

The Detroit News

February 8, 2018

Tesla loses record \$675M in quarter

Musk says company working hard to get Model 3s to buyers

By Keith Laing (excerpt)

Tesla Inc. lost a record \$675 million for the fourth quarter of 2017, but said Wednesday it is on track to meet the most recent production goal for the critical Model 3 sedan that has been delayed several times.

The day after Tesla and SpaceX CEO Elon Musk launched a red Tesla Roadster into space, the Silicon Valley maker of electric vehicles reported the latest loss, which topped the \$619 million deficit that Tesla reported in November.

Tesla has been under intense scrutiny since its 5,000-per-week production goal for the Model 3 was pushed back in November from the end of 2017 to late in the first quarter of 2018 – and most recently, to the end of June. The company said Wednesday it remains on target to hit that June goal.

The Model 3, billed as Tesla's first mass-market electric car with a starting sticker price of about \$35,000, has been plagued by production problems. One bottleneck had been at the Tesla battery plant in Nevada, known as the Gigafactory. Tesla also reportedly has encountered problems with welding and assembly of its first steel-bodied car at its Fremont, California, production facility.

Tesla reported a loss of \$1.9 billion for the full year in 2017, up from \$674 million in 2016. The automaker's Tesla's total revenue for 2017 was \$11.8 billion.

Musk said Wednesday during a conference call with investors that 2017 was a "phenomenal year" for the company, despite the big losses.

"Overall I think while there were challenges, especially with the Model 3 ramp, we thought were in a deeper level of hell than expected," he said. "Still a few levels deeper than we'd like to be, but swiftly exiting I think."

Musk sounded an optimistic note about Tesla's ability to hit its Model 3 production goals in 2018, saying the company is "making significant progress every day" toward the mark.

"To our customers, you're going to love your cars and we're

working to get them to you as quickly as we possibly can," he said.

"If we can send a roadster to the asteroid belt, we can probably fulfill Model 3 production," he quipped. "It's a matter of time."

David Kudla, CEO and chief investment strategist for Mainstay Capital Management in Grand Blanc, said Tesla has a lot to prove to investors. "We are still waiting for Tesla to transform itself from a tech company to a profitable, high-production manufacturer. They are just not hitting the mark," he said.

"It is imperative they fix their manufacturing issues and get production ramped up sooner rather than later," he continued. "Once they demonstrate they can build cars at high production volumes, they then need to show they can build them profitably."

Tesla reported that it delivered 1,542 Model 3 vehicles, along with 28,425 Model S sedans and Model X SUVs, in the fourth quarter of 2017. The company said in November that it had delivered just 222 Model 3s from July through September.

At 5:20 p.m. Wednesday in after-hours trading after results were announced, Tesla shares were down 10 cents to \$344.90 – a 0.03 percent drop. That came after shares gained 3.3 percent during regular trading. The stock is up 7.6 percent year-to-date, but down 2.7 percent from a \$354.31 peak on Jan. 31. ...

© 2018 Detroit News.
Reprinted with permission