

# Tesla's 3Q loss widens, but shares rise on production

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In this March 17, 2014 file photo, Tesla representative John Van Cleave, right, shows customers Sarah and Robert Reynolds, left, and Vince Giardina, a new Tesla all electric car at a Tesla showroom inside the Kenwood Towne Centre in Cincinnati. Tesla reports quarterly financial results on Tuesday, Nov. 3, 2015. (AP Photo/Al Behrman, File)

Tesla Motors' net loss more than tripled in the third quarter as expenses and research costs rose, but investors cheered news that the company expects to meet or exceed its production targets this year.

The Palo Alto, California-based electric car maker said it expects to produce between 50,000 and 52,000 vehicles this year. That's lower than the target of 55,000 it set earlier this year, but meets an updated forecast the company provided in August. Tesla shares rose almost 10 percent in after-hours trading.

Tesla's loss of \$229.9 million, or \$1.78 per share, compares to a loss of \$74.7 million, or 60 cents per share, in the July-September period a year ago.

Tesla said it delivered 11,603 vehicles in the third quarter, slightly ahead of its plan and up from 7,785 in the same period a year ago.

Among those were a handful of new Model X SUVs, which the company delivered to the first customers at the end of September. Tesla CEO Elon Musk said only a few small issues have cropped up during the Model X production launch, like difficulty sealing its elaborate falcon-wing doors. Musk said the company is on track to build between 15,000 and 17,000 vehicles in the fourth quarter.

"We feel very confident that we can get to several hundred vehicles per week by the end of the year," Musk told analysts in a conference call.

Tesla said the average selling price of its other vehicle, the Model S sedan, declined slightly in the third quarter because it began offering a lower-priced, \$75,000 variant with a smaller battery. The typical Model S sells for closer to \$90,000.

Tesla confirmed that its next vehicle, the \$35,000 Model 3, is on track for an unveiling in late March. It is set to go on sale in 2017.

Revenue rose 10 percent to \$936.8 million. Tesla's operating expenses rose 43 percent during the quarter and included \$52 million in stock-

based compensation. Research and development costs declined from the second quarter as the Model X and Tesla's new semi-autonomous Autopilot system went on the market, but they were up 32 percent from the same quarter a year ago.

Musk dismissed reports that the Autopilot system has caused some drivers to go off the road. He has repeatedly said that the system is only meant to aid drivers, not replace them, and drivers need to keep their hands on the wheel. He also said the system is designed to learn and improve over time.

"I don't think it should be surprising that there were reports of errors," he said. "The system will learn over time and get better. Exactly what we described is occurring. I would expect that learning to accelerate, and it'll start to feel quite refined within a few months."

Tesla spent \$392 million to expand its Fremont, California, factory for Model X production and continue construction of its battery factory near Reno, Nevada. The company recently started making battery cells at the factory for its Tesla Energy home battery business.

Tesla said it expects to invest \$1.7 billion in the battery factory and other capital projects this year.

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 58 cents per share. That fell short of analysts surveyed by Zacks Investment Research, who forecast a loss of 53 cents.

Tesla's adjusted revenue of \$1.24 billion beat analysts' forecast of \$1.21 billion.

Shares in Tesla Motors Inc. were up \$19.82 to \$228.17 in extended

trading after the release of the earnings report.

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