

Tesla quarterly results disappoint as discounts bite

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Visitors inspect a Tesla model 3 car on display at the International Motor Show held in Munich, southern Germany, on September 4, 2023.

Tesla's results for the third quarter missed analyst estimates on Wednesday, as the Elon Musk-run company was hit by higher costs and the fallout from price discounts.

The Texas-based electric vehicle giant said sales in the July to September period reached \$23.35 billion, lower than the \$24.19 billion forecasted by analysts polled by Factset.

The company also saw net profits come in less than hoped for, at 66 cents per share instead of 73 cents forecasted.

Musk has undertaken multiple price cuts throughout 2023 on vehicles, telling investors in April that the company has taken the view that pushing for higher sales is the right choice versus taking a bigger margin.

The move came as more EVs from legacy carmakers like General Motors and Ford are hitting dealerships.

But those rivals have been punished by a major strike in the United States, something that Tesla will not have to navigate.

The price cuts have made investors nervous and Tesla's share price slid more than seven percent in the last month and was down more than three percent from its last closing price in afterhours trade.

The Tesla stock valuation however still dwarfs other US car makers and it has more than doubled in 2023, comforting Musk's position as one of the world's two richest people.

Also rattling nerves, Tesla reported earlier this month that its new auto deliveries fell in the third quarter to 435,059 units because of downtimes at factories in Shanghai and Austin.

Production overall declined 10 percent from the second quarter to 430,488, according to the figures.

But Tesla on Wednesday confirmed that its full-year volume target of

1.8 million vehicles remained unchanged.

Tesla also said that it will stick to the timetable and release the new Cybertruck, Tesla's futuristic answer to the American pickup truck, by the end of this year.

But Musk told an earnings call that the Cybertruck would be expensive and have "enormous challenges" in reaching target production.

"I think we'll end up with roughly a quarter-million cyber trucks a year... sometime in 2025," he said.

'Truly astounding'

The company again insisted that investing in AI and software that will soon deliver autonomous driving was the right investment.

"The economics of autonomous vehicles are truly astounding in a positive way," Musk said of a technology he says is just around the corner.

While the market for electric vehicles has been on an unquestioned growth trajectory, signs emerged recently that the boom could be slowing.

General Motors said Tuesday it was delaying the conversion of a plant to produce electric vehicle (EV) trucks, citing changes in demand as a factor.

And higher interest rates have put a further brake on new car-buying after surfing on more than a decade of super low interest rates that enticed shoppers towards trading up to the latest models.

"I keep harping on this interest rate thing, but it just raises the cost of the car," Musk complained on the earnings call.

Musk's unique status as a visionary entrepreneur who created SpaceX and Tesla has taken a knock since his buyout a year ago of Twitter, now renamed X, for \$44 billion.

The tycoon's stewardship of X has proven to be tumultuous with lower advertiser spending and the platform increasingly seen as a toxic breeding ground for unmoderated speech and conspiracy theories.

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