

Can 'Iron Man' Sell The Electric Car?

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NEW YORK (AP) — Tesla Motors Inc. begins selling stock to the public on Tuesday. The sale's success depends on how much investors are willing to bet on a car company that has never made a profit, sells a single vehicle and expects to lose money until at least 2012.

As for the car, it's electric — a kind of vehicle Americans have shown almost no appetite for — and it's very pricey.

But the Palo Alto, Calif., startup believes Americans' taste in cars is changing. Most analysts agree with Tesla that the internal combustion engine will soon make room for greener forms of powering cars, such as electricity, as gas prices rise and environmental worries mount.

But Tesla faces bigger questions than just consumer taste. It has lost \$290.2 million since it was founded in 2003 and has never had a profitable quarter. It doesn't expect the red ink to go away until it starts selling its next vehicle, a four-door electric sedan called the Model S, in large numbers. That isn't scheduled "until 2012, or possibly later," according to its business plan filed with the Securities and Exchange Commission.

The only car that Tesla now offers isn't exactly a hot seller. Priced at more than \$100,000, the two-door Roadster showed the world what electric cars can do, like accelerate to 60 mph in under 4 seconds. But Tesla has sold just 1,000 since 2008.

"They're going to have to have a dazzling road show explaining their numbers, which are not good," said Scott Sweet, who owns the research firm IPO Boutique.

Tesla will be the first automaker to go public since Ford Motor Co. held its initial public offering in 1956. It expects the stock sale to raise up to \$185 million, which will fund the Model S and other corporate activities. The sale includes 11.1 million shares priced between \$14 and \$16.

Tesla's goal is to build 20,000 Model S sedans a year, which are expected to cost about \$50,000 after federal tax credits. Tesla's production target puts it on par with other sporty luxury car brands, like Porsche, which sold about 20,000 cars in the U.S. last year.

Whether Americans will take to electric cars is another question.

One of the biggest obstacles to the wider adoption of electric vehicles has been their limited range compared with gas-fueled rivals. Supporters can argue that most people drive fewer than 40 miles a day, well within the range of the 300-mile-per-charge Model S. But Americans love their road trips and dread the thought of an

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electric car running out of juice mid-journey.

"There are very few places you can plug in your electric vehicle where you park, during your day, at the office," said Angus MacKenzie, editor in chief of Motor Trend magazine.

Even if Americans embrace electric cars, by the time the Model S arrives it will likely have stiff competition. Nissan Motor Co. is already taking orders on its electric car, the Leaf, which gets 100 miles per charge and is priced at about \$25,000 after tax credits. The Chevrolet Volt, an electric car with a gasoline range-extender, goes on sale by the end of this year with a \$35,000 price tag.

Tesla itself warned investors that it could lose any competitive edge if it fails to keep up with the latest advances in electric car technology.

But Tesla has its strengths, including some high-profile backers. Chief among them is CEO Elon Musk, the 38-year-old entrepreneur who was an inspiration for the playboy business mogul of the Iron Man films, Tony Stark. Musk's resume includes founding PayPal and running the rocket manufacturer Space Exploration Technologies.

"He's been successful at attracting capital, not just at this company, but other ventures," said Matt Therian, analyst with the IPO research firm Renaissance Capital in Greenwich, Conn.

Another key supporter is the U.S. government, which has kicked in a \$465 million loan through an Energy Department program designed to encourage electric car technologies.

Other backers include Toyota, which last month agreed to sell Tesla a plant in Fremont, Calif., and invest \$50 million in the electric car maker. Tesla plans to use the plant to build the Model S.

Toyota and others are "in essence, endorsing the concept, the product and management," said Sweet of IPO Boutique.

With everything riding on a little-tested technology, there's an echo of dot com-era bravado in Tesla's IPO.

Investors will decide for themselves whether Iron Man will be enough to lift Tesla off the ground.

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