Tesla 4Q Net Loss Widens On New Car Costs

The Associated Press

DETROIT (AP) — Electric car maker Tesla Motors Inc. said Wednesday that its fourth-quarter net loss grew by 10 percent due to higher costs during the production start for the new Model S.

The Palo Alto, Calif., company said in a letter to shareholders that it expects to be "slightly profitable" in the first quarter, excluding noncash option and warrant expenses.

Tesla lost $89.9 million, or 79 cents per share, in the quarter ending Dec. 31. That's up from $81.5 million, or 78 cents per share, a year earlier. Revenue was almost eight times more than it was a year ago at $306.3 million.

Excluding charges for stock-based compensation and a change in the value of warrant liabilities, Tesla said it lost 65 cents per share. Analysts polled by FactSet expected a loss of 59 cents per share on revenue of $311 million.

For all of 21012 Tesla lost $396.2 million, or $3.69 per share, compared with $254.4 million, or $2.53 per share, in 2011.

The company said that during the fourth quarter it made more than 2,750 vehicles, reaching a rate of 400 per week. That level will let it hit a goal of delivering 20,000 Model S sedans in 2013, Tesla said. The company delivered about 2,400 Model S vehicles in the quarter and about 2,650 for the year.

But as it launched the Model S during the quarter, Tesla said it had "significant early-stage cost inefficiencies." It also had higher logistics costs as its parts supply chain ramped up. "We also had higher component prices as many vendors were not supplying parts at production prices early in the quarter due to their own manufacturing inefficiencies," the company said in a statement. Tesla noted that higher costs during a production launch in a new factory are typical in the auto industry.

Tesla also said its production costs for the Model S are starting to fall as it focuses on cost reductions. The company said factory efficiency is improving in the first quarter as initial production quality gets better. It plans to deliver about 4,500 Model S vehicles in the first quarter, and it plans to start delivering cars in Europe this summer and in Asia later in the year.

Tesla, the brainchild of PayPal billionaire and SpaceX founder Elon Musk, was selling two all-electric models last year, the $109,000 Roadster and the Model S, which starts at $49,900 after a federal tax credit. The Roadster is being phased out as the Model S goes on sale. Most Roadsters have been sold.

Tesla has lost money since sales of the Roadster began in 2008, and the company is banking on the cheaper Model S to expand its market.

Tesla shares fell $2.84, or 7.4 percent, to $35.70 in after-hours trading. The stock closed Wednesday down 74 cents at $38.54.

Tesla, which received a $465 million loan from the Department of Energy, finished 2012 with $201.9 million in cash and equivalents, down more than $53 million from a year ago.

It said in the shareholders letter that adjusted net income should be slightly positive this year because of lower research and development expenses and more efficiency in operations and manufacturing. The company plans less capital spending this year because most of its factory and equipment investments are done. But it plans to spend money to expand its store network, buy new equipment and develop new products.

"This year, we are on a journey to expand the presence of Model S and turn profitable," said the letter, signed by Musk and Chief Financial Officer Deepak Ahuja.

Last week Tesla got into a tussle with The New York Times, accusing it of faking results of an East Coast road test of the Model S. Musk has traded shots with the newspaper for the past week.

In the story, a Times reporter wrote that he barely made it between Tesla's two new super-fast charging stations in Newark, Del., and Milford, Conn. — which are 200 miles apart — even though the Environmental Protection Agency estimates the Model S's range to be 265 miles. Later the car began losing power more quickly than the reporter expected after it was parked overnight — but not plugged in — in a cold garage. Eventually the car ran out of juice and had to be towed to a charging station.

On Twitter and in blogs, Musk said electronic vehicle logs showed the driver took a long detour and didn't charge the car's battery to the maximum amount. Musk said that other media outlets later repeated the drive without depleting the car's batteries.

The Times said the test was an honest account of what happened on the drive. Its public editor wrote that the reporter told the story as he experienced it, although he left himself open to criticism by taking "what seem to be casual and imprecise notes along the journey." The editor wrote that Musk used electronic logs in damaging and misleading ways.

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