

Tesla earns \$690m less than expected in third quarter

Publication Date: 2023-10-18

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Section: Technology

Tags: Tesla, Elon Musk, news

Article URL: <https://www.theguardian.com/technology/2023/oct/18/elon-musk-tesla-third-quarter-earnings-decline-cybertruck>



Tesla shares slid nearly 5% in after-hours trading Wednesday after several misses of Wall Street expectations in its third quarter earnings of 2023. Revenue for the third quarter was \$23.4bn compared with analyst predictions of \$24.09bn, with total gross profit declining 22% year-over-year. Earnings per share were \$0.66 compared with a predicted \$0.74, translating to a net income of \$1.9bn – compared with \$3.3bn one year ago. Analysts had expected the electric carmaker's profitability to decrease since it reported a 7 percentage point decline in vehicle deliveries in quarter three compared with quarter two of this year. Tesla produced 416,800 Model 3 compact cars and Model Y sport-utility vehicles – its mass-market models – compared with 345,988 in the same quarter last year and 13,688 deliveries of its Model S and Model X premium vehicles, compared with 19,935 at the same time last year. The report marked an “underwhelming quarter” and implies that demand for vehicles is still weak, said Jesse Cohen, senior analyst at Investing.com. The report, which comes after Tesla decreased prices for some of its models earlier this year to increase consumer demand, implies that more price cuts are on the horizon, he added. “The big question is if this is just a blip, or signs of a bigger shift among consumers as rising interest rates and a weaker economic backdrop discourage consumers from making big-ticket purchases,” he said. The report is the first released after Zachary Kirkhorn, the longtime chief financial officer of the electric vehicle company, stepped aside in August. His role was taken over by chief accounting officer Vaibhav Taneja, who now holds both roles concurrently. Many investor-submitted questions ahead of a call Wednesday afternoon concerned Tesla's Cybertruck, which Elon Musk envisions as a futuristic super-vehicle. The Cybertruck has yet to reach the market after the CEO first announced the model in 2019. Earlier this year, Tesla posted an image on social media celebrating “the first Cybertruck built at Giga Texas”. Sightings of the vehicle on the road, particularly in California's Bay Area, have been posted on social media in recent weeks, with the vehicles bearing a stamp of “Prototype”. Musk said in a July earnings call that the vehicle is still in “tooling” phase, but that it was on track for initial deliveries in 2023 and “high volume” distribution in 2024. Tesla said in a post on X, formerly known as Twitter, that the first Cybertruck deliveries are scheduled for 30 November this year. In the call with investors, Musk sought to “temper expectations” for the Cybertruck, saying that while the company is on schedule for production it will be a long road to profitability. “It is going to require immense work to reach production and be cashflow positive at a price that people can afford,” he said. Investors may have wanted to hear from Musk about controversial changes to Tesla's Model 3 Sedan. The company in September released an updated version of the model, dropping the turn signal and shifter stocks to allow drivers to signal turns and lane changes with a button on the steering wheel. In early September, Tesla slashed prices for its premium software marketed as a “Full Self Driving” Beta by 20%. Musk shared a post to his platform X promoting the technology. “Car just drove me around Austin all day with no interventions required, despite ACL festival

crowds!" Musk wrote. "In the fairly near future, people will wonder why there was ever skepticism about self-driving." Musk had a lot to say on the call about self-driving and Tesla's artificial intelligence capabilities, claiming that its system is "basically baby AGI [artificial general intelligence]", referencing systems that are smarter than humans. "It has to understand reality in order to drive," he said. Tesla recalled 362,000 vehicles in February over flaws that could put drivers in danger of crashes. A trial began last month over a lawsuit alleging that the company knowingly sold defective cars that led to one man's death. Tesla has blamed "classic human error" in the case.