



TESLA, INC. (TSLA)

Q2 2026

Earnings Report Update

**PREPARED BY:
SAVEST RESEARCH**

Company Overview

Tesla, Inc. is a global electric vehicle and clean energy company providing electric vehicles, energy storage systems, solar energy solutions, and artificial intelligence (AI)-enabled technologies to consumers, businesses, and utility customers worldwide. Its core operations span electric vehicle manufacturing, battery technology, energy generation and storage, charging infrastructure, vehicle software, and autonomous driving technologies, serving customers across major international markets.

The company designs, manufactures, and sells electric sedans and sport utility vehicles, supported by its global Supercharger network, direct sales model, vehicle financing, servicing, and software-enabled features through its Automotive segment. Its Energy Generation and Storage segment provides utility-scale and residential battery storage solutions, including Megapack and Powerwall, alongside solar panels, Solar Roof systems, and related energy services. Leveraging its integrated ecosystem of electric mobility, energy storage, software, and AI technologies, Tesla delivers sustainable transportation and clean energy solutions while continuing to advance autonomous driving, battery innovation, and intelligent energy management.

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Tesla remains focused on maximizing production capacity and expanding deliveries in line with market demand and supply chain readiness while maintaining a strong balance sheet and sufficient liquidity to support its long-term product roadmap, capacity expansion, and vertical integration initiatives. Management expects continued cost reductions in manufacturing and operations, with future profitability increasingly supported by AI, software, and fleet-based services alongside its hardware business. The company also confirmed that Tesla Semi, Megapack 3, and Optimus remain on track for production in 2026, while investments in AI computing infrastructure, battery materials, semiconductor manufacturing, and solar energy continue to support its long-term growth strategy.

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Outlook

Expectation Analysis

USD	Q2 2026	ESTIMATE	BEAT/MISS
REVENUE	28.2B	26.4B	6.8%
EBITDA	3.27B	3.97B	-17.5%
EBIT	398M	1.37B	-70.9%
EPS (adjusted)	0.33	0.54	-38.4%

Source: Quartr

Revenue by Segment

Million USD	Q2 2025	Q2 2026	YOY
Total automotive revenues	16,661	20,516	23.14%
Energy generation and storage	2,789	3,139	12.55%
Services and other	3,046	4,581	50.39%

Financial Summary

Million USD	Q2 2025	Q2 2026	YOY
Total revenues	22,496	28,236	25.52%
Gross profit	3,878	4,751	22.51%
Income from operations	923	398	-56.88%
Income before income taxes	1,549	1,329	-14.20%
Net income	1,190	1,128	-5.21%
Net income per share	0.36	0.34	-5.56%
Net cash from operation	2,540	4,697	84.92%
Net cash from investing	(2,944)	(5,928)	-101.36%
Net cash from financing	(222)	37	116.67%
Net change in cash	(515)	(1,230)	-138.83%
Closing cash balance	16,735	16,425	-1.85%

Source: Company's Financial Statement

Performance Highlights

- Tesla delivered strong top-line growth in Q2 2026, with revenue rising 26% YoY, driven by record vehicle deliveries, a recovery in the Energy business and continued momentum in Services. Automotive remained the principal revenue driver, supported by a 25% increase in deliveries, expansion into new markets and stronger Model 3/Y demand, while Energy and Services continued to diversify the company's revenue base beyond vehicle sales.
- The automotive business benefited from higher production efficiency and broader market penetration. Vehicle production increased 10%, while deliveries rose 25%, reflecting stronger demand across both established and emerging markets. Inventory levels also improved materially, with days of supply declining 38%, while the launch of the Model YL and commencement of Cybercab production reinforced Tesla's long-term manufacturing expansion strategy.
- Tesla's Energy and Services businesses maintained strong momentum during the quarter. Energy Storage deployments increased 41%, supported by higher Megapack production and the continued ramp-up of Megafactory Shanghai, while Services revenue grew 50%, delivering record profitability and a 14% gross margin. Software adoption also accelerated, with FSD subscriptions increasing 56% and more than 55% of new North American deliveries including FSD subscriptions, further strengthening recurring revenue.
- Profitability softened as Tesla accelerated investment across AI, robotics and manufacturing infrastructure. Operating expenses increased 47%, outpacing revenue growth and contributing to a 57% decline in operating income. Consequently, operating margin narrowed to 1.4%, while gross margin compressed to 16.8%, reflecting the near-term impact of higher production costs and continued investment in Cybercab, Optimus, AI compute and semiconductor capabilities.
- Operating cash flow increased 85%, reflecting stronger underlying business activity. However, capital expenditure surged 142% as Tesla accelerated investment in AI infrastructure, battery manufacturing, robotics and production capacity, resulting in negative free cash flow for the quarter. Nevertheless, the company maintained a strong liquidity position with \$43.5 billion in cash and short-term investments, providing ample capacity to fund its long-term expansion strategy.
- Strategically, Tesla continued advancing its transformation into an AI and autonomous mobility platform. During the quarter, the company began Cybercab production, expanded Robotaxi operations, increased AI training compute capacity, progressed semiconductor and battery manufacturing, advanced Optimus production and further expanded its Supercharger network. These initiatives reinforce Tesla's long-term strategy of building a diversified ecosystem spanning electric vehicles, AI, robotics, autonomous mobility and energy infrastructure.

Concerns Raised

The most significant concern remains margin compression. While revenue increased 26%, operating expenses expanded 47%, causing operating income to decline 57% and operating margin to compress to 1.4%. This highlights the substantial near-term earnings pressure associated with Tesla's aggressive investment programme and raises questions about the pace at which these investments can translate into sustainable profitability.

Capital intensity also remains elevated. Capital expenditure more than doubled during the quarter, resulting in negative free cash flow despite stronger operating cash generation. Although these investments are directed toward AI infrastructure, battery production, robotics and manufacturing expansion, their commercial returns remain dependent on successful execution and large-scale adoption of Cybercab, Optimus and autonomous driving technologies.

Finally, Tesla's long-term strategy increasingly depends on the successful commercialization of AI-driven businesses. While FSD subscriptions, Robotaxi deployment and AI infrastructure continue to advance, these businesses remain in the early stages of monetisation and are subject to technological, regulatory and execution risks. Delays in approvals or slower-than-expected adoption could extend the period of elevated investment before meaningful earnings contributions materialise.

OUR INSIGHT

“ Tesla's Q2 2026 results reinforce its long-term investment thesis, supported by record vehicle deliveries, accelerating growth in Energy and Services, expanding software adoption and continued progress in autonomous driving and AI infrastructure. The company is steadily diversifying beyond vehicle manufacturing, with recurring software revenue, energy storage and autonomous mobility becoming increasingly important components of its long-term growth strategy.

The long-term outlook remains constructive, underpinned by Tesla's leadership in electric vehicles, battery technology, AI and robotics, supported by a strong balance sheet and substantial liquidity. However, investors should expect near-term earnings to remain constrained by elevated investment spending. Key watchpoints include the recovery in operating margins, free cash flow generation, commercialization of Robotaxi and Optimus, returns on AI infrastructure investments, battery production ramp-up and sustained demand for Tesla's core vehicle portfolio.

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