**Tesla Motors stock soars after operating profit beats expectations**

**Tesla Motors shares surge 13% in after-hours trading, following announcement of record sales of the Model S hatchback and improved operations.**

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Tesla Motors Inc. shares soared in after-hours trading after the Palo Alto automaker reported a surprise operating profit in its automotive operations.

Excluding one-time expenses, the maker of high-end electric cars squeezed out an operating profit of $26 million, beating analysts' expectations. That sent Tesla shares soaring 13% to $151.25 in after-hours trading. Tesla announced its results after the stock markets closed.

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The operating profit was driven by record sales of the Tesla Model S hatchback and improvements in its automotive operations. Moreover, Tesla ended the quarter with almost $750 million in cash and no government debt, having paid off a federal development loan this year.

"Our financial position and balance sheet have never been stronger," Chief Executive Elon Musk said in a letter to shareholders.

Still, Tesla reported an overall $30.5-million loss in the second quarter. That compared with a loss of $105.6 million in the same quarter last year, when it was beginning production of the Model S.

The results nonetheless were greeted as a victory by analysts and investors.

"Tesla is no DeLorean," said Thilo Koslowski, an analyst at Gartner Inc. "This is not going to be a one-day wonder. They are doing everything right. Tesla is razor-sharp focused on its execution."

The automaker said it continues to redesign "elements" of the Model S to increase ease of manufacturing and achieve other cost savings.

Tesla, which is attempting to become the first successful U.S. automotive start-up in nearly a century, started selling its sport sedan about a year ago. The price starts at $63,570 and climbs to well above $100,000 if a customer springs for a larger battery that extends the vehicle's range.

Revenue jumped to $405.1 million from $26.7 million a year earlier, just after the Model S was released. The automaker had previously sold a Roadster sports car model but halted production before launching the Model S.

"Tesla continues to prove that there is a market for electric vehicles among luxury buyers," said Alec Gutierrez, senior analyst at Kelley Blue Book. "As the electric vehicle manufacturer achieves economies of scale, and battery costs continue to come down, expect to see profitability improve."

The automaker earned its first profit, an $11.2-million gain, in the first quarter of this year.

Tesla also gained from its sales of special California zero emission credits to other automakers, but not as much as earlier in the year. Sales of such credits fell to $51 million in the latest period from $68 million in the first quarter.

Tesla makes money selling the credits — earned from the sale of electric cars — to other automakers that must satisfy California's environmental regulations. It also sold about $18 million in other regulatory credits during the quarter.

Tesla builds the Model S at a factory in Fremont, Calif., where it plans to also make the Model X — an electric SUV built on the same platform and sharing much of the technology — starting next year.

"We are hard at work on the Model X, refining the design, and expect to have a small number of units at the end of next year," Musk said. But the vehicle won't go into mass production until 2015.

Musk said he also plans to bring out a less expensive electric car that will sell in much greater numbers than either the Model S or the planned Model X.

"I have high confidence we can create a compelling car for around the $35,000 range," Musk said. "There's a huge amount of work, but no miracles required."

During the last quarter, the automaker improved its production rate 25% to almost 500 vehicles a week from 400, Musk said.

Tesla delivered 5,150 cars during the quarter, significantly surpassing its own estimate of 4,500 sales. It also made several hundred more Model S cars to use as service loaners, for test drives and to sell in Europe this quarter.

Musk said Tesla is doing final assembly and testing of vehicles at a manufacturing facility in Tilburg, Netherlands.

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