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**The Short Thesis on Tesla**

For years certain traders and hedge funds have been shorting Tesla, putting downward pressure on the stock, and have managed to make it the most heavily shorted stock in the market. I believe that the thesis for shorting the stock is coming to an end.

Years ago, the shorts said “no one will buy electric cars.” The data shows otherwise. Nissan has been selling the Leaf for longer than Tesla has been selling cars. Also, the Prius has been a huge seller for Toyota, and while that car is a hybrid, it showed that consumers were willing to pay up for a car that moved away from fossil fuels.

The shorts used to say “no one will buy Tesla automobiles.” Funny thing though, the Model S has outsold its competition from Mercedes, BMW, and Audi in the large sedan luxury market and the brand-new Model 3, which they just started to ramp up, is outselling the Germans, Lexus and Infiniti in the mid-size luxury sedan market. Just wait until Tesla ramps production up to 5,000/week!

Finally, the shorts have said “Tesla will never be profitable.” Elon Musk has reiterated that Tesla will be cash flow positive and profitable in the third and fourth quarter of this year. I think I know why. If you take 5000 cars sold per week and multiply that by an average price of $50,000 per car, you get $250M in revenue per week. That’s about $1B in revenue per month, or $12B per year not counting Model S & X sales, battery storage, or solar energy. If the Model 3 has a profit margin of 25%, then we are looking at profits of $3B per year, and when they get production up to 10,000/week we are at $6B in profit. The Tesla story is one of tremendous future growth and profits with three distinctly different multibillion dollar businesses all coming to market in the U.S. at the same time. And then there is China…and India…and Europe…

What will the shorts say after profitability comes? Who knows, but right now the shorts are feeling a little burn.