

Tesla lost \$702 million after two profitable quarters

By Breana Noble (excerpt)

After two consecutive quarters of profits, Tesla Inc. lost more than \$702 million for the first quarter of 2019.

The Silicon Valley automaker said Wednesday the loss was on revenue of more than \$4.5 billion, but sales of its electric cars slumped and demand appeared to be waning.

Tesla had attributed its previous two consecutive profitable quarters, the first in its 15-year history, to sales of the Model 3 sedan, which has a starting sticker price of about \$35,000 and was previously plagued by production problems.

But Model 3 sales dipped from more than 63,000 deliveries in the fourth quarter of 2018 to nearly 51,000 in the first quarter of 2019. The company has said it expects to build 7,000 of the vehicles per week by the end of 2019. Overall, deliveries fell 31 percent.

A \$920-million convertible bond repayment contributed to losses. The launch of Model 3 sales in China and Europe contributed to an increase in foreign deliveries, which overwhelmed the system and contributed to delays. Half of the quarter's deliveries happened in its last 10 days. ...

... "Elon's disdain for lidar when the rest of the industry considers it a critical part of the autonomous solution, is reminiscent of how he boasted he would revolutionize auto manufacturing with the Model 3," David Kudla, chief investment strategist for Mainstay Capital Management, said in a statement. "It didn't happen."

Tesla has taken steps to bring its finances in line, cutting 7 percent of its workforce in January after it cut 9 percent in June 2018. The cuts resulted in 6,750 workers losing their jobs.

Tesla is also battling the loss of its \$7,500 federal tax cut that it has defrayed costs of its electric cars. The company hit the 200,000 electric vehicle credits per manufacturer limit in 2018, triggering a reduction of its credits by half every six months until it hits zero.

The company also will introduce an insurance product in about a month, Musk said in a response to a question concerning challenges Tesla owners face with insurance companies.

"It will be much more compelling than anything else out there," he said.

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