fiscal 2023 to 4.0% in fiscal 2025. Revenue declined 2.9% in fiscal 2025, the first annual top-line contraction in the period covered by the sourced financials. China deliveries fell 4.8% in 2025, the first decline on record in that market, and January 2026 domestic China sales dropped 45% year over year to 18,485 units. Xiaomi's YU7 SUV outsold the Model Y by more than 2-to-1 in January 2026. Tesla's China NEV market share fell from 10% to 8% in 2025. The core automaker has become a low-margin commodity in the market that once supplied its most visible growth story, and Tesla entered 2026 with production exceeding deliveries by 50,363 vehicles and global inventory days at 27, up from 22 a year earlier.

The current stock price does not reflect this deterioration. At \$367.16, Tesla trades near 340 times trailing diluted EPS of \$1.08 and roughly 235 times trailing free cash flow. It pays no dividend. The only path to a positive total return from this price requires the robotaxi, FSD, energy, and Optimus optionality to convert into durable cash earnings. Baird puts paid robotaxi service no earlier than 2027. The automotive cash engine that must fund more than \$20 billion of 2026 capital spending is simultaneously losing share in China, cutting prices, and absorbing rising litigation reserves. You are being asked to pay a capitalization for autonomy that management has not yet demonstrated in the income statement.

The asymmetry runs the wrong direction for this mandate. The bear case, grounded in current margins, continued price competition, and multiple compression toward historical auto levels, produces a price target near \$128. That is a 65% decline from today's price. The bull case, which assumes Tesla captures the autonomy and energy upside, produces roughly a 5% ten-year CAGR to about \$600. Even the optimistic outcome barely exceeds a 4% high-yield savings account and does not compensate for the downside you accept to pursue it. The probability-weighted ten-year expected return is negative at approximately -3.3% annually. A preservation portfolio does not need this trade.

The Stage 1 sector screen already raises the bar because Tesla is a highly cyclical consumer discretionary business, not a utility or staples company. Stage 2 solvency is adequate but not fortress-like because the company finances a doubling of capital expenditures with operating cash flow that leaves almost no free cash flow in the first half of 2026. Stage 5 shows the bear case destroys capital. The absolute requirements for a BUY under the Wealth Preservation Framework fail. The base case total return is below the inflation-plus-4% hurdle. The bear case return is deeply negative. The probability of a permanent loss above 50% is material. The decision is AVOID.

1. BUSINESS QUALITY ASSESSMENT

You can understand Tesla's business in broad terms: it manufactures electric vehicles, sells energy storage and solar products, and monetizes services. That does not make it a quality business for preservation purposes. The automotive segment remains dominant at roughly 73% of revenue, with the Model 3 and Model Y accounting for about 95.5% of deliveries in Q1 2026. This concentration means there is no diversified product base to cushion a demand shock. The energy segment is the strongest operating unit, with margins above 30% and revenue growing more than 50% year over year, but it still represents only about 10% of total revenue. Services and Other fill another roughly 12%. The profitable growth is coming from the smallest segment, while the largest segment is under pressure.

The competitive moat has narrowed since fiscal 2023. Beanvest scores the moat at 60, describing it as "at best a narrow moat with mounting threats." The original advantages were battery technology, Autopilot data, the Supercharger network, vertical integration, and brand. Several of those advantages are now shared or diluted. Tesla opened its chargers to other EVs. BYD took the global pure-EV crown in late 2025 by selling fully-featured

EVs at \$10,000 price points Tesla cannot match without destroying margin. Europe share fell to roughly 1.4%. Chinese competitors innovate quickly and undercut Tesla on price while matching many features. The Supercharger network remains a real asset, but it no longer supplies exclusivity.

The moat durability matters more than the moat width in this framework. You need a company whose competitive position cannot erode materially over ten years. Tesla's position can erode because the product cycle is now dependent on autonomy and robotaxi execution, not on existing vehicle deliveries. The 10-K itself identifies engineering expertise, vertical integration, and user experience as differentiators. Vertical integration gives cost control, and management reported the lowest manufacturing cost per vehicle in company history after Q2 2024 cost actions. That advantage has not been enough to stop margin compression. Price cuts of \$7,250 took implied profit per car from \$12,797 to \$5,547 in the Investing.com analysis, a 56.7% hit. Automotive gross margin fell from roughly 26% to about 12.5% under that scenario. The current reported margin improvement in Q1 2026 to 21.1% from 16.3% a year earlier is real, but it sits on an exceptionally weak prior-year base.

Capital efficiency has deteriorated. TTM ROE is 4.67% and TTM ROA is 1.93%. The business invests heavily in R&D and factories, which may build future moat but limits near-term shareholder returns. For a wealth preservation mandate, a durable moat must already be paying you. Tesla's moat is real but eroding, and the durable earnings power attached to that moat is shrinking, not compounding. The business quality gate fails.

2. FINANCIAL FORTRESS ANALYSIS

Tesla has a strong liquidity position. Cash and short-term investments were \$43.5 billion at the end of Q2 2026, up from \$41.6 billion at the end of Q3 2025. Net cash per share is positive at \$1.74 per share, meaning Tesla holds more cash and investments than debt on a net basis. The company has generated positive operating cash flow for years. In 2025, operating cash flow was \$14.7 billion and free cash flow was \$6.2 billion. Interest coverage is not disclosed in the provided packet, but the high cash balance and low net debt reduce immediate solvency risk. The Stage 2 solvency assessment is ADEQUATE, not FORTRESS, because the leverage data is incomplete and the earnings stream is cyclical.

The fortress test weakens when you examine the current year. In H1 2026, Tesla generated \$8,634 million of operating cash flow but spent \$8,282 million on capital expenditures. That leaves only about \$352 million of free cash flow from operations for the first half. Capital expenditures more than doubled from the prior-year period, directed at AI infrastructure, manufacturing capacity, and energy products. Management expects 2026 capex to exceed \$20 billion. When a company finances a doubling of capex with operating cash flow, the free cash flow cushion that protects a preservation portfolio disappears at the exact moment the stock price demands the most optimism.

Earnings quality is QUESTIONABLE. The Q2 2026 10-Q includes a \$1.00 billion unrealized gain on a \$2.00 billion SpaceX equity stake. That is a mark-to-market item, not operating cash. The quarter also included a release of a valuation allowance on certain California deferred tax assets that reduced the effective tax rate to 15%. That is a discrete, non-recurring benefit. Automotive regulatory credit revenue fell 28% in 2025, and the company links part of that decline to U.S. policy changes. Tesla generated about \$1.79 billion from carbon credit sales in 2023 and nearly \$9 billion since 2009. This high-margin revenue source is shrinking and can no longer be treated as a stable earnings bridge.

Dilution is CONCERNING. The company funds part of its growth with stock. A \$1.95 billion acquisition of an AI hardware business in 2026 was stock-funded, so no cash left the balance sheet but shareholder ownership was diluted. The board has authorized massive stock awards to Elon Musk, and a proposed unprecedented \$1 trillion package appears in the governance materials. The CFO had 6,538 restricted stock units vest in June 2026. Stock-based compensation drags on equity value over time. The FCF yield at the current price is less than 0.5%,

so shareholders receive almost no cash return from the fortress balance sheet. The financial fortress can keep Tesla alive, but it does not protect you from paying too much.

3. DIVIDEND ANALYSIS

Tesla pays no dividend.

4. VALUATION ANALYSIS

The valuation is the disqualifying factor. At \$367.16, Tesla trades at approximately 340 times trailing EPS of \$1.08. The trailing P/E ranged from 181.52 on June 30, 2025, to 385.87 on June 30, 2026, across the five dated snapshots available. The stock is near the top of that range. The forward P/E is cited as 158.73, but that figure implies forward EPS near \$2.31. Other consensus estimates put 2026 EPS at \$1.70, which would yield a forward P/E near 216. This gap between the two forward earnings figures tells you how much valuation ambiguity exists. No five-year average multiples are provided in the research packet, so I cannot formally benchmark against a ten-year valuation band. What is available shows a stock priced for speculative growth.

The enterprise multiple is extreme: EV/EBITDA of 122.54 against TTM EBITDA of \$10.76 billion. P/S is roughly 12.5 on TTM revenue of \$103.62 billion. P/B is near 15 on book value per share of \$24.54. P/FCF is 235.41 on trailing FCF. PEG is 4.54. The generic thresholds in the underlying research framework label P/S above 5 as speculative and P/B above 3 as expensive. Tesla checks every one of those boxes several times over.

A simple normalized earnings exercise confirms the negative margin of safety. Start with TTM net income of \$3.81 billion. Even if you give Tesla full credit for a recovery to a 7% net margin on current revenue, that is \$7.25 billion of net income, or about \$2.05 per share. Apply a generous 40 times multiple to that recovered earnings stream and you get \$82 per share. Apply 50 times and you get \$102. Apply 60 times and you get \$123. None of those outputs justify \$367.16. The market is not paying for normalized automotive earnings. It is paying for an autonomy and robotics option that does not appear in the financial statements. My base-case fair value of \$250 already assumes significant recovery and multiple patience, and it still sits 32% below the current price. The valuation is EXPENSIVE, and the margin of safety is negative.

5. SCENARIO ANALYSIS

The bear case dominates the analysis. In this scenario, China share continues to decline through 2026 and 2027, price competition intensifies, and the autonomy monetization timeline slips further. Revenue grows at only 2% annualized for a decade, net margin stays near 4%, and the terminal multiple contracts to 35 times as the market re-rates Tesla toward a low-margin auto plus speculative tech hybrid. Ten-year EPS reaches approximately \$3.70, and the terminal price is \$130. That is a -10.5% CAGR from \$367.16. This is not a tail event. The data already shows China sales falling, inventory rising, and credit revenue shrinking.

The base case assumes the energy business compounds and automotive stabilizes, but no autonomy windfall. Revenue grows at 7% annually because energy keeps expanding and the global EV fleet continues to convert. Net margin recovers to 6% by 2036. Ten-year EPS reaches approximately \$6.25. A terminal multiple of 40 times, already generous for a capital-intensive automaker, produces a price of \$250. That is a -3.8% CAGR. Even with a recovery, you lose money over a decade because you started at 340 times earnings.

The bull case assumes Tesla executes on robotaxi, FSD version 14, energy storage, and Optimus. Revenue grows at 15% annually, operating leverage returns margins to a normalized 10% net margin, and the market awards a 55 times terminal multiple. Ten-year EPS reaches approximately \$10.90, and the price reaches \$600. That is a +5.0% CAGR. The bull case barely beats a HYSA, and it requires every optionality pillar to work. The probability-weighted return is: $(25\% \times -10.5\%) + (50\% \times -3.8\%) + (25\% \times +5.0\%) = -3.3\%$ annually.

Scenario	10-Year EPS	Terminal P/E	10-Year Price Target	Total CAGR	Weight	Contribution
Bear	\$3.70	35x	\$130.00	-10.5%	25%	-2.63%
Base	\$6.25	40x	\$250.00	-3.8%	50%	-1.90%
Bull	\$10.90	55x	\$600.00	+5.0%	25%	+1.25%
Probability-Weighted				-3.3%	100%	-3.28%

The capital-at-risk calculation is uncomfortable. If the bear case has a 25% probability and the decline is 65%, expected bear-case capital loss on a \$100 position is \$16.25. The maximum drawdown risk is worse than the framework accepts. Tesla has dropped more than 30% within two months on at least eight separate occasions in recent years. The stock fell 17.6% year to date by February 20, 2026, while the S&P 500 rose 13.5%. The downside is not theoretical; it is frequent and violent. The bear case total return fails the absolute requirement that it be at least 0% for a BUY.

6. RISK ASSESSMENT

The business model risks begin with China. January 2026 domestic sales fell 45% year over year to 18,485 units. Xiaomi's YU7 SUV outsold the Model Y more than 2-to-1. BYD took the global pure-EV crown. Trefis says further sharp declines through 2026 could force material guidance cuts for FY2026 deliveries and revenue. The portfolio is concentrated: Model 3 and Model Y made up 95.5% of Q1 2026 deliveries. Production exceeded deliveries by 50,363 vehicles, and inventory days rose to 27 from 22. A business concentrated in two passenger-vehicle platforms cannot be low risk while carrying a high fixed-cost factory network.

Regulatory and litigation risk is rising. Trefis lists a billion-dollar litigation reserve and settlement costs related to FSD and Autopilot. NHTSA reviews Autopilot and FSD, and local firefighters have raised safety concerns. GLJ Research argues a forced hardware-based recall could undermine the robotaxi strategy. Automotive regulatory credit revenue fell 28% in 2025, and Tesla links part of that pressure to U.S. policy actions. This high-margin buffer is disappearing at the same time the company depends on it.

The accounting and governance risks are flagged throughout the packet. The 30 April 2026 10-K/A amendment is unexplained. The 29 September 2026 8-K discloses a termination of a material agreement and a new financial obligation, but the counterparty, agreement, and dollar amount are not provided. The Q2 2026 results include a \$1.00 billion unrealized SpaceX gain and a valuation-allowance release that flatters net income. The \$2.00 billion SpaceX stake and the \$1.95 billion stock-funded AI hardware acquisition introduce related-party capital questions. Undervaluable scores governance 50-60, below average, describing management entrenchment and agency costs.

Key-man risk is material. Elon Musk supplies both the vision and the public attention that drives the premium. If he steps back or shifts focus, no clear successor exists. The governance score and the compensation drama add to this risk. For a wealth preservation mandate, a business that depends on one individual for its valuation narrative is unsuitable.

Macro sensitivity is obvious. UBS lowered first-quarter 2026 delivery estimates on softening demand in key regions. Demand remains vulnerable to pricing, mix, incentives, and regional sentiment. The 2027 U.S. tariffs on Canadian-built vehicles add cost. The broader interest-rate and consumer-sentiment environment affects premium-priced EV demand. The Stage 1 sector screen would reject or heavily penalize a highly cyclical auto manufacturer at this valuation. The recession profile is VULNERABLE because revenue is cyclical, operating leverage is high, and the valuation has no downside support.

7. MANAGEMENT & GOVERNANCE

Elon Musk remains the central figure. The research calls his leadership both the greatest strength and one of the most significant vulnerabilities. Tesla has no comparably visible successor, and the stock's premium depends on his credibility and narrative. That is key-man risk, not governance strength. A wealth preservation investor should not anchor a position to a single personality when the downside is a 65% correction.

The compensation record is not shareholder-aligned in the preservation sense. The board authorized massive stock awards to Musk, and the governance materials reference a proposed unprecedented \$1 trillion package. Beanvest says the outsized stock compensation drags on equity value. The company used a \$1.95 billion all-stock acquisition for an AI hardware business, diluting shareholders rather than paying cash from the \$43.5 billion cash pile. The CFO had 6,538 restricted stock units vest in June 2026 and sold 2,605.5 shares at \$402.20 to satisfy tax withholding. That sale is routine, but it does not signal insider buying.

The 29 September 2026 8-K is a governance open item. It discloses termination of a material agreement and a new financial obligation, but the counterparty, the agreement, and the size are not provided. The 30 April 2026 10-K/A amendment is also unexplained. General Counsel Brandon Ehrhart signed the 2 October 2026 8-K rather than a finance officer, suggesting a legal or administrative matter. These unresolved filings do not strengthen confidence. Management quality is **CONCERNING** for a preservation mandate, and capital allocation history is **POOR** on the evidence available: heavy R&D and factory investment, no dividends, no buybacks, and material stock-based dilution.

8. PEER COMPARISON

The provided packet does not include full peer financials for BYD or legacy automakers, so I will not fabricate numbers. I can compare Tesla on the data available and on competitive outcomes.

Dimension	Tesla (TSLA)	Competitive signal
Trailing P/E	~340	Extreme vs. any traditional automaker
Forward P/E	158.73 cited	Still extreme
P/S	~12.5	Speculative
P/FCF	235.41	No cash return
Dividend yield	0.0%	Legacy automakers often pay 4-7%
Net margin FY2025	4.0%	Low and compressing
China NEV share 2025	8%	Down from 10%
Global pure-EV crown	Lost to BYD in late 2025	BYD sells EVs at \$10K price points
Jan 2026 China sales	-45% YoY	Xiaomi YU7 outsold Model Y 2-to-1

BYD and Xiaomi are taking share with cheaper product. Tesla retains brand, software, and Supercharger advantages, but those advantages did not prevent the 2025 decline in China or the global pure-EV crown change. A preservation portfolio should prefer automakers with lower valuations, dividends, and fortress balance sheets, or should avoid the sector altogether in favor of cash. Tesla fails the peer comparison on valuation and downside protection.

9. KEY METRICS SUMMARY

Metric	Value	Source
Price	\$367.16 / €327.21	Authoritative live price
Shares outstanding	3.54B	Finspry
Market cap	~\$1.30T at current price	Calculated
TTM Revenue	\$103.62B	Yahoo Finance
FY2025 Revenue	\$94.83B	10-K/Tesla Q1 update
FY2023 Revenue	\$96.77B	10-K
FY2025 Net Income	\$3.79B	10-K
FY2023 Net Income	\$14.99B	10-K
FY2025 Diluted EPS	\$1.08	10-K
TTM Diluted EPS	\$1.08	Yahoo Finance
FY2025 FCF	\$6.22B	Tesla Q1 update
H1 2026 OCF	\$8.63B	StockTitan
H1 2026 Capex	\$8.28B	StockTitan
Cash and investments	\$43.52B	StockTitan
Gross margin FY2025	18.0%	Tesla Q1 update
Operating margin FY2025	4.6%	Tesla Q1 update
Q1 2026 gross margin	21.1%	Tesla Q1 update
TTM ROE	4.67%	Yahoo Finance
Trailing P/E	~340	Calculated
Forward P/E	158.73	Yahoo Finance
EV/EBITDA	122.54	Yahoo Finance
P/S	~12.5	Calculated
P/FCF	235.41	Finspry
52-week range	\$297.38–\$498.83	Finspry

10. MONITORING CHECKLIST

Item	Frequency	Action
China CPCA monthly sales and share	Monthly	Audit against 8% share; further decline breaks thesis
Global delivery vs production gap	Quarterly	Inventory days >30 signals demand stress
Auto gross margin ex-credits	Quarterly	<18% with price cuts breaks margin story
Energy segment revenue and margin	Quarterly	Must stay >30% margin and >50% growth to offset a

Item	Frequency	Action
FSD/Autopilot regulatory actions	Continuous	Forced recall or disable changes robotaxi timeline
Capex vs OCF	Quarterly	FCF near zero or negative tightens optionality
Q3 2026 earnings	~Oct 21, 2026	Test beat/miss and guidance against \$134B 2028 p
10-Q for Q3 2026	~Nov 10, 2026	Check FCF, inventory, credit revenue
8-K 29 Sep 2026 investigation	Continuous	Identify terminated material agreement and new obli
SpaceX stake and AI acquisition	Quarterly	Watch related-party fair value and earnout
Share count change	Quarterly	Annual dilution >2% further reduces DCF value

11. MARKET EXPECTATIONS & CONSENSUS

The current price embeds an aggressive pivot. VCP Scanner calculates an implied growth of +58.8% against a PEG of 5.65 and forward P/E of 219.1. That implied growth rate is far above any reported figure. FY2025 revenue declined 2.9%. The market is not pricing the historical auto business. It is pricing a fully capitalized robotaxi, FSD, and Optimus future. The public consensus bull numbers support this read: revenue of \$106.4 billion in 2026, \$119.6 billion in 2027, and \$134.2 billion in 2028; EPS of \$1.70 in 2026 and \$2.13 in 2027; adjusted EBITDA rising from \$15.2 billion to \$23.6 billion. The bull case rests on monetizing the installed fleet and the robotaxi infrastructure.

The bear case receives less attention in the packet. The bear targets of \$128.11 and \$157.00 are far below the current price. They imply the market re-rates Tesla on auto margins and EPS rather than on optionality. The Investing.com margin math shows the path: price cuts halve per-car profit, auto gross margin falls from 26% to 12.5%, and unit growth must be enormous to offset. The analyst dispersion is the widest I have seen in this exercise. The low-to-high target range spans \$128.11 to \$840.00 across sources. Basis Report calls this a 125% spread and advises running your own DCF. I have done that. My base-case fair value is \$250, below the current price.

Consensus ratings disagree across sources. Basis Report has 19 Buy, 21 Hold, and 4 Sell among 44 analysts. VCP Scanner has 34 Buy, 33 Hold, and 15 Sell among 82, with a median target of \$435. The mean target is near \$402.79. Against \$367.16, the consensus mean implies about 10% upside over the next twelve months. That is not enough to compensate for the downside. Short interest is not provided in the packet, so I cannot assess days to cover. Institutional ownership is about 43.7%.

Forward Valuation Metric	Value	Assessment
Forward P/E	158.73 cited	Extreme; implies auto recovery not yet visible
PEG	4.54	Not supported by expected growth
EV/EBITDA	122.54	Speculative
Beta	1.92	High cyclical
P/B	~15 at current price	Expensive
P/S	~12.5	Speculative zone

The valuation would be validated only if deliveries trend toward 1.738 million to 2.008 million and revenue reaches \$106.4 billion to \$134.2 billion while adjusted EBITDA expands to \$23.6 billion, plus evidence that robotaxi and energy monetization can justify targets above \$540. Any disappointment on deliveries, China share, FSD regulatory action, or margin compression against a 158 times to 219 times forward P/E leaves no room for error. The next earnings report, expected around October 21, 2026, is the near-term test.

12. KEY BUSINESS DRIVERS

Driver 1: Automotive deliveries and China share.

Why it matters: The auto segment funds the autonomy and energy pivot; China is the largest EV market and Tesla's share is falling.

Current level: China NEV share 8% in 2025, down from 10%; January 2026 China sales -45% YoY; Q1 2026 production exceeded deliveries by 50,363 vehicles.

Bull threshold: China share stabilizes above 10% and global deliveries track toward 1.738 million in 2026.

Bear threshold: China share falls below 7% or 2026 deliveries miss 1.6 million.

Next data point: Monthly CPCA data; October 21, 2026 Q3 earnings.

Driver 2: Automotive gross margin excluding regulatory credits.

Why it matters: This is the core profitability of the product that generates 73% of revenue; credits are a shrinking, policy-dependent buffer.

Current level: Reported gross margin 21.1% in Q1 2026, but credit revenue fell 28% in 2025.

Bull threshold: Ex-credit auto gross margin holds above 18% with stable pricing.

Bear threshold: Ex-credit margin falls below 14% or price cuts accelerate.

Next data point: Q3 2026 earnings and investor update.

Driver 3: Energy generation and storage revenue growth and margin.

Why it matters: Energy is the strongest growth engine, with margins above 30% and revenue growing over 50% YoY; it must scale to offset auto decline.

Current level: Q1 2026 energy revenue \$2.73 billion vs \$1.635 billion a year earlier.

Bull threshold: Energy revenue growth above 50% with margin above 30%.

Bear threshold: Energy margin compresses sharply, as it did in Q2 2026.

Next data point: Quarterly earnings.

Driver 4: FSD/robotaxi regulatory progress and paid service timeline.

Why it matters: The current stock price mostly reflects autonomous optionality; regulatory setbacks invalidate the valuation.

Current level: Cybercab launched in Austin with commercial service beginning the next day, but NHTSA reviews Autopilot and FSD, and Baird sees paid service no earlier than 2027.

Bull threshold: Regulatory approvals allow paid robotaxi service in multiple cities by 2027.

Bear threshold: Forced recall or FSD disable, or paid service slips beyond 2028.

Next data point: NHTSA filings, 10-Q risk factor updates.

Driver 5: Free cash flow after capex.

Why it matters: Tesla is spending \$20 billion in 2026 on AI and capacity; FCF protects the balance sheet and funds future returns.

Current level: H1 2026 FCF about \$352 million after \$8.28 billion capex.

Bull threshold: H2 2026 FCF exceeds \$4 billion on operating leverage.

Bear threshold: Full-year FCF below \$2 billion or negative.

Next data point: Q3 and FY2026 earnings.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
BYD ADR	BYDDY	Competitor; leads China share	Bearish for TSLA if BYDDY weakens; bearish if TSLA falls below its 200-day average
Consumer Discretionary Select SPDR	XDDR	Sector beta; correlates with premium auto demand	Bullish if XDDR trends above its 200-day average
ARK Innovation ETF	ARKK	High-duration innovation sentiment	Bullish proxy for TSLA rally on holding narrative
US High-Yield Credit Spread	OAS	Macro risk appetite for speculative debt	Bullish if spreads narrow; bearish if spreads widen

Monitoring rule: If BYDDY breaks out on China market-share data while TSLA trades below its 200-day average, re-evaluate the delivery assumption within five days. If ARKK and high-yield credit both weaken in the same week, the multiple is vulnerable to a rapid decline.

EXIT TRIGGERS

For an existing holder, these triggers would force re-evaluation or exit:

- China monthly sales decline more than 20% year over year for two consecutive months: sell on loss of core market.
- Ex-credit automotive gross margin falls below 14% for two quarters: sell on durable margin erosion.
- NHTSA issues a forced recall or disable of FSD/Autopilot: sell on autonomy thesis invalidation.
- FY2026 free cash flow turns negative while capex exceeds \$22 billion: sell on balance sheet strain.
- Analyst consensus revenue for 2027 falls below \$110 billion: sell on growth re-rating.
- Q3 2026 earnings miss on deliveries and the stock breaks below \$297: sell to avoid the bear-case path.
- Any 10-K/A or 8-K restatement affecting prior financial statements: sell on accounting integrity.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Tesla does not meet any absolute requirement of the Wealth Preservation Equity Research Framework. The base case total return is -3.8% annually over ten years. The hurdle is inflation plus 4%, approximately 7%. The bear case total return is -10.5% annually, with a 65% decline to \$130. The probability-weighted return is -3.3% annually. The company pays no dividend. The solvency assessment is ADEQUATE, not FORTRESS, because the current capital cycle consumes nearly all operating cash flow. Earnings quality is QUESTIONABLE due to mark-to-market gains, a tax valuation-allowance release, and declining regulatory credits. Management and governance are CONCERNING. The probability of a greater-than-50% permanent loss is approximately 30%. For a preservation mandate, this is disqualifying.

ANALYST NOTES

Key Assumptions:

- Ten-year horizon from October 2026 to October 2036.
- Base case revenue CAGR of 7%, net margin recovery to 6%, terminal P/E of 40.
- Bull case revenue CAGR of 15%, net margin recovery to 10%, terminal P/E of 55.
- Bear case revenue CAGR of 2%, net margin near 4%, terminal P/E of 35.
- No dividend initiation during the forecast period.
- Shares outstanding held constant at 3.54 billion except for noted dilution; no buybacks modeled.

Limitations:

- The research packet does not provide full five-year financial history for fiscal 2021–2024, so normalized earnings rely on FY2023 and FY2025 plus TTM data.
- Debt-to-equity and interest coverage are not fully disclosed in the provided data; the solvency assessment uses cash position and cash flow quality as proxies.
- Peer valuation multiples are not provided, so the peer comparison is qualitative.
- Short interest and days-to-cover are not provided.
- The 30 April 2026 10-K/A amendment and 29 September 2026 8-K termination are unresolved and could change the risk assessment.
- Analyst price targets and consensus estimates in the packet are dated across multiple periods with conflicting current prices; the report uses the authoritative live price of \$367.16.

Confidence Level: HIGH — The AVOID recommendation does not depend on precision in the scenario model. It follows from the valuation and the business deterioration. Even with generous recovery assumptions, the margin of safety is negative, and the bear case is severe. Tesla has no place in a wealth preservation portfolio at this price.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

CONTINUE THE RESEARCH

This report is one of over 120 equity research analyses published by Moschovakis Capital. Each covers valuation, scenario modelling and risk in the same format as the report you have just read.

Full equity research archive

Latest published research

Enquiries and coverage requests

moschovakiscapital.com

IMPORTANT DISCLOSURES

This report has been prepared by Moschovakis Capital for informational purposes only and does not constitute investment advice, a solicitation, or an offer to buy or sell any security. The information contained herein is based on sources believed to be reliable but is not guaranteed as to accuracy or completeness. Past performance is not indicative of future results. Investing involves risk, including the possible loss of principal. Moschovakis Capital and its affiliates may hold positions in the securities discussed. This document is confidential and intended solely for the recipient. Any reproduction or distribution without prior written consent is prohibited.