

Tesla Slows Cash Burn as Musk's Model 3 Production Picks Up

By Dana Hull, August 1, 2018 (excerpt)

Tesla Inc. burned through less cash than analysts expected last quarter and stood firm with Chief Executive Officer Elon Musk's projection that profit is around the corner after years of losses.

Free cash flow was negative \$739 million for the three months ended in June, Musk wrote in a letter to shareholders Wednesday. Analysts were projecting Tesla would go through about \$900 million during the period, after burning more than \$1 billion in three of the previous four quarters. Its shares surged after the close of regular trading.

Burning Less

Tesla's free cash flow was negative \$739 million in the second quarter

Musk, 47, has been adamant that Tesla won't need to raise more capital this year, an outlook Wall Street has doubted after the company repeatedly pushed back manufacturing targets for the Model 3. The sedan that was central to the company's mission since its founding in 2003 -- to bring electric vehicles to the masses -- has picked up the pace in recent months, with the carmaker expecting to build as many as 55,000 units this quarter. ...

... Tesla stock climbed as much as 5.7 percent to \$317.95 as of 5 p.m. in New York. The stock was down 3.4 percent through Wednesday's session.

Impressed Short

Tesla ended June with about \$2.2 billion in cash on its balance sheet, the least it's carried since the first quarter of 2016. But the progress the company made slowing how much it was burning through won plaudits even from skeptics.

"I was impressed with their negative free cash flow," said David Kudla, CEO of Mainstay Capital Management, which is betting against Tesla. "I'm more concerned about quality issues and service issues." ...