

# Tesla's 4Q profit falls on strong dollar, delayed shipments (Update)

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In this Saturday, Jan. 3, 2015 photo, shoppers check out the Tesla model S at the Tesla showroom at the the Third Street Promenade in Santa Monica, Calif. Tesla Motors Inc. reports quarterly financial results after the market closes on Wednesday, Feb. 11, 2015. (AP Photo/Richard Vogel)

Tesla Motors ended 2014 on a sour note, with production hiccups and a bungled launch in China, but the electric car maker is confident it can significantly grow sales this year as it launches a new SUV.

Tesla's fourth-quarter loss widened because of the impact of the strong dollar on its profits from overseas sales and a delay in shipments of its new all-wheel-drive Model S sedan.

The Palo Alto, California, company said it held back shipments of its new all-wheel-drive version of the Model S sedan—which was launched in November—to make sure it would meet customers' expectations. While it was able to make up production later in the quarter, it was unable to ship around 1,400 vehicles in December.

Deliveries to customers in the fourth quarter totaled 9,834, up from 6,892 a year ago.

The strong dollar also had a negative impact, but CEO Elon Musk said he's reluctant to raise the price of the Model S, which starts at \$71,000, to boost margins.

"It's not a cheap car. For the vast majority of our customers it's the most expensive car they've ever bought," Musk told analysts on a conference call late Wednesday.

Tesla currently makes one car, the Model S. Its Model X SUV is scheduled to go on sale this fall, while the Model 3, a \$35,000 car, is expected to go on sale in 2017.

Musk acknowledged that the company had a rough start last year in China, where customers were unsure how difficult it would be to charge their vehicles. But he said Tesla will be able to turn things around. The company has already added maps and navigation to its cars in China, for example, to meet customers' demands.

"I'm confident, just as we're seeing high demand in every other part of the world, we'll see it in China as well," he said.

In an email to employees this week, Musk took a more serious tone, noting that the company sacked two managers in China last year and will fire or demote others who aren't "on a clear path to positive long-term cash flow."

"We have no choice in this regard. There is no way that we can afford to subsidize a region of any size in the long term without causing serious harm to the company," Musk said in the email, which was obtained by The Associated Press.

The company said capital spending and operating expenses will increase this year as it continues building a huge battery factory in Nevada and expanding its network of Superchargers, which can charge a Model S battery in minutes. Launch costs for the Model X also will be significant.

But Musk said Tesla will end this year with positive cash flow because of the impact of Model X sales. Tesla said it expects to deliver 55,000 vehicles in 2015, up from 31,655 in 2014.

Tesla's fourth-quarter loss of \$107.6 million, or 86 cents per share, compared to a loss of \$16.3 million, or 13 cents per share, in the October-December period a year ago.

Tesla says unadjusted figures do not reflect its true performance because accounting rules limit how it records revenue for leases. On an adjusted basis, the company lost 13 cents per share in the fourth quarter. Analysts polled by FactSet predicted a profit of 30 cents per share.

Fourth quarter revenue rose 55 percent to \$956.6 million. Adjusted revenue of \$1.1 billion missed analysts' forecast of \$1.23 billion.

Tesla's stock slid 4 percent to \$204.50 in after-hours trading.

For the full year, Tesla lost \$294 million. Revenue jumped 60 percent to \$3.19 billion.

Tesla, which was founded in 2003, has never posted a full-year profit. Musk said last month that Tesla may not show an unadjusted profit until 2020, when it is selling an estimated 500,000 cars per year.

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