
Tesla may be abandoning Semi project

2018/05/14 21:54 στην κατηγορία INTERNATIONAL

It's been a rough few weeks for Tesla, with production problems, lawsuits, and analysts speculating that the company is running out of money and will need a capital raise before the year is out to keep going.

Now, Seeking Alpha writer John Engle is suggesting that the much-anticipated Tesla Semi project may be dead.

The Tesla Semi was unveiled in November 2017 to great fanfare and intrigue. Did Tesla have the magic ingredient to make an all-electric truck viable that has so far eluded so many others? A series of public announcements from the likes of Pepsi, Anheuser-Busch, and UPS followed, suggesting that this truck was maybe – just maybe – going to revolutionize the industry.

After the initial glitz wore off, industry experts started dissecting the few available numbers on the truck – and it wasn't always good. Still, many believe an all-electric Class 8 truck could work in certain applications and there remained optimism that Tesla could deliver.

Then the Model 3 came along. Tesla's Model 3 production problems are well-documented, and the long-awaited car has run into one roadblock after another as Tesla and Elon Musk try to straighten out their issues.

In the company's most recent earnings call, Engle points out that Musk never mentioned the Tesla Semi – the darling of the company just mere months ago – until he was asked specifically about it by Phil LeBeau of CNBC, who wanted to know about reservation numbers and how far along in the process the development was.

Musk's answer was eye-opening.

"I actually don't know how many reservations we have for the Semi. About 2,000? Okay. I mean, we haven't really tried to sell the Semi. It's not like there's like an ongoing sales effort, so sales – orders for Semi are like opportunistic, really companies approaching us. Yeah, it's not something we really think about much," Musk answered.

To Engle, the acknowledgement that Tesla isn't actively selling the Semi is telling.

“If the Semi looked like it could claim a significant market, then Tesla would be moving forward with it,” he wrote. “That would not necessarily require massive capital outlays toward building a production facility – not at first, anyway. But one would expect the company to at least tout the market opportunity and continue to promise that development would be coming soon. Instead, investors have been left with a rather peculiar silence.”

So, what is the status of the Semi?

Last week, the Semi triggered a lawsuit from Nikola Motor, which claims Tesla violated three of its patents in designing the Semi. That suit is seeking \$2 billion in damages. In addition, Anheuser-Busch announced that it will purchase up to 800 Nikola Two tractor models over the next seven years as it works to convert its entire dedicated fleet to alternative power.

With all the bad publicity swirling around Tesla, many are now wondering if Tesla itself will survive.

To do so, Tesla may have to shut down the Semi project and funnel that money into other needs rather than try and compete in an arena that is well-stocked with legacy companies with a technology that may still be several years away from being viable in the Class 8 market.

Engle surmises that with only about 2,000 orders for the Semi – a total he calls “anemic” – and Musk announcing that Tesla would be cutting its capital expense budget from \$3.4 billion to less than \$3 billion gives Engle reason to believe the Tesla Semi is not a priority.

“Apparently, the company has “significantly cut back on its capex projections by focusing on the critical near-term needs”. In other words, it is cutting costs and pushing back growth projects to conserve cash during the still agonizingly slow Model 3 ramp. With Tesla’s net working capital deficit having reached a record level, the urge to pull back from expensive adventures makes sense from a financial perspective,” he wrote, noting that it “now seems evident that Tesla has abandoned the Semi project – or at least put it way back on the backburner.”

(By Brian Straight, Freight Waves)