

## TESLA – ONE BIG, RED FLAG

Actually, there are several, but one stands out:

- 1) After the Q3 call y`day, as analysts were hanging up, Elon Musk announced that his trusted CFO Deepak Ahuja is leaving the company. This is the second time Deepak leaves Tesla, after having been asked in 2017 to come back as the then CFO Jason Wheeler who had been 18 mths in the position abruptly left. I can't see anyone else in Elon's mgmt team that can compensate for the loss of trust Deepak's departure means, and think this increases the implied risk premium in the stock considerably. His replacement is a 34 year old business analyst that graduated from Harvard with an MBA in 2013, having joined Tesla Finance in 2010.  
In light of Dave Morton's (ex Salesforce) departure following one month as chief accounting officer last summer, Deepak's sudden resignation less than 6 mths later is particularly unfortunate. As the fledgling Tesla operates with a current ratio of 0.8 – and falling – it's erratic CEO has now burnt through 3 COA'S and a CFO in a year. That is extraordinary. Especially in this critical period of the company's development, as it is put to test on profitability for the first time ever. Prudent investors ought to take notice here. The red flag is up.
- 2) Elon Musk actually stated the following on the call: «The demand for Model 3 is insanely high. The inhibitor is affordability. It's just like people literally don't have the money to buy the car. It's got nothing to do with desire. They just don't have enough money in their bank account.» Investors should wake up and smell the coffee here. It doesn't get any clearer than this. *Elon thinks there is demand for his car, but only at a lower price point.* Implications for his gross margin guidance are obvious. Pls see my note from Jan 21 under «Myths» for more.
- 3) An update on capital need was promised. Elon unfortunately had nothing new other than Depak's departure to add, only stating that the March convertible can be paid out of cash and that Chinese banks will fund the Gigafactory there. That leaves the financing of the company's growth plans still up in the air. Cutting 7000 employees – 15pc of the workforce – and capex, in the midst of these plans is not credible. See bullet 2.

SELL – target 100 on peer pricing, all the way to zero thereafter unless someone picks up the brand before its too late.

# The Harpoon Report

Hunting for value



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