

Tesla delivers underwhelming earnings despite Cybertruck launch and high vehicle deliveries

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Despite putting a new vehicle on the market, announcing another for 2025 and beating Wall Street's expectations for vehicle deliveries, Tesla was not able to shake off its disappointing third quarter. The electric vehicle manufacturer brought in \$25.1bn in revenue and posted \$.71 in earnings a share in the fourth quarter of 2023, missing analyst expectations of 25.76bn in revenue and \$0.74 earnings a share. The company's fourth quarter revenue increased 3% year over year from \$24.3bn in 2022. The company also said it expects the growth rate of its vehicle volume to be "notably lower" in 2024 than in 2023, prompting company shares to fall in aftermarket trading. "Tesla delivered another underwhelming quarter, with a notable miss on automotive gross margins standing out the most," said Jesse Cohen, a senior analyst at Investing.com. The company had a less-than-stellar third quarter, earning \$690m less than what analysts expected after a drop in vehicle deliveries. However, investors were heartened in early January when the company announced its fourth quarter delivery numbers of 484,000 vehicles, surpassing its expectations of 480,000 cars delivered. Tesla's overall vehicle deliveries for 2023 grew 38% year-over-year despite a broader drop in demand for electric vehicles across the industry. "This was an important quarter for Tesla to show strong deliveries with clear momentum into 2024 as demand has upticked since 3Q based on all our global checks," according to Dan Ives, managing director of investment firm Wedbush Securities. "This was a clear win for Musk and Tesla as hitting 1.8m vehicles for 2023 was a major achievement in a choppy macro for EVs." The results from the final quarter of 2023 bookends the EV manufacturer's shaky start to the new year. In the second largest drop in market valuation since the company went public in 2010, Tesla lost more than \$94m in the first two weeks of January. Part of the dip has been attributed to price cuts on vehicles manufactured in China, rising labor costs and ongoing concerns over negative news relating to the company, according to Bloomberg. Just last week, Tesla owners around the US complained of being unable to charge their vehicles or having their batteries lose all power completely after temperatures hit frigid lows. Though it's known that EV batteries lose their range in cold temperatures, some people in Chicago, where temperatures hit a low of -9F (-23C), said their cars would not charge at all. Tesla spent the last year cutting vehicle prices in order to undercut its EV competitors and increase demand for its vehicles. But that move has cut into its profit margins at a time when the company has raised worker pay across all of its US manufacturing plants. Tesla announced pay raises after the United Auto Workers Union made clear its intentions to organize at least one Tesla auto plant. This is the first earnings since the EV manufacturer's take on a pickup truck first hit the roads. Musk said the "demand is off the hook" and he could see the company delivering "on the order of a quarter of a million Cybertrucks a year in North America. "It sure is a head-turner. Finally the future looks like the future." However, Cybertruck reservation holders may have to

continue to wait before they get a hold of the futuristic vehicle. "We expect the ramp of Cybertruck to be longer than other models given its manufacturing complexity," Tesla's shareholder deck reads. The company has also been notifying suppliers of its intention to produce another mass-market vehicle, called Redwood, starting in mid 2025. The entry level vehicle would start at \$25,000, a lower price point that would better position Tesla to compete with other EV players including China's BYD, which recently surpassed Tesla as the world's biggest EV manufacturer. Musk said the company has made a lot of progress on its next generation mass market vehicle, though he would not go into details about the new offering. "We're very far along," Musk said on the earnings call. "This is an earnings call not a product announcement, there will no doubt be many questions. But we're very excited about this. This is going to be very profound not just in the design of the vehicle itself but also in the design of the manufacturing system." However, Musk also said Chinese automakers like BYD "are the most competitive car companies in the world" and said he doesn't see an obvious opportunity to partner with them. "I think they will have significant success outside of China depending on what kind of tariffs or trade barriers are established," he said. "If there are no trade barriers established, they will pretty much demolish most car companies in the world." Musk also said that there's a "good chance" of shipping "some number" of the company's humanoid robot, Optimus, next year though he cautioned "it's impossible to make a precise prediction" because it is uncharted territory.