

# Tesla loss widens as company works to speed production (Update)

August 3 2016

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In this Tuesday, July 26, 2016, file photo, Elon Musk, CEO of Tesla Motors Inc., left, discusses the company's new Gigafactory in Sparks, Nev. On Wednesday, Aug. 3, 2016, Tesla reports financial results. (AP Photo/Rich Pedroncelli, File)

Tesla Motors reported Wednesday a larger second-quarter loss than expected as it worked to speed production in the face of strong demand for its electric cars.

Tesla reported a net loss of \$293.2 million, or \$2.09 per share, in the quarter ended on June 30, up from a \$184.2 million loss in the same period a year earlier.

Revenue at the California-based company climbed to \$1.27 billion in the second quarter from \$955 million a year ago.

Investors pushed shares lower after Tesla's post-market earnings report. Shares fell 0.3 percent in after-hours trade after closing down 0.6 percent at \$225.79 on the Nasdaq.

Tesla has completed the design phase for its Model 3 and increased overall vehicle production, said company chief executive Elon Musk.

Tesla delivered 14,402 new vehicles in the quarter, with 9,764 of them being Model S sedans starting at \$70,000.

While an improvement, the number fell short of a production target of 17,000 vehicles that had previously been set by Tesla.

Production and demand are on track to support deliveries of approximately 50,000 new Model S and Model X vehicles during the second half of 2016, according to Tesla.

"We were in production hell for the first six months of the year; we managed to climb out of that," Musk said during an earnings call.

"Now, the production line is humming."

He said that producing 2,000 cars each week "feels like a good number" at the moment and that efficiency is quickly improving.

## **Alien Dreadnaught**

The Tesla Model 3 has been designed to be efficiently produced and benefit from a "machine that makes the machine" approach on the assembly line, according to Musk.

Internally, the vision turning the Tesla factory into a sophisticated machine that cranks out cars is referred to as creating an "alien dreadnaught," the chief executive said.

"The point at which the factory looks like an alien dreadnaught, you know you've won," Musk said.

He sidestepped questions about work Tesla is doing to improve autonomous driving capabilities of its cars, promising the company would soon make an announcement along those lines that would "blow people's minds."

Tesla is out to develop advanced artificial intelligence that is narrowly focused on safely maneuvering automobiles, according to the company.

Musk described it as AI that "is not going to take over the world, but it is really good at driving a car."

The National Highway Traffic Safety Administration has asked the company to supply detailed information on the car involved in a fatal May 7 crash in Florida, including Tesla's own analysis of what happened and of possible problems with its Autopilot feature.

They also demanded all Tesla's records of other crashes and driver complaints, and details on the functioning of the cars' automatic emergency braking system.

Musk has defended the company's technology—the most advanced driver-assist system currently available to consumers—as on the balance

safer than regular cars, noting the Florida accident was the first fatality in a Tesla linked to Autopilot.

Tesla acknowledged the crash and said its sensors failed to pick up the white side of the truck against a brightly lit sky.

"We aren't entirely clear as to why they opened a formal investigation," Musk said of US regulators.

"We had already given them all the information; there wasn't really anything more to learn."

## **SolarCity**

The earnings report came two days after Tesla announced an agreement to acquire solar power company SolarCity for \$2.6 billion.

Tesla announced the bid in late June, but it drew jeers on Wall Street, in part because of skepticism over the motives of Musk, who is chairman of SolarCity as well as its biggest shareholder.

Some analysts also questioned whether the deal—which still requires shareholder approval from both companies—would divert Tesla's attention from an ambitious plan to significantly expand electric-car production in the next few years.

Tesla has had annual losses the last five years. SolarCity lost \$21.5 million in the first quarter and also has a record of annual losses.

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Citation: Tesla loss widens as company works to speed production (Update) (2016, August 3) retrieved 13 May 2024 from <https://phys.org/news/2016-08-tesla-loss-widens-company->

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