

# Tesla 1Q profit falls 55%, but stock jumps as company moves to speed production of cheaper vehicles

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The logo for the Tesla Supercharger station is seen in Buford, Ga, April 22, 2021. Faced with falling global sales and a tumbling stock price, Tesla has slashed prices again on some of its electric vehicles and its “Full Self Driving” system. Tesla releases first-quarter earnings Tuesday, April 23, 2024. Credit: AP Photo/Chris Carlson, File

Tesla's first-quarter net income plummeted 55%, but its stock price surged in after-hours trading Tuesday as the company said it would move up production of new, more affordable vehicles.

The Austin, Texas, company said it made \$1.13 billion from January through March compared with \$2.51 billion in the same period a year ago.

Investors and analysts were looking to the earnings release for some sign that Tesla will move to end a stock slide this year and reverse the sales decline. The company did that in a letter to investors Tuesday, saying that production of smaller, more affordable models will start in the second half next year, ahead of previous guidance.

The smaller models, which apparently include the Model 2 small car for the masses that is expected to cost around \$25,000, will use new generation vehicle underpinnings and some features of current models. The company said it would be built on the same manufacturing lines as current vehicles. Previously there had been reports of a new factory in Mexico.

"This update may result in achieving less cost reduction than previously expected but enables us to prudently grow our vehicle volumes in a more capex efficient manner during uncertain times," the letter said.

The company also appears to be counting on a vehicle built to be a fully autonomous robotaxi as the catalyst for future earnings growth. CEO Elon Musk has said the robotaxi will be unveiled on Aug. 8.

Tesla repeated in the letter that it is between two major growth waves, the first one starting with sales of the Models 3 and Y. The company believes the second wave will come from "advances in autonomy and introduction of new products, including those built on our next

generation vehicle platform."

Shares of Tesla rose 8.3% in trading after Tuesday's closing bell, but they are down more than 40% this year. The S&P 500 index is up about 5%.

Tesla reported that first-quarter revenue was \$21.3 billion, down 9% from last year as [worldwide sales](#) dropped nearly 9% due to increased competition and slowing demand for electric vehicles. Tesla also blamed an arson attack at its German plant and factory downtime as it switched factories to an updated version of the Model 3 sedan.

Excluding one-time items such as stock-based compensation, Tesla made 45 cents per share, falling short of analyst estimates of 49 cents, according to FactSet.

The company's gross profit margin, the percentage of revenue it gets to keep after expenses, fell once again to 17.4%. A year ago it was 19.3%, and it peaked at 29.1% in the first quarter of 2022.

The company also repeated that vehicle sales growth "may be notably lower" this year than last as it works on the launch of its next generation vehicle.

Many analysts say the sales decline raises questions about demand for Teslas and other electric vehicles.

Musk has been touting the robotaxi as a growth catalyst for Tesla since the hardware for it went on sale late in 2015. He has called the system "Full Self Driving," even though the company says on its website that it can't drive itself and humans must be ready to take control at all times.

In 2019, Musk promised a fleet of autonomous robotaxis by 2020 that

would bring income to Tesla owners and make their car values appreciate. Instead, they've declined with price cuts, as the autonomous robotaxis have been delayed year after year while being tested by owners as the company gathers road data for its computers.

Industry analysts are skeptical, and feared that Musk has canceled or delayed plans for the Model 2.

Last weekend, Tesla lopped \$2,000 off the price of the Models Y, S and X in the U.S. and reportedly made cuts in other countries including China. It also slashed the cost of "Full Self Driving" [by one third to \\$8,000](#).

In a note to investors Monday, Bank of America Global Research analyst John Murphy wrote that Tesla's shares have been under pressure since the start of the year due to weaker EV sales, and production that exceeds demand.

"We retain some level of skepticism on Tesla's growth prospects, but also see opportunities as the company will unveil future growth drivers (robotaxi and Model 2) in the coming months," Murphy wrote, adding that he maintains a neutral rating on the stock.

From January through March, Tesla manufactured 433,371 vehicles and delivered 386,810, making over 46,000 more than it sold. This even after it cut prices last year on some of its more expensive models by up to \$20,000.

Last week Tesla announced it would [cut 10% of its 140,000 employees](#). The company also announced that it would ask shareholders to [restore a \\$56 billion pay package](#) for Musk that was rejected by a Delaware court.

For years, Musk has told owners and investors that Teslas with "Full Self

Driving" software and hardware will be able to drive themselves and could earn money carrying passengers when they normally would have been parked.

But "Full Self Driving" thus far has not been anything other than a partially automated driver assist system that can't drive itself.

Early last year the National Highway Traffic Safety Administration made Tesla recall its "Full Self-Driving" system because it can misbehave around intersections and doesn't always follow speed limits. Tesla's less-sophisticated Autopilot system also [was recalled](#) to bolster its driver monitoring system.

Some experts, though, don't think any system that relies solely on cameras like Tesla's can ever reach full autonomy.

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