

WHITE KNIGHT CONSULTING LLC



TESLA: THE NEXT FRONTIER?

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Let me start in saying that I have always be a little bit of a sceptic on the benefits of electric cars because of the current battery technology, the difficulty in disposing of depleted batteries and how most electricity is produced today. But let's put that to one side and look at Tesla, the California startup giving people access to electric vehicles.

Elon Musk is the face of Tesla and is no stranger to the limelight. We have seen him create (and settle) issues with the SEC, merge the failed SolarCity into Tesla and now he has made the decision to purchase \$1.5 billion of Bitcoin (10% of Tesla's cash). But this isn't the first time we have seen a company change direction. Google started as an internet search engine, morphed into an online advertising company and now is a private equity company investing in new technologies and purchasing tech start-ups.

I don't take issue with Tesla changing direction, but I believe it is a concern when a 20% shareholder makes misleading comments (that has directly impacted the share price) and makes a strategic decision that has wider implications. Setting aside the issue of putting the balance sheet at risk to the wild swings of bitcoin, Mr. Musk has thrown caution to the wind once again with regards to the regulators, who still don't fully recognise Bitcoin due to their inability to regulate it and ensure that they satisfy the requirements of the Patriot Act.

When adding investments to a portfolio, one usually focuses on a company that has a strong product or service, a long term vision, good management and can grow their bottom line. When looking at Tesla, can all these boxes be ticked?

I feel that the road ahead is precarious as Elon Musk may be a visionary, but he's no Steve Jobs. Is this just a matter of personal bet or a long time plan? Will the regulators get on the same side of the argument on Bitcoin? Until those questions are answered, I cannot support the decision to be an investor in Tesla, regardless of opportunity cost.

Samy Dwek is founder and CEO of White Knight Consulting LLC a Delray Beach firm that provides professional guidance and outsourced chief financial officer, chief operating officer services to high-net-worth individuals and families.

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