

Tesla Averts Cash Crunch as Musk Mystique Makes Up for Late Cars

By **Dana Hull**

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From **Hyperdrive**

- Payments for Semi and Roadster boosts customer deposits
- CEO put off some spending on Model 3 capacity after slow start

[Tesla Inc.](#) put to rest a chorus of concern that it was going to need to raise more money soon, thanks in part to the salesmanship of its CEO.

The company's cash balance barely budgeted last quarter even as it struggled mightily to make Model 3 sedans. Paying customers are supporting Tesla through its production struggle -- they've put down more than \$850 million in deposits for vehicles including the Semi truck and Roadster sports car Musk [showed off](https://www.bloomberg.com/news/articles/2017-11-17/tesla-unveils-electric-semi-truck-with-semi-autonomous-features) in November.

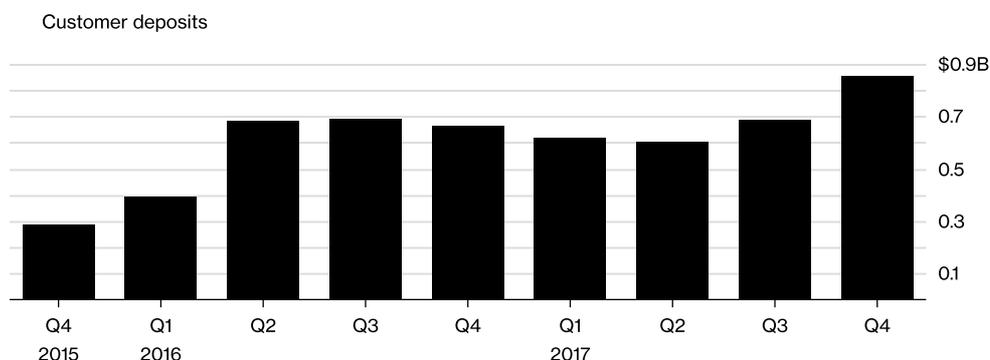
Manufacturing setbacks [had been limiting the amount of money coming in from customers taking delivery of Model 3s](https://www.bloomberg.com/news/articles/2018-01-03/tesla-delays-model-production-goal-as-deliveries-miss-estimates), the linchpin in Musk's master plan to bring electric cars to the masses. While it's going to take longer to potentially realize that vision, the chief executive officer of both Tesla and Space Exploration Technologies Corp. has succeeded in captivating consumers in the meantime. His latest [promotional stunt](https://www.bloomberg.com/news/articles/2018-02-06/tesla-sees-your-super-bowl-ad-and-raises-you-a-rocket-launch) involved firing off a sports car into the sky atop the world's most powerful rocket.

"If we can send a Roadster to the asteroid belt, we can probably solve Model 3 production," Musk said on a [conference call](#) with analysts Wednesday, shortly after [tweeting](#) another photo of his Roadster hurtling through space.

Tesla shares traded down 0.4 percent to \$343.50 as of 8 p.m. in New York, after the close of regular trading.

Unconventional Fundraising

Tesla's customer deposits jumped in fourth quarter amid Semi truck, Roadster reveals



Source: Company statements

Tesla said it remains on track to meet its goal to build 5,000 Model 3 sedans a week by the end of June, a target Musk has [delayed](https://www.bloomberg.com/news/articles/2018-01-03/tesla-delays-model-production-goal-as-deliveries-miss-estimates) several times. The company is putting off spending to double its production rate until reaching that milestone.

That approach paid dividends for a closely watched figure indicating how much money Tesla is using up: negative free cash flow. This was just \$277 million in the fourth quarter -- the lowest in more than a year -- after two straight quarters of [more than \\$1 billion](#).

“All the cash concerns will be alleviated once they get these cars on the road,” said Tasha Keeney, an analyst at ARK Investment Management, which holds Tesla shares. The company finished the fourth quarter with about \$3.4 billion in cash.

Musk didn't say when the company will reach the 10,000-a-week clip with Model 3 production. He's [wavered](https://soundcloud.com/bloomberg-business/tesla) on a previous projection that Tesla would reach that rate sometime in 2018.

Model Y

While the Model 3 has been slow off the line, that hasn't stopped the CEO from touting what's coming next. In addition to the [Semi](https://www.bloomberg.com/news/articles/2017-11-14/tesla-s-new-semi-already-has-some-rivals) going into production in 2019 and the [Roadster](https://www.bloomberg.com/news/articles/2017-11-17/tesla-charges-up-to-250-000-for-resurrected-roadster-sports-car) coming in 2020, Tesla plans to add a crossover called the [Model Y](https://www.bloomberg.com/news/articles/2017-06-07/tesla-plans-to-build-new-plant-for-model-y-crossover-musk-says) to the lineup. The company will announce the location for where it'll build that in three to six months, with capital spending toward the vehicle starting later this year.

“I don't want to jump the gun on those but I think we've got a good plan,” Musk said. “It's really taking a lot of lessons learned from Model 3 and saying how do we design something to be easy to manufacture instead of hell to manufacture.”

Musk -- whose additional gigs span interests including [artificial intelligence](https://www.bloomberg.com/news/articles/2017-07-25/elon-musk-zuckerberg-trade-barbs-over-artificial-intelligence) and tunnel digging for “hyperloop” travel -- is seen by investors as key to Tesla's future success. To keep him around for the long haul, the company last month proposed an unprecedented pay package for the 46-year-old CEO that strictly ties his compensation to stock performance and profit.

The 10-year plan, which needs shareholder approval in March, would make Musk perhaps the [richest man on the planet](https://www.bloomberg.com/billionaires/) if he follows through on making Tesla one of the world's most valuable companies. It requires that Musk remain Tesla's CEO or serve as executive chairman and chief product officer, potentially paving the way for the company to eventually hire a successor.

Sales Shakeup

Tesla expects to deliver about 100,000 Model S sedans and Model X sport utility vehicles, in line with last year's 101,312.

The department tasked with pulling that off will now be reporting directly to the CEO after Lyft Inc. hired away Jon McNeill, who had been president of global sales and service at Tesla and an influential figure at the company.

[Read more: Lyft Hires Tesla's McNeill as COO](https://www.bloomberg.com/news/articles/2018-02-07/lyft-hires-tesla-s-jon-mcneill-as-chief-operating-officer)

“2018 will be a transformative year for Tesla,” Musk wrote in a [letter](http://files.shareholder.com/downloads/ABEA-4CW8X0/5975306593x0x970775/34923C55-6853-4223-ADDA-CB3CDC1B919F/TSLA_Update_Letter_2017-4Q.pdf) to shareholders. “This is the year when we believe we can achieve true cost parity” with internal combustion engine vehicle production, “something that many believe is not yet possible.”

— *With assistance by John Lippert*

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