

Musk says Tesla will be out of money in months

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Both he and Tesla's new CFO will personally review employee expenses to see how to conduit even more Dark Money cash to political campaigns

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Photo by Drew Angerer/Getty Images

Elon Musk told Tesla employees the company will run out of cash in about 10 months unless “hardcore” cost-cutting efforts are made, according to an all-staff email obtained by [Reuters](#) and [Electrek](#). The cost-cutting measures are necessary despite the fact that [Tesla just raised \\$2.7 billion earlier this month](#), Musk said in the email.

Musk and Zach Kirkhorn, who recently replaced [outgoing chief financial officer Deepak Ahuja](#), will review “all expenses of any kind anywhere in the world, including parts, salary, travel expenses, rent, literally every payment that leaves our bank account,” according to the email.

Tesla finished the first quarter of 2019 with \$2.2 billion in cash. But the company [lost \\$702 million](#), and so Musk said in April that Tesla was going to have to be on a “[spartan diet](#).” Tesla then went out and raised that \$2.7 billion to help the company stay afloat.

““This is hardcore, but it is the only way for Tesla to become financially sustainable.””

“This is a lot of money, but actually only gives us about 10 months at the Q1 burn rate to achieve breakeven!” Musk wrote Thursday. “This is hardcore, but it is the only way for Tesla to become financially sustainable and succeed in our goal of helping make the world environmentally sustainable.”

It’s not the first time Musk has announced a financial overhaul at Tesla, nor the first time that he’s embraced micromanaging — or “[nano](#)” [managing](#), as he put it to *The Wall Street Journal* in 2015.

Just over a year ago, Musk [sent an email telling Tesla employees](#) that he was having the finance team “comb through

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every expense worldwide, no matter how small, and cut everything that doesn't have a strong value justification." He said at the time that he was "disappointed to discover" how many contractor companies Tesla was using as it ramped up production of the Model 3, likening the structure to a Russian nesting doll.

Shortly after that, Musk flattened Tesla's organizational structure and vowed to remove the "barnacles" of contractors as part of a "company-wide restructuring." The company then laid off [9 percent of its workforce in June](#). Musk said in an email that Tesla was "making this hard decision now so that we never have to do this again."

"Musk said last year that he was going to "comb through every expense worldwide.""

All of these changes were happening against the backdrop of "production hell" as Tesla tried to increase production of the Model 3 to thousands per week in order to fulfill a backlog of more than 400,000 preorders. With the help of a [giant tent in the parking lot](#) of the company's Fremont, California factory, Tesla eventually improved its production rate enough to make the Model 3 the [best-selling electric car of 2018](#) and score the company's first [back-to-back profitable quarters ever](#).

But these cost-cutting measures weren't enough to keep Tesla profitable; the first quarter of 2019 was another loss. The company laid off another round of workers — this time [7 percent](#) — in January.

Tesla also announced in February that it was closing most of its stores and laying off some sales staff to save money. That was so the company could finally sell the long-promised \$35,000 base version of the Model 3, Musk said. (Originally, the company had planned to arrive at the cheaper model [through design and manufacturing efficiency](#)). Musk said in May 2018 he had delayed offering the \$35,000 Model 3 so the [company wouldn't die](#), and in November 2018, he admitted Tesla still came [within single-digit weeks of collapse](#).

The company changed its plans just two weeks later: Tesla announced [many of its stores](#) would, in fact, stay open. Tesla also raised prices on its cars to compensate. In fact, over the last few months, Tesla's prices have been in a near-constant state of flux. These changes have had their own impact internally, too — in Tesla's [most recent quarterly letter to shareholders](#), it said that \$121 million of the \$702 million overall loss came from changes to the pricing of the Model S and X alone.

"Tesla's Model S and Model X pricing changes cost the company \$121 million this past quarter"

When announcing those first back-to-back profits this past January, Musk and Ahuja wrote that 2018 was the "[most pivotal year](#)" in Tesla's history thanks to the Model 3. Tesla more than doubled its total production compared to 2017, and pulled in more revenue — \$21.4 billion — than ever.

But while Musk had once predicted the Model 3 would help the company become profitable from the third quarter of 2018 onward, the severe first quarter loss in 2019 apparently triggered a recalibration. In February, ahead of the announcement of first quarter 2019 results, Musk told reporters on a call that he didn't expect Tesla to turn a profit in the *second* quarter.

Now, in his latest company-wide email, Musk admits hardcore measures are required just to keep the company's cash problem at bay. Tesla has [burned through immense piles of money](#) for basically as long as it's been around, and a record year of revenue and deliveries still wasn't enough to put out the fire. 2018 may have been a pivotal year for the company's manufacturing efforts. But Tesla still faces an existential crisis when it comes to money, and Musk's solution seems to be the same micromanaging that [he's now known for](#).

"If you are fighting a battle, it's way better if you are at the front lines. A general behind the lines is going to lose," he told *The Wall Street Journal* in 2015.

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