

## Tesla Sparks Fresh Cash Concerns After Model 2 Rollout Stumbles

By David Welch, November 3, 2017 (excerpt)

Tesla Inc.'s delay in getting mass production going is increasing the likelihood that Chief Executive Officer Elon Musk will need to turn to Wall Street for more capital.

With battery bottlenecks holding up output of the cheaper new Model 3 sedan, Tesla may need more funds in 2018. While Musk has brought in more than \$3 billion this year from equity, convertible bond and debt offerings, his electric-car maker has burned through about \$2.6 billion in cash during just the last two quarters...

... But the longer Tesla struggles to get production in gear for the \$35,000 Model 3 sedan, the likelier it is the company will be testing investors' patience. The stock has traded at the lowest intraday level in six months late this week after the company pushed back its 5,000-per-week target for Model 3 output. Musk also shied away from a projection made three months ago that Tesla would be able to build 10,000 units per week at some point in 2018.

### 'Dose of Reality'

"There is a dose of reality for Tesla and the market's reaction is reflecting that," said David Kudla, chief executive officer of Mainstay Capital Management LLC. "This raises the question: Can they ever get positive cash flow? Will they ever get there?"

While Tesla exited the third quarter with about \$3.5 billion cash in hand, the company is pouring money into its assembly lines and toward the buildup of battery production it needs to deliver more cars and bring in cash.

Tesla forecast \$1 billion in capital expenditures during the fourth quarter, roughly in line with its spending in the third quarter. Next year, total outlays will be comparable to 2017 levels, Musk told analysts Wednesday on a conference call...

### Production Hell

...Musk didn't say anything about needing more cash during the earnings call. Tesla Chief Financial Officer Deepak Ahuja said that the delays will not have a big financial impact in part because Tesla buys parts and materials and pays suppliers back much later on. So long as Tesla gets out of what Musk called "production hell" and gets to 5,000 cars a week by the end of the first quarter, the impact will be minimal, Musk said.

...If Tesla does ultimately need to raise more funds, it'll come at a cost, said Kudla, the fund manager.

"At some point, you have to look at the fundamentals," he said. "They can raise more money, but the cost of that capital will get higher and higher."