

Tesla stock skids on reports it asked suppliers for refunds

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In this April 15, 2018, file photo, the sun shines off the rear deck of a roadster on a Tesla dealer's lot in the south Denver suburb of Littleton, Colo. Tesla stock is sinking Monday, July 23, after the Wall Street Journal reported that the company asked suppliers for refunds to help it turn a profit. (AP Photo/David Zalubowski, File)

Shares of Tesla tumbled Monday on reports that the company asked suppliers for refunds to help it turn a profit.

A memo provided to The Wall Street Journal shows the electric car maker asked a supplier to return what it calls a meaningful amount of money on its payments since 2016. The memo said all suppliers were being asked to help the company become profitable.

Tesla declined to comment on the specific memo, but confirmed that it is seeking price reductions from suppliers for projects, some of which date back that far.

Tesla stock fell 3.5 percent to \$302.61 Monday afternoon. It's down from a peak of \$385 in September, with many investors growing concerned about Tesla's spending and its ability to meet its production goals.

The request raised more questions about Tesla's cash position. The 15-year-old company has reported only two quarterly profits in its history and has never made a profit for a full year. It is spending about \$1 billion a quarter as it ramps up manufacturing of the Model 3 sedan, a lower-priced car that is key to Tesla's plans of becoming a major mass-market automaker.

"What stuck out to us as a negative is that Tesla's memo reportedly described the request as essential to the company's continued operation," Citi Investment Research analyst Itay Michaeli wrote in a note to clients.

Efraim Levy, a senior equity analyst for CFRA, said he found Tesla's request unusual.

"I haven't heard of this being done before and I've been following the industry for 20 years," he said. "It sounds like something that happens when you're struggling."

Tesla had \$2.7 billion in cash on hand at the end of the first quarter and

many experts think it will need to raise money soon. One way to do that is by selling stock, which could send its share price lower still.

CEO and top shareholder Elon Musk has said that Tesla intends to become profitable in the second half of 2018, and analysts said Monday that the memo is an attempt to meet that goal. But they said if Tesla has to try this hard to meet its target, it might be a self-defeating effort.

"If there are any one-time windfalls that aid in Tesla achieving its profit goals, we expect the market would view that as unsustainable," said Jamie Albertine, senior automotive analyst for Consumer Edge.

In June the company said it was eliminating 3,600 jobs, or 9 percent of its staff, as part of a restructuring effort. At the beginning of July the company said it met a long-time target of building 5,000 Model 3s in a week, but industry analysts have questioned whether Tesla can sustain that pace.

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