

TESLA MOTORS INC
Form 10-Q
August 07, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-34756

Tesla Motors, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization) Identification No.) 91-2197729 (I.R.S. Employer

3500 Deer Creek Road

Palo Alto, California 94304
(Address of principal executive offices) (Zip Code)

(650) 681-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") during the preceding 12 months (or for such shorter period that the

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registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 30, 2015, there were 127,142,147 shares of the registrant's Common Stock outstanding.

TESLA MOTORS, INC.

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

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Forward-Looking Statements

The discussions in this Quarterly Report on Form 10-Q contain forward-looking statements reflecting our current expectations that involve risks and uncertainties. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, future profitability, future delivery of automobiles, projected costs, expectations regarding demand and acceptance for our technologies, growth opportunities and trends in the market in which we operate, prospects, plans and objectives of management and the statements made below under the heading “Management Opportunities, Challenges and Risks.” The words “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “will”, “would” and similar expressions to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q and in our other filings with the Securities and Exchange Commission. We do not assume any obligation to update any forward-looking statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Tesla Motors, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

	June 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 1,150,673	\$ 1,905,713
Restricted cash and marketable securities	20,591	17,947
Accounts receivable	138,648	226,604
Inventory	1,212,279	953,675
Prepaid expenses and other current assets	106,430	94,718
Total current assets	2,628,621	3,198,657
Operating lease vehicles, net	1,120,246	766,744
Property, plant and equipment, net	2,646,017	1,829,267
Restricted cash	19,774	11,374
Other assets	53,527	43,209
Total assets	\$ 6,468,185	\$ 5,849,251
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 771,637	\$ 777,946
Accrued liabilities	345,401	268,884
Deferred revenue	288,527	191,651
Capital lease obligations, current portion	6,113	9,532
Resale value guarantees, current portion	67,700	-
Customer deposits	272,848	257,587
Convertible senior notes and other debt	632,162	601,566
Total current liabilities	2,384,388	2,107,166
Capital lease obligations, less current portion	11,254	12,267
Deferred revenue, less current portion	334,628	292,271
Convertible senior notes and other debt, less current portion	1,988,089	1,806,518
Resale value guarantees, less current portion	725,477	487,879
Other long-term liabilities	258,142	173,244
Total liabilities	5,701,978	4,879,345
Commitments and contingencies (Note 8)		
Convertible senior notes (Notes 6)	50,273	58,196
Stockholders' equity:		
Preferred stock; \$0.001 par value; 100,000,000 shares authorized; no shares issued and	—	—

outstanding		
Common stock; \$0.001 par value; 2,000,000,000 shares authorized as of		
June 30, 2015 and December 31, 2014; 127,100,947 and		
125,687,607 shares issued and outstanding as of June 30, 2015 and		
December 31, 2014	127	126
Additional paid-in capital	2,502,679	2,345,266
Accumulated other comprehensive loss	(14,804)	(22)
Accumulated deficit	(1,772,068)	(1,433,660)
Total stockholders' equity	715,934	911,710
Total liabilities and stockholders' equity	\$6,468,185	\$5,849,251

The accompanying notes are an integral part of these condensed consolidated financial statements.

Tesla Motors, Inc.

Condensed Consolidated Statements of Operations

(in thousands, except share and per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues				
Automotive	\$ 878,090	\$ 727,829	\$ 1,771,410	\$ 1,316,700
Services and other	76,886	41,520	123,446	73,191
Total revenues	954,976	769,349	1,894,856	1,389,891
Cost of revenues				
Automotive	666,386	519,811	1,298,131	956,065
Services and other	75,220	36,543	123,282	65,703
Total cost of revenues	741,606	556,354	1,421,413	1,021,768
Gross profit	213,370	212,995	473,443	368,123
Operating expenses				
Research and development	181,712	107,717	348,866	189,262
Selling, general and administrative	201,846	134,031	397,211	251,583
Total operating expenses	383,558	241,748	746,077	440,845
Loss from operations	(170,188)	(28,753)	(272,634)	(72,722)
Interest income	247	467	431	608
Interest expense	(24,352)	(31,238)	(50,926)	(43,122)
Other income (expense), net	13,233	(1,226)	(9,072)	5,492
Loss before income taxes	(181,060)	(60,750)	(332,201)	(109,744)
Provision for income taxes	3,167	1,150	6,207	1,958
Net loss	\$(184,227)	\$(61,900)	\$(338,408)	\$(111,702)
Net loss per share of common stock, basic and diluted	\$(1.45)	\$(0.50)	\$(2.68)	\$(0.90)
Weighted average shares used in computing net loss				
per share of common stock, basic and diluted	126,688,755	124,250,428	126,319,756	123,863,753

The accompanying notes are an integral part of these condensed consolidated financial statements.

Tesla Motors, Inc.

Condensed Consolidated Statements of Comprehensive Loss

(in thousands)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net loss	\$(184,227)	\$(61,900)	\$(338,408)	\$(111,702)
Other comprehensive loss, net of tax:				
Unrealized net gain on short-term marketable securities	4	—	208	—
Foreign currency translation adjustment	1,157	—	(14,990)	—
Other comprehensive income (loss)	1,161	—	(14,782)	—
Comprehensive loss	\$(183,066)	\$(61,900)	\$(353,190)	\$(111,702)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Tesla Motors, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Cash Flows From Operating Activities		
Net loss	\$(338,408)	\$(111,702)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	168,501	98,983
Stock-based compensation	86,327	72,822
Amortization of discount on convertible debt	33,712	32,102
Inventory write-downs	15,950	3,850
Fixed asset disposal	4,991	6,305
Other non-cash operating activities	6,082	3,662
Foreign currency transaction (gain) loss	16,771	(210)
Changes in operating assets and liabilities		
Accounts receivable	62,832	(47,931)
Inventories and operating lease vehicles	(706,220)	(458,132)
Prepaid expenses and other current assets	(3,385)	(24,207)
Other assets	(8,355)	(457)
Accounts payable and accrued liabilities	61,261	185,711
Deferred revenue	116,812	101,259
Customer deposits	19,573	64,946
Resale value guarantee	143,216	109,232
Other long-term liabilities	29,030	20,828
Net cash provided by (used in) operating activities	(291,310)	57,061
Cash Flows From Investing Activities		
Purchases of property and equipment excluding capital leases	(831,225)	(317,049)
Purchases of short-term marketable securities	-	(200,268)
Maturities of short-term marketable securities	-	189,131
Business acquisition	(12,260)	-
(Increase) decrease in other restricted cash	(11,696)	1,616
Net cash used in investing activities	(855,181)	(326,570)
Cash Flows From Financing Activities		
Collateralized lease borrowing		