



REUTERS

# Tesla shares fall on worries about Model 3 production rate

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(Reuters) - Tesla Inc (TSLA.O) shares slumped 5 percent on Monday as investors awaited production numbers for the closely watched Model 3, a cheaper vehicle that analysts see as crucial to the luxury electric automaker's long-term profitability.

A recent crash involving Tesla's autopilot technology and concerns about the company's ability to raise new capital also took a toll.

Tesla, founded by billionaire Elon Musk, declined to comment on production numbers for the Model 3, which are expected to be released this week.

The stock briefly pared losses after auto industry blogs - citing an unverified memo - reported that production of the Model 3 passed the 2,000 per week production rate. That would be short of Tesla's own target of 2,500 per week for the end of March but far above the 793 Model 3s built in the final week of last year.

"Musk himself is focusing time on Model 3 production because it is the "highest priority," a Tesla spokesman said on Monday, saying that engineering chief Doug Field was focused on vehicle engineering.

The company's statement followed a report that Musk had taken charge of Model 3 production after several missed production deadlines.

In a series of tweets Musk said he had asked Field to manage both engineering and production to better align both businesses, a year earlier.

"Right now, tho(ugh), better to divide & conquer, so I'm back to sleeping at factory," he tweeted.

Some buy-side Tesla watchers questioned whether the company could sustain such numbers - if they prove to be true - and also worried about profitability. ...

...Another investor who said he has profitably sold Tesla shares short four times in the last 18 months was also skeptical.

"Are they really at 2,000 or did they just stuff their system to achieve 2,000 for last week?" said David Kudla, chief executive and chief investment strategist at Mainstay Capital Management, who said he currently has no bets on Tesla.

"The only position I'd have on it is short because they aren't making any money. Their operating losses are growing. The stock's been overvalued for months," he said. ...

...Tesla's shares closed down \$13.65 at \$252.48 on Monday, after earlier hitting their lowest level in just over a year. So far in 2018, the shares are down 19 percent, at a time when technology shares have suffered particularly as stock prices fall across the board. ...