

# Tesla – Unhitching the Wagon

Companies in a few mining sub-sectors must be wondering whether an edit of their corporate presentations is in order as Tesla, the one-time motor (pardon the pun) for their stock prices, stumbles and starts to look like it may be a mere manufacturer like Ford or GM. We have long warned that hitching one's wagon to a single horse always brought with it the risk that if the horse went lame or even worse, keeled over dead, then one would not be going anywhere fast.

Our thesis is that the Plug-In Electric Vehicle (PEV) phenomenon was around before Tesla and will definitely power on even if Tesla disappeared entirely from the scene therefore, corporates should not tie their fates only to one brand but to the whole trend.

## **Fatal Flaw?**

Early May saw the first known death caused by a self-driving car was in a vehicle made by Tesla Motors. This event had more effect on Tesla than maybe it should have, as Tesla is not the forerunner in this space, where Google have been blowing their trumpet the loudest. However it did give investors (and regulators) cause to reconsider the pace of developments in the booming autonomous vehicle industry.

The May accident occurred in Williston, Florida when the "driver" put his Model S into Tesla's autopilot mode, which is able to control the car during highway driving. Apparently, due to a bright sky, the car's sensors system failed to distinguish a large white 18-wheel truck and trailer crossing the highway. The car attempted to drive full speed under the trailer, "with the bottom of the trailer impacting the windshield of the Model S". As bright skies are not exactly a rare phenomenon this sounds like a product in need of a (protracted) return to the drawing board.

The National Highway Traffic Safety Administration (NHTSA) opened an inquiry into the accident. The manufacturer was probably “lucky” that it was the driver who was killed rather than a group of school children crossing a road, or somesuch. Indeed, such is the seriousness of this that one wonders if it may not put the cause of auto-piloted cars many years down the road, so to speak.

Press reports indicated that the driver was a Tesla enthusiast who frequently posted videos of his car on autopilot on YouTube. One video showed his car avoiding a collision on a highway, registered over one million views after it was tweeted by Tesla CEO Elon Musk.

### **Slippery Slope?**

The accident came at a time when a bit of the shine was already coming off Tesla’s stock price, but some of that might be attributed to general market malaise. As the chart below shows the stock peaked at \$217 in early April then was on a slide which was accentuated with the early may accident, but then rather counterintuitively the market started lifting the stock only a few days after the event and it recovered almost half its recent losses before going into yet another swoon in June on the Brexit-induced jitters and again has staged a fairly strong rally but not managed to get back to the June highs before fading again. Any dispassionate observer would say the stock is looking tired.



Well may we ask if when Tesla sneezes, is it others that catch a cold? Bacanora , the Mexican Lithium hunter, is a stock that hitched its wagon to Tesla’s star (to mix a metaphor) and has been coming down to earth rather hard of late. It staged rallied in April and June which nearly took it back to the levels reached in mid-2015 when it first announced its supply “deal” with Tesla but since the last peak it has been an unremitting slide. We would attribute this to investors in general being less impressed with a direct Tesla linkage than with the fundamentals of a Lithium prospectors’ actual property. One thing is having a deal another thing is having a great deposit. No-one that we have heard puts Bacanora’s deposit in the top drawer of lithium plays.



Without the Tesla connection the stock probably would not have received as much attention as it has and now the shine is coming off we might ask whether it's a boon or a curse to be seen to be tied to Tesla's fortunes? Will we be seeing more companies rewriting their corporate presentations to make them less "Tesla-specific" and focused on the potential of ALL electric cars not just on Tesla's. Frankly if you gave us the choice of being plugged in (pardon the pun again) to a conversion of China's car fleet to electric or Tesla, we know which one we would choose.

## Life Goes On

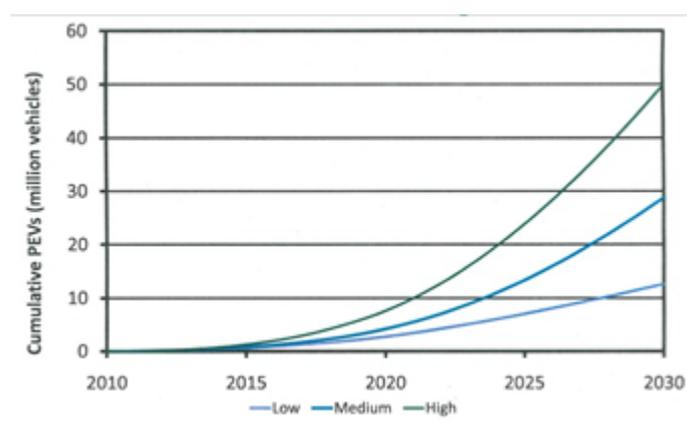
If Tesla was to be "taken by aliens" tomorrow and never seen again the boom in PEV's would go on unabated. It is somewhat like the arrival on the scene of the bicycle or the steam locomotive in the 19<sup>th</sup> century. The brands of the first successes are now lost in the mists of times and they are certainly not around still making the same products. It may indeed be that Tesla turns out to be the best thing since

sliced bread in the automobile industry and may be an also-ran. After all, who but fans of *Back to the Future* talk of DeLoreans these days?

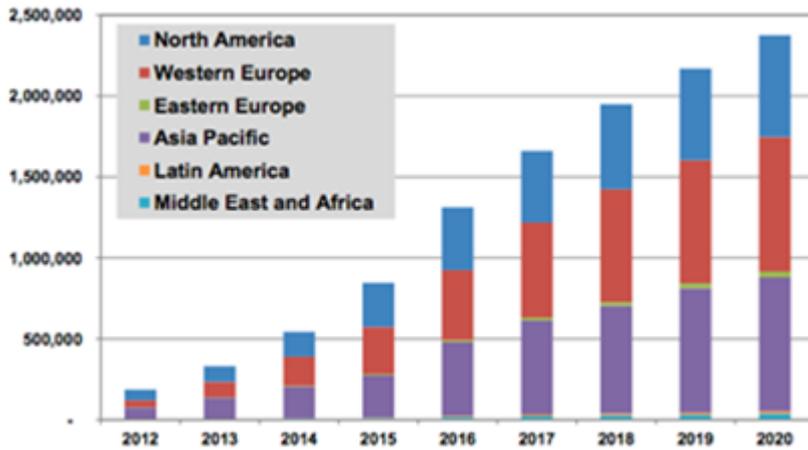
It really seems that many corporate presentations in the Lithium/Graphite/Cobalt space are appealing to the inner car geek rather than to the hard-nosed investor. It's time to distance from the Tesla car phenomenon and latch onto the broader picture. It's interesting that for quite a while now the great survivor of the Lithium space Neometals (ASX: NMT) has been focusing more upon the potential of Tesla's home power storage units instead of the electric car. A smart move in our view.

Yet the autos are still the talk of the moment and cannot be ignored. There are ways though of telling the story and not pinning one's fate to the prospects of one particular company. Again a picture tells a thousand words.

Here we can see the projections of the Electric Power Research Institute (EPRI) of how the fleet of PEV's might evolve in three scenarios. The worst case has adoption growing by a mere 12 times over the next 15 years, while a 50-fold rise occurs in the most bullish adoption scenario.



In the chart to above, we can see the estimates of Pike Research on how the number of charging stations may evolve globally. This gives an idea of how uptake of PEV's might evolve by region.



## Conclusion

We find it hard to think of any metal in recent memory that has had its fortunes pegged to the progress of one product of one company. Frankly, except for the sexiness factor, Tesla has no more going for it than the bulk of other PEV manufacturers and, considering the risks involved, would normally be something that only the most edgy/daring of investors would go for. A lot, indeed most, Lithium companies make reference to Tesla in their materials but very few mention Prius or Leaf or other hybrid/PEV products that are currently hitting the streets and have been for the best part of a decade.

The auto-pilot fatality was a warning sign that investors and corporates should not pin all their promotional efforts on one product/producer and that the PEV story is a multi-decade one which may indeed be dominated by companies in five or ten years that do not even exist today. Let Yahoo be a warning to us all.