

INVESTMENT MEMORANDUM

Tesla, Inc. (NASDAQ: TSLA)

Date: February 11, 2026

| Recommendation | HOLD |
|--------------------|--------|
| Target Price (DCF) | \$81 |
| Current Price | \$340 |
| Upside/(Downside) | -76.1% |

EXECUTIVE SUMMARY

Tesla stands at the intersection of automotive, technology, energy, and robotics. While the company faces significant headwinds from automotive margin compression and delivery challenges, the long-term operational roadmap remains compelling, driven by:

- Leadership position in autonomous driving technology (FSD)
- Optimus humanoid robot platform entering production
- Strong balance sheet with \$44.1B cash and investments
- Vertical integration advantages in manufacturing and AI infrastructure

KEY INVESTMENT HIGHLIGHTS

Strengths

- Revenue growth at record pace (business 69% YoY growth)
- Market leader in EV technology and brand recognition
- 1.1M active FSD subscriptions (+33% YoY)
- Energy storage at record 46.7 GWh deployed in 2025
- Robotaxi service launched with driverless operations in Austin

Risks

- Vehicle deliveries declining (9% YoY in 2025)
- Automotive margins under pressure from competition
- Slower Model 3/Y refresh cycle extends product timeline (Q1 2026)
- Regulatory uncertainty around autonomous vehicles
- Elevated capex requirements for AI and production capacity

KEY FINANCIAL METRICS

| Metric | 2025A | 2026E | 2027E |
|----------------|----------|-----------|-----------|
| Revenue (\$mm) | \$96,160 | \$109,507 | \$130,397 |
| EBITDA (\$mm) | \$15,996 | \$24,162 | \$30,842 |
| FCF (\$mm) | \$6,320 | \$8,265 | \$7,966 |
| EBITDA Margin | 15.1% | 22.0% | 23.6% |

CONCLUSION

We maintain a HOLD rating on Tesla with a traditional valuation target of \$81 based on DCF and comparable companies' analysis. However, that -77% downside from current levels reflects the market pricing in significant optionality for AI, robotics, and energy services not reflected in our base case. Tesla trades at an extreme valuation premium that cannot be justified by its automotive fundamentals or near-term profitability. While the company maintains technological leadership in EVs and has promising long-term optionality in autonomy and energy storage, the current share price of \$434 implies perfection across all speculative initiatives.

For investors already holding positions, we see no evidence at current prices to add, but recognize that Tesla's unique risk-reward profile may warrant continued holding for believers in the multi-decade AI and robotics thesis.

Key Catalysts to Monitor:

- Optimus production ramp and Robotaxi expansion (Q1 2026)
- Optimized Gen 3 ramping and production timeline (Q1 2026)
- Semi truck deliveries and key customer wins
- FSD regulatory approvals in China and Europe
- Q1 2026 delivery and margin performance versus trends