




# TESLA, INC. (TSLA) Q1 2026

## Earnings Report Update

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Tesla Inc. builds electric vehicles and clean energy products. Instead of petrol or diesel cars, it produces battery-powered vehicles such as sedans and SUVs, supported by its network of Supercharger stations.

Beyond automobiles, Tesla also focuses on energy solutions, offering solar panels, solar roofs, and large-scale battery systems for homes, businesses, and power grids.

Its business model is built on manufacturing electric vehicles and developing technologies that enable efficient storage and use of clean energy.

“ Tesla’s Q1 2026 performance showed improved vehicle output, with production rising to 408,386 units from 362,615 in Q1 2025, and deliveries increasing to 358,023 from 336,681. However, energy storage deployments declined to 8.8 GWh from 10.4 GWh, indicating softer growth in the energy segment.

“ The company’s outlook centers on optimizing capacity while advancing AI and software-driven growth, with volumes tied to demand and supply conditions. Profitability is expected to increasingly shift toward higher-margin AI, software, and fleet revenues, supported by strong liquidity and upcoming product ramps, including Cybercab, Tesla Semi, Megapack 3, and Optimus, alongside ongoing infrastructure expansion, reinforce a long-term, platform-driven growth trajectory.

## Expectation Analysis

USD (\$)	Q1 2026	ESTIMATE	BEAT/MISS
REVENUE	22.40B	22.20B	0.80%
EBITDA	3.67B	3.25B	12.80%
EBIT	941M	795M	18.30%
EPS (adjusted)	0.41	0.35	17.80%

## Revenue by Segments

Billion USD	Q1 2025	Q1 2026	YOY
Automotive revenue	13.97	16.23	16.23%
Energy generation & storage	2.73	2.41	-11.79%
Services and others	2.64	3.75	41.96%

Tesla's Q1 2026 performance remains anchored on its automotive segment, which contributed about 72% of total revenue. Growth was supported by higher vehicle deliveries, improved pricing, and increased monetization of software, particularly Full Self-Driving (FSD), though expansion was lower than that experienced in the 2025 quarters.

The Services and Other segment accounted for 17% of revenue and is the fastest-growing area, driven by software, insurance, and subscription offerings. Its scalability and higher margins position Tesla toward a more stable, recurring revenue model.

Energy Generation and Storage contributed 11% but declined year-on-year, reflecting near-term deployment volatility despite ongoing capacity expansion.

## Financial Summary

Billion USD	Q1 2025	Q4 2025	Q1 2026	YOY
Total revenue	19.34	24.90	22.39	15.78%
Cost of revenue	16.18	19.89	17.67	9.18%
Gross profit	3.15	5.01	4.72	49.70%
Operating expense	2.75	3.60	3.78	37.22%
Pre-tax income	0.59	1.18	0.75	26.99%
Net income	0.42	0.86	0.49	16.90%
EPS	0.13	0.26	0.15	15.38%
Total assets	125.11	137.81	143.72	14.88%
Total liabilities	49.69	54.94	58.92	18.57%
Net cash from operations	2.16	3.81	3.94	82.61%
Net cash from investing	-1.65	-6.53	-5.02	-204.24%
Net cash from financing	-0.33	0.71	1.17	453.01%

# Performance Highlights

- Tesla's Q1 2026 performance reflects a solid but normalizing growth trajectory, with total revenue rising +16% YoY to \$22.4B, albeit below the prior peak of \$28.1B recorded in Q3 2025. This moderation signals a transition from rapid expansion to a more balanced growth phase. Profitability improved meaningfully, with operating income surging +136% YoY to \$0.9B and GAAP net income increasing +17% YoY to \$0.48B, while non-GAAP net income rose +56% YoY to \$1.45B. However, the divergence between revenue and profit growth highlights that earnings expansion remains partly constrained by rising cost commitments, particularly in forward-looking investments.
- Margin performance was notably positive, with gross margin expanding to 21.1% (from 16.3%) and operating margin improving to 4.2% (from 2.1%), reflecting enhanced cost efficiency across the business. This margin expansion was primarily driven by lower material input costs, higher vehicle average selling prices (ASP), and increased contribution from high-margin software revenues such as FSD subscriptions. Additionally, one-off benefits related to tariffs and warranty adjustments provided further support, indicating that while structural efficiency is improving, part of the margin uplift is driven by non-recurring factors.
- Cash flow generation remained robust, reinforcing financial resilience, with operating cash flow rising +83% YoY to \$3.9B and free cash flow increasing +117% YoY to \$1.4B, while cash reserves climbed to \$44.7B. This strong liquidity position provides the company with substantial flexibility to fund its aggressive capital allocation strategy. However, this strength is partially offset by a +37% YoY increase in operating expenses, largely driven by AI development, R&D expansion, and stock-based compensation, underscoring a deliberate shift toward long-term technological leadership at the expense of near-term margin expansion.
- Operationally, production growth (+13% YoY) outpaced delivery growth (+6% YoY), leading to a rise in inventory levels (27 days of supply), which signal a short-term demand-supply imbalance. Nonetheless, this is consistent with the company's broader strategic posture, as Q1 reflects a heavy investment phase into AI infrastructure, robotaxi deployment, battery supply chains, and robotics (Optimus). Collectively, these dynamics position the company not merely as an automotive manufacturer, but as an integrated AI-driven mobility and energy platform, with current financial performance increasingly shaped by long-term capability building rather than short-term earnings maximization.

## Concerns Raised

- A key concern is the sharp rise in operating expenses, up 37% YoY, significantly outpacing revenue growth of 16%. Driven by investments in AI, R&D, and stock-based compensation, this pressures operating leverage, with margins still modest at 4.2%, indicating limited translation of revenue into earnings.
- Another weakness is the Energy Generation and Storage segment, which declined 12% YoY. While attributed to timing issues, the drop raises concerns about consistency and its role as a secondary growth driver. Ongoing volatility could delay diversification and sustain reliance on the automotive segment.
- Operationally, inventory levels increased, with days of supply rising to 27 as production growth (+13% YoY) outpaced deliveries (+6% YoY). This divergence reflects either softer demand or distribution inefficiencies, which in the near term, and could necessitate pricing adjustments, thereby posing potential pressure on margins and execution.
- Despite strong revenue scale, profitability remains thin, with GAAP net income of \$0.48bn and operating income of \$0.9bn on \$22.4bn revenue. This reflects a lag between scale and earnings, driven by continued reinvestment. While supportive of long-term growth, it heightens valuation sensitivity, with reliance on future margin expansion rather than current earnings strength.

### OUR INSIGHT

“ Tesla’s Q1 2026 results reinforce its positioning as a long-term platform transition story, with capital being deliberately deployed toward AI, autonomy, and robotics rather than near-term earnings optimization. For long-term investors, the investment case rests on successful scaling and monetization of high-margin software, services, and autonomous mobility ecosystems, supported by strong liquidity and cash generation. Accordingly, the fundamentals justify maintaining core exposure, with any adjustment framed as disciplined rebalancing rather than reduction. In the near term, key watchpoints include the trajectory of operating expenses relative to revenue (cost discipline), normalization of inventory levels versus deliveries (demand absorption), recovery in the energy segment, and early evidence of monetization from AI and FSD-related services, as these will signal whether the reinvestment cycle is translating into sustainable earnings expansion.

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