Post Recession Financial Performance

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

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 increases 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.