

## THE TESLA MOTORS CAR COMPANY IS DOA!

Last Wednesday, Tesla reported June-quarter sales of \$2.3 billion. Despite a 25% gross margin on its cars, Tesla lost \$336 million, or \$2.04 a share, and that was after selling \$100 million worth of “zero emissions” tax credits to other carmakers. Those losses and the capital spending for the Model 3 production line consumed more than \$1 billion of cash in the quarter. Ramping capacity to build the Model 3 at an annual rate of 250,000 units will require another \$2 billion in capital spending before year-end 2017.

Tesla’s capital-spending plans “will make your eyes water,” wrote [Morgan Stanley](#)’s Adam Jonas on Wednesday, adding that “time will tell if they are tears of joy.” In May, Jonas tamped his enthusiasm for the stock down to a Neutral rating when Tesla shares shot past his price target of \$305. Bears like Cowen’s Osborne have targets far lower.