

The Detroit News

Business & Autos | Wednesday, August 2, 2017

Tesla loses \$336.4M in Q2, expects costs to rise

BY IAN THIBODEAU (excerpt)

Tesla Inc. lost \$336.4 million in the second quarter, but CEO Elon Musk said the company's revenue will eclipse operating costs soon.

He just didn't say when that would happen.

The company lost \$43.2 million more than it did in the same period last year, a difference of 14 percent.

Through the first half of the year, the Silicon Valley electric-vehicle maker lost \$666.7 million, nearly 16 percent more than it lost in the first half of 2016.

Tesla - which has never posted a profit - expects costs to continue to rise through the next quarter because of increased labor and overhead costs as production of the Model 3 sedan revs up. ...

...In a call with investors Wednesday afternoon, Musk said the company has 455,000 reservations for the Model 3 sedan, which starts at about \$35,000, and Musk said if someone were to order one today, they wouldn't get the car until late 2018. Tesla delivered the first 30 production models of the car last week. ...

...Tesla's second-quarter revenue totaled \$2.79 billion, more than a billion dollars up from the same period a year ago. Unadjusted earnings per share totaled a loss of \$2.04, slightly better than the \$2.09 a share loss it posted in the same period a year ago. According to the balance sheet made available Wednesday after the markets closed, Tesla has \$26 billion in total assets, and \$3.03 billion in cash and cash equivalents at the end of the second quarter.

Musk expects to spend \$2 billion through the second half of the year for ramping up production of the Model 3, among other things. Tesla spent \$498.5 million on operating expenses in the first half of the year. ...

...Tesla stock was up around 8 percent in after-hours trading at \$352 per share.

Most analysts continue to question Tesla's share value and how close it will come to its production targets. ...

...David Kudla, chief investment strategist with Mainstay Capital Management in Grand Blanc, said Musk is continuing to tease future profits without concrete examples.

Musk said during a call with investors that the Model 3 would reach 25 percent gross margin at some point around the time the company begins producing 5,000 vehicles per week, but when pressed for specifics on a timeline or exact number of vehicles the company needs to sell to see that profit on a vehicle, Musk balked.

Kudla said, "If it were any other company, that would be baked into their business plan. They just don't know. They have never built this car, and they have never ramped up production to these levels. Where they're going is really uncharted territory for Tesla." ...

...Kudla said Musk remains a visionary, and the Model 3 roll-out has been superb, but Tesla remains a "story stock. He said the company will run out of money within several months if it continues to burn cash at the current rate.

"At some point that stock price has to face reality, and that's going to come in the next several months," Kudla said. ...