

Tesla hit with big loss as car deliveries sputter

April 25 2019, by Glenn Chapman



Visitors walk past a Tesla Model 3 at the Shanghai Auto Show in China on April 17, 2019

Electric carmaker Tesla on Wednesday announced a heavy loss in the first quarter as car deliveries sputtered overseas and a US tax credit that



made its prices more attractive was reduced.

The California-based company reported a loss of \$702 million in the first three months of this year after two consecutive quarters of profit.

Tesla produced about 63,000 Model 3 vehicles in the period, an increase of three percent from the same quarter a year earlier but fewer than had been anticipated.

The company attributed its disappointing financial results to Model 3 shipping delays, particularly in Europe and China.

Overall company revenue in the period rose 33 percent to \$4.5 billion in a year-over-year comparison, but fell far short of Wall Street forecasts.

The company's shares that finished the formal trading day down nearly two percent to \$258.66 were essentially flat in after-market trades that followed release of the earnings figures.

Tesla's quarterly loss followed changes to pricing and reversals in the way the company sells vehicles.

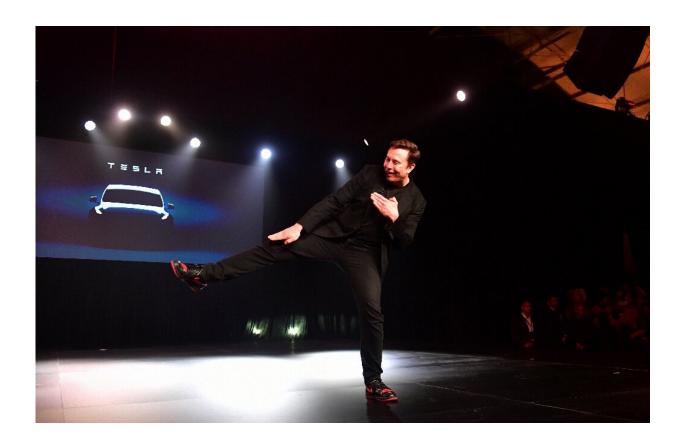
'Running out of steam'

In late February Tesla said its Model 3—heralded as an electric car for the masses—was available for order online only, at a price of \$35,000 with delivery promised within a month.

The following month it reversed course, saying it would keep many of its showrooms open—but would need to hike prices to do so.

Then, in April, the carmaker ended internet sales of its cheapest Model 3 sedan in another shift to the company's retail strategy.





Tesla CEO Elon Musk, gesturing during unveiling of the new Tesla Model Y in March, 2019, is targeting production of a possible 500,000 vehicles worldwide in 2019

Tesla planned to keep taking online orders for the Standard Plus Model 3, which starts at \$39,500 and became the lowest-price option available to digital consumers.

But online customers could no longer order the Model 3 Standard for \$35,000, a long-promised price for a vehicle that has been seen as essential to CEO Elon Musk's ambition to disrupt the auto industry.

A challenge to vehicle demand has been the lowering of a US tax credit



on Tesla vehicles to \$3,500 from \$7,500 previously.

Jessica Caldwell, Edmunds.com executive director of industry analysis, said there were "many signals that the brand is running out of steam."

Edmunds research indicated that most of the vehicles Tesla made in the <u>first quarter</u> were shipped overseas, suggesting US demand was softening, according to Caldwell.

Nonetheless, Tesla was confident it would get past the financial speedbumps and into a smoother road to improved fortune.

Musk contended that demand for Tesla vehicles is solid and <u>vehicle</u> production numbers would increase in the current quarter.

Tesla vowed to significantly reduce losses this quarter and aimed to return to profit in the following three months.

The <u>company</u> expected to remain on course to deliver between 360,000 and 400,000 vehicles in total this year, topping 2018 numbers by at least 45 percent.

"If our Gigafactory Shanghai is able to reach <u>volume production</u> early in Q4 this year, we may be able to produce as many as 500,000 vehicles globally in 2019," Musk and freshly-installed chief financial officer Zachary Kirkhorn said in a letter to investors.

"This is an aggressive schedule, but it is what we are targeting."

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