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## Tesla CEO's View From 'Hell' Is Surprisingly Sunny

Alan Ohnsman, August 2, 2017 (excerpt)

After Elon Musk gave investors the jitters by saying Tesla faced six months of “manufacturing hell” to ramp up production of the new Model 3 electric sedan, the carmaker appeared to surprise them by doubling down on its production forecast for that car and even had a sunny outlook for demand for the higher-priced Model S sedan and Model X crossover.

The Silicon Valley-based electric car and power provider, which has had just two profitable quarters since its 2010 IPO, handed over the initial 30 units of its Model 3 to employee purchasers on July 28. The car, with a theoretical base price of \$35,000 (units delivered Friday were Long Range variants starting at \$44,000) is in extremely high demand, with "more than 500,000 net reservations," Musk told reporters Friday (he revised that figure on Wednesday). ...

... Importantly, the company's goal of going from dozens of units of production currently to a 20,000-unit monthly rate is unchanged at this point. ...

...Spending to bring out Model 3 and ramp up its production, along with completing the Gigafactory battery plant in Nevada, adding more Supercharger stations worldwide and rapidly growing the number of company owned stores and service centers remains high. Tesla reported capital expenditures of \$959.1 million in the quarter and negative free cash flow of \$1.16 billion, or about double the level of 2017's first quarter.

David Kudla, CEO & Chief Investment Strategist for Mainstay Capital Management, sees that as a sign that the company will have to raise funds again soon.

"Cash in hand reported at \$3B, \$1B lower than the previous quarter representing a still aggressive cash burn rate," Kudla said in an emailed statement. "Tesla will have no choice but to once again go back to the capital markets, and do so before year end. The sooner they go back for a capital raise the better, as production problems with the Model 3 will not make waiting better."

Kudla said he's pessimistic Tesla can hit its production target for the new car. ...