

# Post Recession Financial Performance

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## Abstract

This research analyzes the financial performance Tesla Motors Inc.(TSLA) after the recession. Subsidies from the U.S. department of energy helped TSLA develop the Model S, that would promise sustainably increasing revenue. However, unable to meet the consumer demand, TSLA was forced issue convertible notes to finance the expansion of its manufacturing capacity, plunging it deeper in long-term debt.

## Introduction

- TSLA is a company that is revolutionizing the automobile industry with its all-electric, rechargeable cars.
- Initially financed through the sale of CEO's entrepreneurial projects, TSLA first launched a luxury version of its automobile when it entered the market.
- After the great recession, an IPO and government funding kept TSLA afloat. However, the company needed to change its strategy to grow in the long run.

## Method

- I studied and highlighted key points from TSLA's Income Statement, Balance Sheet and Cash Flow Statement from 2010-2014, which can be observed in Tables 1-4.
- I researched the company's press releases from 2010-2014.

**Table 1**

Income Statement 2010-2014 (in USD millions)

	2010	2011	2012	2013	2014
Sales/Revenue	116.74	204.24	413.26	2010	3200
Sales Growth %		75%	102%	387%	59%
Cost of Goods Sold	86.01	142.65	383.19	1560	2320
Gross Income	30.73	61.6	30.07	456.26	881.67
Selling, General & Admin Expenses	117.57	313.08	424.35	517.55	1100
<b>Net Income</b>	<b>(154.33)</b>	<b>(254.41)</b>	<b>(396.21)</b>	<b>(74.01)</b>	<b>(294.04)</b>
EPS (Basic)	(1.63)	(2.53)	(3.69)	(0.62)	(2.36)
EPS (Diluted)	(1.63)	(2.53)	(3.69)	(0.62)	(2.36)

**Table 2**

Balance Sheet 2010-2014 (in USD millions)

	2010	2011	2012	2013	2014
Cash	173.16	303.8	220.98	848.9	1920
Total Current Assets	235.89	372.84	524.77	1270	3200
<b>Total Assets</b>	<b>386.08</b>	<b>713.45</b>	<b>1110</b>	<b>2420</b>	<b>5850</b>
Long-Term Debt	72.32	271.17	411.46	598.97	1880
Short Term Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities	21.15	26.9	23.67	468.86	953.39
<b>Total Liabilities</b>	<b>179.03</b>	<b>489.4</b>	<b>989.49</b>	<b>1750</b>	<b>4940</b>
Retained Earnings	(414.98)	(669.39)	(1070)	(1140)	(1430)
<b>Liabilities &amp; Shareholder's Equity</b>	<b>386.08</b>	<b>713.45</b>	<b>1110</b>	<b>2420</b>	<b>5850</b>

**Table 3**

Long-Term Debt Financing (in USD millions)

	2010	2011	2012	2013	2014
Issuance of Long-Term Debt	71.83	204.42	188.8	600	2300
Reduction in Long-Term Debt	(315,000)	0	(15.54)	(638.3)	(614.61)
<b>Change in Long-Term Debt</b>	<b>71.51</b>	<b>204.42</b>	<b>173.25</b>	<b>21.7</b>	<b>1690</b>

**Table 4**

Cash Flow Statement 2010-2014 (in USD millions)

	2010	2011	2012	2013	2014
<b>Net Operating Cash Flow</b>	<b>(127.82)</b>	<b>(114.36)</b>	<b>(266.08)</b>	<b>257.99</b>	<b>(57.34)</b>
<b>Net Investing Cash Flow</b>	<b>(180.3)</b>	<b>(175.93)</b>	<b>(206.93)</b>	<b>(249.42)</b>	<b>(990.44)</b>
<b>Net Financing Cash Flow</b>	<b>338.05</b>	<b>446</b>	<b>419.64</b>	<b>635.42</b>	<b>2140</b>
Free Cash Flow	(233.23)	(312.26)	(505.31)	(6.23)	(1030)

## Discussion

- Income Statement figures highlight drastic increase in *sales percentage* from 2012-2013. This positive performance was coupled with progressively increasing *cost of goods sold* and *general/admin expenses*. *Net Income* has therefore consistently been growing negatively.
- The Balance Sheet highlights positive increases in cash and current assets over 2010-2014, and thereby increasing the liquidity position of the company. A similar trend is observed in the *Total Liabilities*, especially *Long-Term Debt* and *Retained Earnings*.
- The Long Term Debt Financing table emphasizes an increase in issuance of long term debt, which the company had carried out to expand its production facility.
- The Cash Flow Statement table exposes TSLA's reliance on cash inflows through *financing activities*. Its *operating activities* are generating cash and *investing activities* are draining cash because of the expansion, which in the long run will help it fulfill its consumer demand.

## Results

- TSLA's decision to finance itself through issuing convertible notes instead of debt or equity is a less riskier approach.
- TSLA wants to invest in its operations to stabilize its revenue generation and progressively turn its negative net income into positive figures.
- TSLA's strategy to reinvest cash into financing its own operations increase its value.
- The financial strategy to invest in operations that promise future revenue is a risky but bold approach and shows TSLA's confidence in its products.



## Sources

- <http://www.marketwatch.com/investing/stock/tsla/financials>
- <http://ir.teslamotors.com/releases.cfm?view=all>