

TESLA INCORPORATED:
MANAGEMENT LOOKS TO THE MIDDLE KINGDOM
FOR ALL-ELECTRIC MOTOR-VEHICLE PRODUCTION

But From Where Will Come The Cash To Fund
The Proposed New Shanghai Factory ?

As Mr Elon Musk, the Chief Executive Officer of Tesla Incorporated, was feted in Beijing, the Capital City of the People's Republic of China (PRC), with Mr Wang Qi Shan (), the 70-year-old, Vice President of the PRC, said to have been playing host to this internationally known, business magnate, quite

a number of banks and heads of large financial houses pondered as to the direction that Tesla Incorporated was headed.

On Thursday, July 12, 2018, standing in Zhongnanhai, the former Imperial Garden in the Imperial City, which is adjacent to the Forbidden City, Mr Elon Musk became the central figure in a well-rehearsed, public-relations orchestrated milieu.

As the cameras clicked, so to speak, in the spirit of jovial comradeship with a number of China's personages, it is quite likely that Mr Elon Musk did not realise it but Zhongnanhai is the Central Headquarters of The Communist Party of China () and The State Council of the PRC.

The Communist Party of China is the sole, political governing party of the PRC, the dictatorship that has remained unchanged since 1921 when the Party was founded.

Politics aside, the PRC, today, is wooing the heads of big businesses, where-ever they may be, to establish alternative bases of operations in the Middle Kingdom and, as such, the red carpet in Beijing is getting a great deal of wear, these days.

As Mr Elon Musk sauntered round Zhongnanhai, he remarked that he and his new ethnically Chinese *'friends and acquaintances'* discussed a number of things, resulting is that which he described as being an *'excellent meeting'*.

Mr Elon Musk spent three days in the PRC, visiting not only Beijing, but also Shanghai.

At the end of his sojourn to the PRC, Mr Elon Musk informed the world that he had decided that the all-electric, motor-vehicle company that he controls would be investing heavily in the second-largest economy of the world, today.

How President Donald John Trump will view Mr Elon Musk and Tesla Incorporated, in light of the visit of this gentleman's visit to the PRC, with The United States of America, having only recently imposed draconian tariffs on a number of Chinese-made exports, destined for The United States of America, is anybody's guess, but, no doubt, President Donald John Trump will make his views known in due course.

Tesla Incorporated Succumbs To Beijing's Overtures

All-electric motor vehicles have been the dream of many industrialists since the dawn of the second half of the 19th Century, but, now, it seems that the all-electric motor vehicles, presently being produced, in dribs and drabs, by Tesla Incorporated, have hit a crab.

As things stand, today, it is highly unlikely that one will see a Tesla motor car, becoming a role model on the roads of the world as have the iconic, internal-combustion-powered vehicles, produced by the German, motor-vehicle leviathans.

The latest announcement, having emanated from the executive offices of Tesla Incorporated, is that the Company intends to establish a new factory in Shanghai.

According to **TARGET**'s usually reliable sources, the Shanghai factory is expected to be located in the Shanghai Lingang Industrial Zone.

The cost of this state-of-the-art factory – as it is being dubbed by Mr Elon Musk – is being estimated to cost,

at least, \$US5 billion (about \$HK39 billion).

For the Government of the PRC, Mr Elon Musk's utterances are a dream come true because, assuming that the motor-car factory is built, as suggested, and that financial support is put in place to the full satisfaction of the powers-that-be in the PRC, it will be the largest, foreign-owned industrial project in the history of the country.

Within five years of the construction of this proposed Shanghai factory, Tesla Incorporated has indicated that the factory's output would be about 500,000 motor cars per annum.

In an official statement, Mr Elon Musk is quoted to have said:

'Shanghai will be the location for the first Gigafactory outside the United States. It will be a state-of-the-art vehicle factory and a role model for sustainability. We hope that it will be completed very soon.'

How long is meant by the term, 'very soon', is anybody's guess because Mr Elon Musk is unlikely to be very knowledgeable as to how things are done in the PRC and, in this country of about 1.40 billion people, while money still talks, there is much more b...s... that walks than in most other parts of the world.

The statutory laws and many, if not all, of the commercial rules of the PRC might well appear anomalous to Western thinking, but, for the most part, they are carved in hardest granite; and, it is expected that foreign businessmen, desirous of investing in the country, follow the laws and commercial rules – to the letter.

Notwithstanding the above-mentioned, there is the matter as to from where will Tesla Incorporated find the wherewithal for this multibillion-dollar venture in the PRC.

As published on June 7, 2018, in **TARGET** Intelligence Report, Volume XX, Number 121, this medium reported the following facts in respect of the financials of Tesla Incorporated:

'According to the Annual Report of Tesla Incorporated with regard to the Financial Year, ended December 31, 2017, on a Turnover of \$US11,758,751,000 (about \$HK91.27 billion), the Company reported a Net Loss Attributable to Shareholders of \$US1,904,312,000 (about \$HK14.85 billion).

'The Turnover and the Net Loss Attributable to Shareholders were both at record levels.

'In respect of the Revenue, derived from the sales of the company's motor cars, during the 2017 Financial Year, it was \$US9,641,300,000 (about \$HK75.20 billion), compared

to sales of \$US6,350,766,000 (about \$HK49.53 billion), recorded in the 2016 Financial Year.

‘The sales of the company’s motor cars were, also, at a record level in the 2017 Financial Year.’

Tesla’s Money Continues To Be Depleted

Tesla Incorporated has never earned a penny in profits since it was first conceived in 2003.

The Company has reported losses in respect of one Financial Year after another.

And, there appears to be no end to the financial rot.

Many investors are known to have lost heart in the Company on reading the many promises, contained in numerous Press Releases, all aimed at placating the fears of shareholders.

For some time, the PRC Government has been trying to push the concept of having more electric vehicles ply its roads for a number of very sensible reasons, the principal one, being to clean up the choking, air-pollution problems in nearly all of the country’s important cities – Shanghai and Beijing, being but two such cities where the human populations have been suffering for some time.

One of the known competitors of Tesla Incorporated is BYD Automobile Company Ltd ().

BYD Automobile Company Ltd is a motor-vehicle producer, based in Xi’an, Shaanxi Province, the PRC.

It is a wholly owned subsidiary of publicly listed BYD Company Ltd (), the shares of which are traded on The Stock Exchange of Hongkong Ltd, being Stock Code, Number 1211.

BYD Automobile Company Ltd has a joint venture with Daimler AG.

This joint-venture company, founded in 2010, is named Shenzhen BYD Daimler New Technology Company Ltd ().

This joint-venture is headquartered in Shenzhen, in the south of the PRC. It specialises in developing and manufacturing luxury all-electric cars, sold under the ‘*Denza*’ brand.

BYD Automobile Company Ltd is meeting its production levels of electrically powered vehicles.

It was only on Friday, July 6, 2018, that Mr Wang Chuan Fu (), as Chairman of BYD Company Ltd, announced the following statistics:

Items	Sales volume	Accumulation
	for the month of June	for this year of 2018
New energy vehicle	17,088	74,884
– Passenger vehicle	16,278	71,270
– Battery electric vehicle	7,655	23,840
– Plug-in hybrid electric vehicle	8,623	47,430
– Commercial vehicle	810	3,614
– Bus	810	3,607
– Others	–	7
Oil-fueled vehicle	20,489	149,613
– Sedan	4,866	36,521
– SUV	3,447	32,004
– MPV	<u>12,176</u>	<u>81,088</u>
Total	<u>37,577</u>	<u>224,497</u>

Unlike BYD Automobile Company Ltd, a company that seems to be well able to meet its production targets of all-electric vehicles without too much fuss, Tesla Incorporated has a great deal of trouble in manufacturing its Model 3 Series.

In addition to BYD Automobile Company Ltd, Tesla Incorporated faces stiff competition from a number of other companies, domiciled in the PRC, all of which are manufacturing all-electric, motor vehicles, among other products.

Some of these PRC competitors have taken aboard certain international partners that have had many years of experience in manufacturing motor vehicles; and, whose coffers are overflowing with investment capital.

Mr Elon Musk has gone on record, stating that Tesla Incorporated will be in need of an extra \$US3 billion (about \$HK23.40 billion) by the second half of the 2019 Financial Year in order to plug the Company's financial dyke due to the Company's inability to meet motor-car, production levels.

Without suitable production levels, accompanied by sales of the Company's Model 3 Series, the financial dyke is quite likely to spring an almighty leak, leading to a financial tsunami.

If the Company cannot sort out its production problems, then, there exists the probability that it will run out of a sufficiency of money, perhaps sooner than later.

The costs, involved in the construction of the proposed Shanghai factory, and, then, the costs, involved in the outfitting of it, will have to come from somewhere; and, this raises the question as to whether or not these multibillion-dollar costs will stretch the financials of Tesla Incorporated to the breaking point.

Overtrading has been the bane of many a company, as history recalls.

An Insight Into The Financials Of Tesla Incorporated

If statistics are indicative of the health or otherwise of a corporate entity, then, the statistics in respect of Tesla Incorporated tell that which must be considered a rather worrying financial situation to shareholders, looking for a return on their investments.

However, it appears that every time that the situation at this Company appears dire, along comes somebody with oodles of cash to top up the coffers.

Be that as it may, the following is that which this medium has discovered about the financials of Tesla Incorporated.

In the First Quarter of the 2018 Financial Year (ended March 31), Total Revenues came in at \$US3,408,751,000 (about \$HK26,588,531,302).

That was an increase, compared to the Final Quarter of the 2017 Financial Year, of about 3.66 percent and an increase, compared to the like Quarter with regard to the 2017 Financial Year, of about 26.42 percent.

The Gross Profit of the Company in respect of the First Quarter of the 2018 Financial Year came in at \$US456,526,000 (about \$HK3,560,939,429), compared to the Final Quarter of the 2017 Financial Year of about \$US438,786,000 (about \$HK438,786,000).

That result was 4.04-percent fall, Quarter-On-Quarter, and a 31.65-percent decrease, compared to the First Quarter of the 2017 Financial Year.

With regard to the Loss from Operations (the Company has, historically, always suffered a Loss from Operations since its inception) in respect of the First Quarter of the 2018 Financial Year, it was \$US596,974,000 (about \$HK4,656,445,098), representing a 0.20-percent decline, Quarter-On-Quarter, but, compared to the like Quarter of the 2017 Financial Year, it was an increase of about 131.19 percent.

The Net Loss Attributable to Common Stockholders in respect of the First Quarter of the 2018 Financial Year was \$US709,551,000 (about \$HK5,534,554,731), representing a 5.06-increase, Quarter-On-Quarter, but, compared to the like Quarter in the 2017 Financial Year, it was a 114.84-percent increase.

Turning to the Condensed Consolidated Balance Sheets of Tesla Incorporated, as at March 31, 2018, the Company had Cash and Cash Equivalents of \$US2,665,673,000 (about \$HK20,792,463,281).

That figure represented a decline of Cash and Cash Equivalents, Quarter-On-Quarter, of about 20.85 percent.

In short, therefore, the Company is, very quickly, burning money, Quarter-On-Quarter, while the Net Loss Attributable to Common Stockholders continues to rise at an ever-increasing rate.

Thus, as already indicated in this **TARGET** () Report:

From where will Mr Elon Musk be able to raise a great deal more money for Tesla Incorporated in order to pay for the new, proposed Shanghai factory, not to mention keeping the creditor wolves away from the Company's doors?

-- End --

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