

Tesla: Lies And Fraud Engulfed In Elon Musk's Hubris

[Financial Markets](#), [Market Manipulation](#), [U.S. Economy](#), [Elon Musk](#), [financial collapse](#), [funding secured](#), [Tesla](#), [TSLA](#)

Elon Musk should have considered a career as a children's fairytale author. He would have made multiples of his current net worth selling his amazing fantasies and optioning the movie and tv series rights. He's spent the better part of the last few years spinning fantasies as a means of addressing the growing army of analysts and truthseekers who report the facts about Tesla. He'll say anything in an attempt to drive the stock price higher. The "funding secured" \$420 buyout fraud is just the tip of the iceberg, if not wholly emblematic of Musk's desperation to succeed.

At the shareholder's meeting on Tuesday Musk referenced an alleged shortage of batteries that was constraining the ability to make deliveries and to bolster his claim that demand is strong. Of course, the facts say otherwise about demand (see this, for instance: [Q1, April, May EU deliveries](#)). The battery claim will serve the purpose of Musk's excuse for falling short of his assertion last week that Tesla "might" set a record in deliveries.

As his remedy to the battery shortage lie, Musk said: "We might get into the mining business, I don't know, maybe a little bit at least." In some ways, that statement is just as shocking as the "funding secured" tweet. Mining companies spend years and millions looking for mineable deposits of cobalt and lithium.

Then if a company is lucky enough to find a deposit, there are several more difficulties to overcome in order to get a mine operating. Musk's assertion minimized the cost and effort required to "get into the mining business." He made it sound like anyone can make it happen. It's the definition of hubris.

The "mining business" pronouncement typifies the degree to which Musk will say anything to fortify his lies – his fraudulent narrative – surrounding Tesla's inability to execute a business model successfully. The fact that journalists, the financial media and Wall Street analysts refuse to hold Musk accountable for his chicanery enable its perpetuation. The victims are the people who die in car accidents connected to the unregulated mechanical failures with Musk's products and the investors who are blind to his deceit. Having a car accident can be a life-altering thing, some may lose their lives, others have serious injuries or will come away with a few scratches, whichever way it goes, it has a lasting impact on the person and person around them. Some people will want to bring a lawsuit against the person/car if they were not the one who caused the accident, they will more than likely seek [settlements in accident cases](#) with their lawyer.

It's mind-blowing to me that the Musk/Tesla faithful continue to follow him off the cliff. His track record of failure to deliver on promises is unparalleled in history. In truth, beneath the facade of fraud and fairytales, is a poorly run business operation that bleeds billions in cash and will never achieve true profitability. The Model 3 is produced in a glorified Coleman tent, for god sakes. Make no mistake, the GAAP "profits" reported in 2018 were nothing short of outright and blatant accounting deception. Anyone who still believes those numbers is living with

their eyes wide shut. Anyone who takes Elon Musk at face value is either tragically naive or catastrophically stupid.

But then again, Tesla and Elon Musk is the poster-child for the degree to which the U.S. economic and political system has gone down the rabbit hole and has become an empty shell of greed-driven fraud and corruption...

Piotr Pietrzekiewicz

He is not after any business he is after investor's money to burn in Fremont and Shanghai. He is next call is to "solve the bottleneck in battery capacity" which impedes his production (my foot) so gimme gimme! Just like Bezos and others in this bubble pursuing ever new business towards global domination (die Gantze Welt)

CRAIG FRANCIS

The lurid tale of Meister F. Elon Musk's Redi Kilowatt Kubelwagon will be told 1,000 years from now, warning people to beware of carney barkers promising green energy vehicular nirvana for a mere \$75,000.

Just as the Brothers Grimm fairy tale of the Pied Piper of Hamelin is still repeated today as a warning to beware of mayors promising and minstrels performing while the gullible are duped and their children are led away by siren songs, the penny whistle shrieking of Musk claiming his vision is the only way will be seen as a supernatural apparition, a vehicular poltergeist with all the

sustainability of a 25 year old Yugo. Every time I see a Tesla on the highway I think. You poor soul, driving a car made by a company destined for the ash heap of history.

You guys still don't understand. Tesla is too big to fail now, the current ponzi system is so stretched and fragile, that it cannot tolerate any sort of price discovery. Tesla will be bailed out overtly or covertly, or it will be outright nationalised.

Any problem will be "solved" by debt expansion/ money printing by our overlords. The cliff that you think Tesla should fall into, will be filled by the taxpayers and the savers (through inflation).

The bankers will print until your fucking eyes bleed, and then print some more. Because they have no choice. Come on, you would do the same thing, at this point nobody would want to take the blame for popping the largest bubble in history...

If you research it, this is exactly how big civilizations collapse. It might take decades of ever faster erosion of the living standards of the average citizen.

There is no fixing to this, the turning point was 1914, and the mathematical "point of no return was 1971".

Tesla Shareholders: Are You Drunk On Elon Musk's Kool-Aid?

[Michael Lewitt](#)

- [there is a great deal of risk embedded in a stock trading at infinity-times earnings with no prospect of profitability.](#)
- [Companies tell all types of lies to burnish their financial results but Elon Musk's fish tales make Moby Dick look like a guppy.](#)

Tesla shareholders (and bullish Wall Street analysts) are either geniuses or delusional and I am betting on the latter. Typical of the lack of gray matter being applied to this investment is a [recent post](#) on Seeking Alpha, often a place where amateurs go to pump stocks they own.

Someone calling himself "Silicon Valley Insights" issued an ungrammatical "Strong Buy" recommendation on October 11 based on the following syllogism: (1) "Tesla CEO Elon Musk has stated very firmly that they can and will reach his goal of producing 5,000 cars per week by the end of this year." (2) "Musk has a history of setting aggressive targets (more for his staff

than investors) [Editors's Note: That is a lie.] and then missing them on initial timing but reaching them later. [Editor's Notes: That is another lie--Musk has NEVER reached a production target.] (3) "Reaching anything [sic] significant portion of that 5K target (say 1-2K) by the end of December could drive TSLA shares significantly higher." This genius then suggests that investors stay focused on the Model 3 ramp as the key price driver over the coming weeks and months and argues that the announcement that only 260 Model 3s were produced in the third quarter leaves "much of the risk...now in the stock price." He is correct-- [there is a great deal of risk embedded in a stock trading at infinity-times earnings with no prospect of profitability](#), a track record of breaking promises, a reluctance to sell equity to fund itself even at price levels above the targets of most analysts, and a market cap larger than rivals that are pouring tens of billions of dollars into putting it out of business.

Undeterred, he offers two investment strategies. The first he terms a "reasonable and conservative" one that waits to invest in TSLA shares until the early November third quarter earnings call. In my world, a reasonable and conservative strategy would be to run for the hills or short the stock (as I am doing). A "more aggressive and risky strategy" (compared to skydiving or bungee jumping) would be "to buy shares before that third quarter report and call on the bet that the Model 3 production update will be taken positively."

No doubt investors like Mr. Silicon Valley Insights will put a positive spin on whatever fairy tales Elon Musk spins on that call, but that is a big bet indeed.

With revelations that the reason the company only produced 260 Model 3s in the third quarter (80% fewer than its projection of 1500 vehicles) was because its assembly line was nowhere near completion, and that workers were literally hammering together cars by hand (which sounds a little like cavemen building rocket ships), shareholders are not just assuming the guise of run-of-the-mill cult members but drinking the financial equivalent of the Kool-Aid served by Reverend Jim Jones at Jonestown.

[Companies tell all types of lies to burnish their financial results but Elon Musk's fish tales make Moby Dick look like a guppy.](#)

The question is why so many people like Silicon Valley Investor and analysts at some of Wall Street's biggest firms are willing to believe him. Unsurprisingly, investors are acting out of blind faith and Wall Street out of greed. Neither motivation constitutes a viable investment strategy.

One day Musk says that the company has 500,000 deposits for the Model 3 (which is a Ponzi scheme because the funds are not escrowed) and the next day has to admit there are only 450,000 (and perhaps fewer since it is going to take years to produce those cars at the current production rate and people will get tired of waiting and ask for their money back). In any case, he refuses to update the current level of deposits or give monthly sales figures like the rest of the industry.

He has Tesla buy bankrupt affiliate Solar City and claims the company will be selling huge volumes of solar rooftops though few have materialized. He promises that Tesla will produce 200,000 vehicles in 2017 and will come nowhere close, 500,000 in 2018 and 1,000,000 in 2020, figures that are laughable before considering that the company loses money on every one of them

so it may be better off not meeting these fanciful targets. And in order to divert attention from his lies, he makes ridiculous claims that Tesla can rebuild South Australia's and Puerto Rico's power grids and then uses these as excuses for further product delays. In any case, there is no discussion of who will pay for this or how TSLA will make any money on these projects.

If investors want to throw away their money on a serial prevaricator, that's their business and I will happily take the other side of the trade and the profits bound to come with it. But the SEC is supposed to police securities fraud and Mr. Musk is laughing in its face by producing one lie after another with impunity. If he were a coal producer or a member of a politically unprotected class rather than a purveyor of green cars for rich people, the SEC would be investigating him for his incessant market manipulation. This is another example of the collapse of the rule of law in America and it is going to cost investors tens of billions of dollars. Short sellers again are performing a public service by calling attention to this travesty of a company and failure of the regulators to police a serious abuse of the system.

Seeking Alpha isn't the only place where people are trying to pump up Tesla stock in the face of a steady flow of bad news. A couple of days after the Journal reported that TSLA's production line is a shambles (and after Tesla issued a non-denial denial to its house publicity organ, CNBC), one of its loudest Wall Street supporters (who happens to work at one of its habitual underwriters), Morgan Stanley's Adam Jonas issued a ridiculous report raising his price target from \$317 per share to \$379 per share based on the alleged strength of TSLA's infrastructure to support electric vehicles and lowered the discount rate of his

imaginary and unsupported estimates which themselves are simply linear.

The report made absolutely no mention of the production difficulties that limited production in the third quarter but was filled with lots of colorful diagrams about all of the charging stations and Model 3s that are going to mysteriously materialize and fill America's roadways (by the way, how come we never hear about the environmental challenges involved in disposing of all the auto and other batteries that TSLA and other electric car makers are going to produce?). Mr. Jonas treats TSLA as the only automaker engaged in the production and sale of electric vehicles, ignoring the fact that the largest automakers in the world with much greater resources than TSLA are devoting billions of dollars to the sector. His work shows little sense of the realities of the severe competitive pressures that TSLA is already starting to experience and will only intensify in the coming years.

 [TSLA Chart](#)

[TSLA](#) data by [YCharts](#)

Mr. Jonas is the analyst who imagined that Tesla will create a ride-sharing business he calls Tesla Mobility that will revolutionize the auto industry despite the fact that there is no sign such a business will ever exist and then used the value of that imaginary business to pump up his target price on the stock. His financial model for TSLA, which includes \$70 per share for Tesla Mobility, is rife with inconsistencies and unrealistic assumptions. For example, his model shows only modest increases in share counts (from 167 million shares today to 188 million in 2020 and 203 million in 2025) and declining interest expense, which assumes that the company will not need to raise

much additional capital, a wholly unrealistic assumption. He only shows the company raising \$2.5 billion in additional equity in 2018, which won't be nearly enough to fund TSLA's capital needs.

I believe the company will need at least \$10 billion of additional capital and should move quickly to sell as much stock as it can before the stock price collapses (if Elon Musk is indeed the visionary that the media describes, his brilliance does not extend to corporate finance where he is missing the important lesson that you raise money when you can, not when you need to). Mr. Jonas's accounting also shows non-GAAP earnings exceeding GAAP earnings in 2020 (\$4.72 a share non-GAAP v. \$3.79/share GAAP) while stock options are still being granted in size (\$468 million in 2017 rising to \$724 million in 2025 and \$926 million in 2030). His model also assumes straight line growth with no recessions, no hiccups, no problems, and endless government subsidies over the next dozen years. Good luck with that.

I think what may have happened is that Elon Musk called Morgan Stanley, one of TSLA's underwriters, and asked it to write a positive report after the negative news came out over the weekend about its production snafus. Wanting to stay in its client's good graces, Morgan Stanley obliged. Mr. Jonas had to come up with something and concocted his report about the importance of TSLA's charging stations and other infrastructure to support its future fleet, which is all well-and-good looked at in isolation but provides no basis for inflating an already inflated price target. Rather, it is a transparent attempt to support the stock price. As I've often said, Wall Street makes brothels look like churches when it comes to ethics.

Naturally, after dropping double digits on the Journal story that the assembly line is in disarray, the stock rallied back by double digits on publication of the Morgan Stanley report. So that leaves us having to decide whether TSLA shareholders are geniuses or delusional.

There are some highly respected investors betting on TSLA, but there were a lot of smart people heavily invested in Valeant Pharmaceuticals International (VRX) when I told people to short that stock when it was trading at nearly \$200 a share because I knew it was based on foundation of lies. Even smart people can make big mistakes. You need to think for yourself and look at the facts when you study a company, not rely on who else is invested or what the media is saying. The negative facts surrounding TSLA far outweigh the positive fantasies being hammered together like the cars in its factories by Elon Musk and his media and Wall Street sycophants. Keep the car but sell the stock. Or, put another way, don't be delusional.