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Tesla Sets Record for Car Deliveries, but Challenges Remain

By Heather Somerville (excerpt)

Tesla Inc. delivered a record number of cars in the third quarter, but faces the pressure of topping that number in the next three months to meet its full-year target.

The Silicon Valley car maker on Wednesday said it delivered 97,000 vehicles in the quarter ended Sept. 30. That topped the 95,200 cars customers received during the second quarter. But the latest figure fell short of the 99,000 deliveries that analysts surveyed by FactSet expected, even as it marked a 16% jump from the year-ago period.

Tesla has been ramping up production as it attempts to transition from a niche electric-car maker to a mass producer. The company now has two consecutive quarters of record deliveries after a slow start to the year.

But the electric-car maker still is at least 104,800 deliveries short of reaching the low end of its full-year projection of 360,000-to-400,000 cars into customers' hands by the end of 2019.

Meeting that goal comes with other challenges. Tesla has to contend with the elimination of a federal tax credit to its customers, which could weigh on demand.

Tesla felt the impact of lower credits in the first quarter, when deliveries declined 31% from the end of 2018, after a federal tax benefit was halved. The tax credit decreased again in July and will be eliminated at the start of next year, which analysts expect will hurt sales. ...

... The Model 3 again made up the majority of Tesla's deliveries in the third quarter, or 79,600 cars, an

increase of 43% from a year ago and about 2,000 more of those cars than the second quarter.

But investors and analysts have expressed concern that demand for the Model 3 has already peaked—pointing to competitive pressures from other electric-car makers and pricing that is out of reach for some potential buyers. Meanwhile, Tesla has bet the compact car, with a starting price of about \$35,000, can help propel its annual car production from the tens of thousands to millions.

“When we talk about where the revenue is really going to come from for the foreseeable future, it really is the Model 3,” said David Kudla, founder and chief executive of Mainstay Capital Management. He added those sales risk cannibalizing sales of the more expensive models, which are also under pressure from rival auto makers, including Porsche AG, that are introducing electric cars. Mr. Kudla is a short-seller of Tesla stock, profiting when the company's share price declines.

“The best days of Tesla of operating in a vacuum are over,” Mr. Kudla added. ...