

Demetri Kofinas: What's up, everybody? Welcome to this week's episode of Hidden Forces with me, Demetri Kofinas. Today I speak with Mark Spiegel, managing member and portfolio manager of Stanphyl Capital Partners, a New York based equity investor. Prior to founding Stanphyl in 2011, Mark spent six years as an investment [00:00:30] banker financing public companies, having started his career in commercial real estate where he experienced first-hand the sorts of real world challenges and opportunities that he credits for much of his later success. Mark, welcome to Hidden Forces.

Mark Spiegel: Thank you. I'm really happy to be here.

Demetri Kofinas: Yeah, it's exciting having you here, man. I'm actually looking forward to an education and to a good laugh with you. Normally, I have peoples' quotes, and I have some of yours. They're great. They're sort of in my little quote list here, which I had with Charley.

The thing [00:01:00] I pulled up that I like more, which I think captures who I think you are based on the very limited contact that we've had already is your Twitter profile, which says, "Investor, managing member of Stanphyl Capital, wise guy. I buy deep value and short bubbles, and I don't do it quietly."

Mark Spiegel: I have a huge mouth for the size of my fund, there's no question.

Demetri Kofinas: I could tell talking to you on the phone this is going to be great.

I want to say also as well for the audience, this podcast is for informational [00:01:30] purposes only and should not be relied upon as a basis for investment decisions. That's the first time that I had a professional sort of thing to say. The last two were like, "Don't sue me, this is not advice," because this is like brand new for me.

Mark Spiegel: Yeah, don't sue me either. This is not advice.

Demetri Kofinas: This is definitely not advice.

Mark Spiegel: This is opinion. Opinion and facts, though.

Demetri Kofinas: Exactly. We're going to get into that, because you have some amazing facts, Mark. Tell me a little bit about your background though, too, because you're a really interesting guy, and I want the audience to really appreciate what a unique character you are, [00:02:00] especially for our particular type of broadcast.

Mark Spiegel: Well, I don't know how interesting I am. Tell my girlfriend that and she'll think you're kidding. But I'm out of college a long time, I got out of school in '83. Spent the first 17 years of my professional career in the commercial real estate industry. I met a lot of companies that way, and learned how businesses really run, as opposed to getting out of college and just going right to some investment bank and working as an analyst and never actually being in the real world.

So anyway, 17 years of that. I got a little bit bored, sold the business to my partner.
[00:02:30] Basically taught myself finance, spent a year working for a micro-cap, sort of story stock,, tech company, learned all of the sort of bullshit press releases ... Can I say that?

Demetri Kofinas: Yeah, you can curse, man. [crosstalk 00:02:44] Well, that's true, but I don't think that's a problem.

Mark Spiegel: Alright.

Demetri Kofinas: They never told me it was an issue. They never told me it was an issue.

Mark Spiegel: So I would see like what's going on with the company versus what would be on the press release. I was like, "Oh my god, companies don't [00:03:00] always tell the truth," which I was naïve about this stuff. So anyway, did that for a year and then I decided, "Okay, now I want to work on Wall Street."

At that point, I'm 42 years old. I have no Wall Street resume at all, I mean ... but I sent out a lot of resumes. One young guy running a small investment bank looked at it, and he said, "Hey, you know what? This guy worked with CEOs of companies and helped them find their real estate. We work with CEOs of companies and help them find their money." That's what investment [00:03:30] banking is. His philosophy was, "If you can talk to a CEO, you can talk to a CEO," so he hired me on an eat what you kill basis. Got me licensed, 7/63 -

Anyway, so I did some deals, learned a lot about the business, and went from there to a larger investment bank. Went from there to a still larger investment bank. Then I decided that I really hated raising money from investors ... all institutional investors, we didn't deal with any retail investors, but ...

Demetri Kofinas: That is an awful thing to have to do.

Mark Spiegel: No, let me just ... No, what I'm saying is I hated doing it [00:04:00] for companies that wouldn't want to invest in myself, you know?

Demetri Kofinas: Oh, yeah that makes it more difficult.

Mark Spiegel: That's when I decided, I really would be much happier on the buy side. For people who are listening to this who aren't Wall Street people, you've got the buy side and the sell side. Basically, the buy side are institutional investors, and the sell side are the investment banks who try to sell them on stocks and deals and whatever.

So spent a couple more years investing on my own. I put together a really good personal track record investing while I was a banker, and then I was ready to open my own fund, [00:04:30] and I did that in 2011. That's how I got here.

Demetri Kofinas: You've been short Tesla for the last four years, is that about right?

Mark Spiegel: I've been short Tesla ...

Demetri Kofinas: And not quiet about it.

Mark Spiegel: Right. I've been short Tesla for roughly four years. Started with a really tiny position. I've always been a car nut. People say, "How did you get attracted to Tesla?" Well, I thought it was a fascinating concept. I've loved cars. But then the more I looked at the company, the more I saw that this was actually not a business. We can get into that later. [00:05:00] I shorted a little bit, and then as the stock got higher and higher ...and basically as it got into the upper 200s, which first happened in 2014 ... I got bigger in the position. Actually, coincidentally, as the day ... Go ahead.

Demetri Kofinas: Have you shorted just using options or ...

Mark Spiegel: No. I'm outright short come and stock. The reason for that is twofold. Number one, it's very cheap to borrow. Other than a few rare instances where stock got called in for corporate events, the borrow rate is typically been something like 1% a year. [00:05:30] The stock trades very actively from 4:00 AM until 8:00 PM, New York time, and options don't. Options trade when the options market opens. It just gives me a lot more flexibility to just outright be short the stock.

Demetri Kofinas: Have you tried being short in other ways by buying certain competitors? Have you thought of other ways to go short the company, or are you ... I mean, just curious. I'm just trying to understand sort of the way that you are trying to manifest your position as we move forward in this conversation.

Mark Spiegel: Well, basically every single car maker in the world is about to be [00:06:00] a competitor of Tesla. I mean, some of them already are, but the others will be very, very soon. But I haven't gone long any of those, even though a lot of car makers are actually pretty cheap on sort of current metrics. I mean, companies like GM, Daimler, even VW with their problems, but I'm not confident of where we are sort of in the economic cycle, the car buying cycle, and stuff that looks really cheap today on current earnings can get a lot more expensive if the economy takes a dive.

Demetri Kofinas: What are price to earnings for like a GM or like a Ford?

Mark Spiegel: Cheap, [00:06:30] these are like single digits, you know? Like high single digits, typically.

Demetri Kofinas: Right, like 8 or something like that. 6 to 8.

Mark Spiegel: Yeah, I mean there's a lot of slow down, I think, priced in already into some of these big auto stocks, but some of it becomes psychology. I mean, if car sales take a dive, these stocks can get slammed even lower.

Demetri Kofinas: You don't know this because ... well, maybe you do. But I was speaking with Charley about this ... Charley Grant who was on the show last week. That was my first foray, and the first foray for the audience through this show, [00:07:00] into Tesla. I learned a ton.

One of the things I learned in preparing for that interview had to do with the economics of the industry more broadly, and just what a shitty industry it is to be in as a car manufacturer. Just looking at the advantage, for example, that suppliers have ... also really appreciating the global nature of the market. It's a beast.

I mean, the amount of logistics, and partnerships, business development requirements, all these different sort of components that have nothing [00:07:30] to do with shiny sort of technological layer, right, which is so much of what is supporting, I think ... at least for the public, any public buyer of Tesla shares who sorts who sort of walks and says, "I like it, it's a nice car. I want to buy some shares," is responding to, which is the fact that it's a technology company. It's run by Elon Musk, who appears, by the way ... I don't mean this [crosstalk 00:07:50]

Mark Spiegel: If I can just interrupt you one second. Tesla is no more of a technology company than any other car maker in the world. In fact, the easiest thing [00:08:00] to do is design and build an electric power train for a car, because it actually is really simple. The hardest thing to do is to build these cars profitably and in scale. But if you want to talk technology, I would bet ... Look, I haven't done the work on this, but I would bet that the electronic control system for a modern 32 valve, twin turbo charged, emissions compliant engine, along with the alloys that go into building it, probably has more technology in [00:08:30] it than an electric drive train.

Demetri Kofinas: Well, 100% it has a ton of technology. I don't if it has more or not, but 100% with you. That I have known for a long time. The amount of technology that's in these cars today is tremendous. In fact, it made me regret the last car I bought, which had ... It's not fun anymore. There's too much technology in it.

Mark Spiegel: Oh, you used to like to work on the cars.

Demetri Kofinas: No, I didn't work on the cars, but like the malfunctions were different. Anyway, it's a whole 'nother thing. Also getting them repaired is also a different story. But back to this, and I mentioned Elon and I don't say this glibly ... [00:09:00] I also should say Charley made this point when I had him on the show, and I made this point today on Twitter ... which I'm using more by the way, it's not good for my brain.

Mark Spiegel: It's kind of addictive.

Demetri Kofinas: Well, yeah, I mean I don't get addicted to it anymore. I used to be super addicted to it, but that's because I used to use it in a more self-flagellating ... not flagellating, what's that term mean? It means something else.

Mark Spiegel: Deprecating?

Demetri Kofinas: No, in like a ... I would indulge in it. I don't do that so much anymore. I don't get as much out of it as I used to, but it is a good promotional tool. [00:09:30] But what I did say, and I wanted to make clear, is I have a lot of respect for Elon Musk, man. I mean, the guy is a much ... he is a brilliant guy.

Mark Spiegel: Okay.

Demetri Kofinas: No, but listen, listen. Straight up, look, separate from those things ...

Mark Spiegel: Straight up, I disagree with both of things.

Demetri Kofinas: Okay, fine, so let's put that aside a second. My point is I do think the guy is brilliant. The fact that, you know ...

Mark Spiegel: Why do you think he's brilliant?

Demetri Kofinas: Well, because I think you have to be brilliant to create a company that can shoot rockets into space, you just have to ...

Mark Spiegel: Really? So let me say something. I don't [00:10:00] know how old are you. How old are you?

Demetri Kofinas: 36.

Mark Spiegel: Okay, so in 1969, using basically slide rules, on the most primitive of computers, we safely sent and landed men on the moon. They hit golf balls multiple times they drove around in little electric cars, and then they blasted off from the moon and came home. There is probably so much ... Look, I'm certainly no rocket scientist, but there is probably so much knowledge [00:10:30] out there about how to just launch satellites, which is what Musk is doing. And on the last public financial statement --

Demetri Kofinas: He landed a rocket back on a barge, we didn't have that before. Also, I don't think ... just to say, what our space program did was tremendous, and it was beyond just knowledge, it was a feat of will.

Mark Spiegel: So do you think nobody ever thought of landing a rocket on a barge before?

Demetri Kofinas: Of course they did.

Mark Spiegel: Like Lockheed Martin Boeing. Do you think Musk's scientists ... not him, by the way.

Demetri Kofinas: I'm not saying --

Mark Spiegel: He's a college dropout. What I'm saying is that if that was an economical thing to do, other guys would be doing it. [00:11:00] The last public financials on SpaceX, which was in a Wall Street Journal article last year, like all of other Musk's businesses, it's losing money.

Demetri Kofinas: Okay, so hold on a second. Maybe I didn't ... I'm under the impression quite the opposite, that not having to waste the rocket ...

Mark Spiegel: The refurbishing of the ...

Demetri Kofinas: ... is actually an economic benefit.

Mark Spiegel: Again, we're talking about Tesla, but ...

Demetri Kofinas: Now we're moving into SpaceX. But that's a good point, because this guy straddles all these companies and it's relevant. It is relevant.

Mark Spiegel: Yeah, so ... Right. Apparently he needs to carry extra fuel to do that, which apparently reduces your pay load. Then refurbishing [00:11:30] the rocket, even SpaceX admitted, it wasn't saving money yet. They're very, sort of, cryptic. It's not a public company. They were hoping just to save money with it in the future.

By the way, the rocket business is one thing, these simple launches. Musk is going to incinerate as many billions in that company as investors are willing to give him, building a satellite constellation for internet in areas that aren't well served, the same areas that are sparsely populated and have no money, by the way, and can never pay for the service --

Demetri Kofinas: There's a real estate opportunity right there.

Mark Spiegel: [00:12:00] The rest of it's going to be incinerated on going to Mars. So this guy, you give him money, I guarantee it disappears. Here's how he comes up with these companies, okay. This guy got a stack of 1970s era Popular Science magazines. You're too young, when I was a kid, I had those. You go through those covers and you'll see every quote on quote Elon Musk original idea you've ever seen. Here's how he's a genius. He's a genius at talking people out of their money.

As far [00:12:30] as I know, he's never run a profitable company. When he ran PayPal, that company was losing all kinds of dough, and they threw him out. Now apparently, they threw him out partially because it was an operating systems argument, but it was also losing money. The guy is allergic to profits, but that doesn't stop him, by the way, from flying around the world in a Gulfstream G650ER --

Demetri Kofinas: He's leading the good life.

Mark Spiegel: -- which is the largest and nicest private plane you can buy short of a converted airliner, it doesn't stop him from having a bunch of connected houses [00:13:00] in Bel Air, and it doesn't stop him from dating some very hot actresses who would have never dated him ...

Demetri Kofinas: Isn't he married?

Mark Spiegel: ... if he weren't dumping serious cash on them. No, he's been divorced. I think he's divorced three times, but twice to the same woman, who were pretty hot, too. I mean, I don't begrudge him any of that. What I begrudge is the phoniness, the, "Oh, Elon is saving the world." The guy is flying to Australia to date that hot chick.

Demetri Kofinas: [crosstalk 00:13:24] here's my question. Hold on a second. You know what's surprising Mark, you're really good at letting me interrupt you. For someone that is [00:13:30] so good at talking, you're surprisingly congenial when it comes to interruption.

So, is that him? Does he do that? Or is that really the media that fawns over him? I feel like it's more the media that fawns over him, and he's willing to accept that he enjoys it, he enjoys playing it. But I don't get from him that same ...

Like for example, I was telling Charley, did you watch this ... It sounds like you probably watched everything. Did you see the interview he did with ... what's his name ... from Interstellar at SXSW?

Mark Spiegel: A few minutes of it, like I saw some clips from it.

Demetri Kofinas: Okay, [00:14:00] that was really for me like a perfect example ... because I forget the guy's name, this was one of the writers for Interstellar. I don't know this guy, and I don't mean to insult him, but he didn't sound like he was particularly sort of a deep thinker, but he was talking about these, "deep topics," like artificial intelligence, and whatever else he was talking about, but big, big, like existential risk factors to humanity, right?

He's posing these questions to Elon, but he was posing them to Elon in sort of like the way of, "Elon, [00:14:30] our savior, what of this, and what of that?" Elon would sit there and he would do his Elon thing, where he'd look up, and he's just sort of sitting there in his flight jacked and looking up, he has a microphone, and he's like, "Well, yeah ... " and he'll talk about these concepts. I don't know, though, how much of that is that Elon is like ... he doesn't seem to be like the most obvious narcissist, I just feel like ...

Mark Spiegel: Okay, he's a total narcissist.

Demetri Kofinas: Okay, let me just finish my last thoughts here, though, just my point. My point is just outwardly, I've always liked the guy. [00:15:00] He seems like a really ... I got to think he has to be brilliant, but I do take your point ... and someone who is also a great showman, in fact, a bigger showman I was saying in last week's episode than Steve Job's. I had to go back to Walt Disney and PT Barnum to think of a comparable --

Mark Spiegel: 100%. That's his strength.

Demetri Kofinas: So 100% showman, but I feel like he's having a good time, he's enjoying his life. He's taking [crosstalk 00:15:23] ...

Mark Spiegel: But he's a big liar.

Demetri Kofinas: Okay, so now let's get to all that, but I just wanted to preface it with that.

Mark Spiegel: I mean, yes, his brilliance is his showmanship, his shtick. [00:15:30] Every once in a while, he'll throw in like a self-deprecating line. "Oh, I had no idea how hard it was to build cars." Then he'll throw out some total bullshit statistics about safe auto pilot is, claiming it's got a lower accident rate than all the cars in the world except most of those cars are in China and India, and they're 40 years old. If you look at the accident rate versus like other new luxury cars with 14 air bags or whatever they have ...

Demetri Kofinas: So they have 14 air bags now?

Mark Spiegel: I mean ... by the way, I can give you so many examples [00:16:00] of him citing misleading statistics, and outright lying. I mean, he was on a conference call once ... this was a couple years ago. He's like, "Tesla doesn't discount its cars for anybody, even my own mother. She pays full retail." Meanwhile, while he was saying it ...

Demetri Kofinas: That's like a joke, he didn't really say his mother did he?

Mark Spiegel: Meanwhile ... I don't know, he might have.

Demetri Kofinas: That's not really true, though.

Mark Spiegel: Meanwhile ...

Demetri Kofinas: I gave my mother this bike. I'll give you a better price than my mother.

Mark Spiegel: It was an Odd Couple episode years ago for a garage spot in New York. You've gotta go ... "You'll be back, my mother [00:16:30] came back." Anyway, so back to the point. He's saying, "Tesla doesn't discount its cars for anybody." Meanwhile, while he's saying it, you could go on the website, see all kinds of brand new never used inventory

cars with five figure discounts, get \$1000 discount referral program. The guy ... it's just like he will outright lie shamelessly ...

Demetri Kofinas: No, I believe that.

Mark Spiegel: The weird thing is to me, you say this to people, and they ...

Demetri Kofinas: But that's the problem, it's the people. It's everyone else that's sort of like ...

Mark Spiegel: Well, yeah.

Demetri Kofinas: It's the people in [00:17:00] the stands in the coliseum cheering. That's the problem.

Mark Spiegel: When the equity in this company, the stock, goes to zero, which it will, because the debt will bury this company, and it's not a viable business. You know, these people are going to look themselves in the mirror, and they're going to deserve everything they get.

Demetri Kofinas: Yeah, for sure, man.

Mark Spiegel: Tesla is a religion, okay?

Demetri Kofinas: You can't hold it ... Yeah.

Mark Spiegel: With most companies, there's a long case and a short case. You and I can sit across this table from each other and talk about this margin, and that margin, and this competition, and that [inaudible 00:17:28]. I'm arguing [00:17:30] with religion with these people.

Demetri Kofinas: No, no, no. For sure, for sure. It's not just Tesla, this is a phenomenon across the board for a lot of companies, in a lot of -- politics, for example.

Mark Spiegel: Tesla ... Well, politics for sure. But Tesla is the most extreme case of this I've ever seen in my life.

Demetri Kofinas: So let's get into this. First of all, I really wanted to do this with you, because I just knew you were a funny guy, so I wanted to kind of start off the show with ...

Mark Spiegel: I'm not trying to be funny, by the way.

Demetri Kofinas: No, no, you are funny. So before we start, tell me ... you've done stand-up comedy and you said the reason that you didn't really continue [00:18:00] it is because you didn't like using old material, you like kind of doing new material, but that wasn't really a profitable way to run a comedy business, which is [crosstalk 00:18:07]

Mark Spiegel: Well, it wasn't a matter of business. I mean, when I had my real estate company ...

Demetri Kofinas: You know what I mean, I meant sort of ... Right.

Mark Spiegel: At one point, I thought it would be fun to try stand up, so ... you know, part time at night, when I sold the company. I went and I started with open mics and did that stuff. After a couple years, I got better at it. They had open auditions at the comic strip, which maybe they still do once a month. I went there and I passed the audition, and then got to audition for the guy who ran [00:18:30] the club, who died a few years. This guy Lucian. I killed both times. I could have gone on with this. Lucian was like, "He wasn't quite ready ... "

Demetri Kofinas: You totally could, I could see it.

Mark Spiegel: But the thing about stand up is, you know, you've got to have great 15 or 20 minutes, right? The fun part to me was actually coming up with a joke in the first place, and doing it for the first time, and having it work. That happens with ... I don't know, if you're lucky, one out of every five jokes that you write, then the other four are nonsense. That's how you put your act together. [00:19:00] You take the good joke that worked, but then you're just repeating the same thing over and over. It wasn't creative to me. I didn't enjoy it.

Demetri Kofinas: It just wasn't fun for you. As we begin now to delve into the facts here, as you mentioned at the top, I'll say one of things about you ... Doing this job, I have the privilege to speak with so many interesting, smart, quirky, different types of people. The one thing I noticed about you right at the top when we spoke on the phone before this interview is you seem like a guy with a very, very, very good bullshit detector. It would be hard [00:19:30] to pass one by you.

Mark Spiegel: Well, you know ...

Demetri Kofinas: No, is that not right? Would you not take that to be true?

Mark Spiegel: I haven't been fooled in a while. I've paid my tuition. Let me put it that way. So I'd say yes, I think I do have a good one. But the thing is, it's a ...

Demetri Kofinas: You're definitely skewed towards skepticism as a person. Is that not right?

Mark Spiegel: I am skewed towards skepticism, that's 100% true. The thing about Tesla is it's a public company. I mean, I have here ... We're sitting here across from each other. I have on my iPad the Q4 earnings report. It is what it is.

Demetri Kofinas: Let's talk ...

Mark Spiegel: It's [00:20:00] numbers. In this day and age when everything is recorded everywhere ... I mean, I can fact check all kinds of stuff somebody says.

Demetri Kofinas: You don't need to be Sherlock Holmes.

Mark Spiegel: You don't have to be Sherlock Holmes. This day today, Tesla put out this press release, "We're not going to need to raise any money." Well, Elon Musk first said, "We'll never need to raise any more money," in 2012.

Demetri Kofinas: Yeah, that's insane. That's total bullshit. That is pure bullshit.

Mark Spiegel: But this guy spews tons of pure bullshit.

Demetri Kofinas: Like that is bullshit, if you look at ... so that's the thing. Putting aside Elon Musk, because a lot of people bullshit ... and actually we live in an age where that's happening more and more, [00:20:30] and more and more people are getting away with it. So let's put that aside, let's actually look at the facts, because what I said on the show last week to Charley last week was that whenever I look at a company or I look at any situation, I try to see both sides of it.

If I find myself, let's say taking, in this case, the bear position, I try to understand how the bulls rationalize their position in a way that makes sense. Where I can say to myself, "Okay, I could see how that would be a rational sort of way to get there, but you have [00:21:00] to be willing to live with these assumptions that I'm simply not willing to live with these assumptions. What I don't see is the rational argument, with whatever assumptions you like, baked in. I don't see that in Tesla's case. It is so obviously ...

Mark Spiegel: It's a religion.

Demetri Kofinas: So let's talk about it.

Mark Spiegel: It's all, "Oh, Elon is great. Oh, Elon is god. He's a genius."

Demetri Kofinas: So what are your sort of ... Let's start at the top and go down. I have a bunch of them sort of for me personally when I looked at it. One of them is the onslaught of competition that's coming, but also the debt burden, the interest payments on the cars, [00:21:30] the loss of the subsidy, the manufacturing hell, the fact that the Model 3 is ... the performance is so dismal that now anything that beats the horrid expectations elicits sort of a market rally. But let's go through those, I want to talk about this for the audience. How would you express your dissatisfaction with this company, beyond the qualitative assaults that we experienced in the first 20 minutes.

Mark Spiegel: Let me ... I can distill this into three primary points. Then we can go a little bit more into the weeds, okay? [00:22:00] Point number one, Tesla has absolutely no moat. It has no unique proprietary technology. In fact, in some cases, for instance its battery pack design, it now trails the leading edge stuff coming out.

Demetri Kofinas: It also has no patents in autonomous driving.

Mark Spiegel: Autonomous driving is a joke at Tesla. I mean that if you look at everybody quit that program, they're a disaster. Who's the big consulting firm? ... just rated like 18 different companies on autonomous driving, I forget the firm. Tesla came [00:22:30] out last, literally 18th. It's not even worth talking about. I mean, we can go as much into the weeds as you want on it.

So anyway, number one, their technology laggards at this point pretty much in everything they do. I can get as specific as you want. Number two, they basically had an open window with absolutely no competition in luxury EV's for years, right? In fact, until last year, they had no competition in EV's with a range of 200 miles and more. All they did was lose more and more money each time. In other words, they had a monopoly [00:23:00] in their niche, and they couldn't make it profitable. But now, there are like 100 long range EV's coming into the market over the next three or four years on the luxury end.

They reported this morning their Q1 auto sales. Not in terms of revenue, in terms of unit sales. The model SNX, which are their higher margin products, even though they still lose money on an EBIT basis on those. But those numbers were down double digit percentages, both sequentially ... [00:23:30] which means from last quarter ... and year over year, from the same quarter last year. That's even before the luxury EVs arrive.

Now Jaguar has a fantastic luxury EV, it's going to be in the show rooms this summer. Audi has a great electric SUV, all electric SUV. It's going to be in show rooms this fall, late fall into winter. Mercedes has its electric SUV and it's going to be in show rooms ...

Demetri Kofinas: Is it going to look that way? Because it looks dope, it looks gorgeous.

Mark Spiegel: They all look good.

Demetri Kofinas: Well, the Jaguar looks gorgeous ...

Mark Spiegel: I think the Jaguar's the best looking.

Demetri Kofinas: ... and it's \$10,000 less than the Model 3 [00:24:00].

Mark Spiegel: Well, no, no, not Model 3.

Demetri Kofinas: No? But then the Model X?

Mark Spiegel: It's Model X.

Demetri Kofinas: 100D?

Mark Spiegel: Well, no, no. It's \$10,000 less than the X 75.

Demetri Kofinas: The 75.

Mark Spiegel: Now in fairness, it's smaller than the X 75, but we'll get into that in one second.

Demetri Kofinas: Yeah, if I was comparing it to Model 3, I thought for ... Okay, go ahead.

Mark Spiegel: Then you've got Porsche coming out with its fantastic looking [crosstalk 00:24:20]

Demetri Kofinas: I'm not crazy about their look of that one. You like that one?

Mark Spiegel: I love it, yeah, I love it. Anyway, that's out next year. So back to your point, so the Jaguar is a little bit smaller than the Model X, it's [00:24:30] not a three row thing. It's \$10,000 ... but the thing is, a lot of people who wanted an all-electric SUV picked the Model X because it was the only one, and would actually prefer something that's easier to park. Not to mention it's a much nicer interior, which the Jaguar has. So between that and the Audi SUV which is bigger. The Audi SUV is not three rows, but it's a big two row SUV.

Demetri Kofinas: No, it's a great car.

Mark Spiegel: The one that's coming out. Then the Mercedes EQC, which is out early next year.

Demetri Kofinas: That looks amazing.

Mark Spiegel: These are going to destroy [00:25:00] Tesla sales, but the point I'm trying to make is they're already down double digits, the SNX. Those are the cars that theoretically would have some margin to them even though they don't. What Tesla's brilliance is ... its brilliance for morons, is getting morons to focus on what they want the morons to focus on, not what the morons should be focused on ... by morons, I mean people who own the stock. Not what they should be focusing. Tesla has this whole thing about Model 3 production, Model 3 production. Now, as it turns out, [00:25:30] it's been total crap. It's been a disaster. The quality has been horrible.

Demetri Kofinas: It's been a catastrophe.

Mark Spiegel: But they get, "Well, we had this burst production of 2000 in the last week of the quarter." Now, without going too far into the weeds, let's just point out that to do that, they ran the plant for seven days and they pulled everybody off the assembly line for the SNX to hand build extra models.

Demetri Kofinas: It sounds like a nightmare, man.

Mark Spiegel: So the real production rate of their Model 3 even now is ... I don't know, maybe 1000 a week or something, maybe less. That's not the point. The point is that car will never make money, [00:26:00] okay? If you look at with Model S and X, how much money they lose, and that's an average sales price of \$100,000? They sale the Model 3 will have an ASP of \$43,000? Even now, they have negative margins on the Model 3, and an ASP of over \$50,000.

Demetri Kofinas: What are the losses per unit? Isn't it like \$23,000, or \$16,000? Some huge number.

Mark Spiegel: So okay, in Q4, which is the most recent quarter for which we have financials, if you look at the gap loss for the whole company, and you take [00:26:30] away the sale of California ZEV credits, Zero Emission Vehicle credits, which is not a sustainable way to run the business. That was sort of a one-time injection. Those are going to go down in value as more and more companies have their own electric cars. They won't have to buy these ZEV credits from Tesla.

Demetri Kofinas: Right, these are the credits that other companies have to buy in order to offset [crosstalk 00:26:49] ...

Mark Spiegel: To sell cars and not make any money.

Demetri Kofinas: ... in order to meet regulation.

Mark Spiegel: Exactly. So if you take the total loss, gap loss from Tesla and divide it by the number of cars, they lost over \$28,000 [00:27:00] for every car they sold.

Demetri Kofinas: What if you don't take those out, though?

Mark Spiegel: Take the ZEV credits out?

Demetri Kofinas: Yeah, what if you don't take them out? I understand that they're eventually going to have to ...

Mark Spiegel: I think they lost \$24,000 or something like that?

Demetri Kofinas: Okay, okay so that's huge. Exactly. So that's what I remember ...

Mark Spiegel: Now in fairness, some of those losses encompass the energy company. People talk about, "Oh ..."

Demetri Kofinas: Talking about solar ... I mean, SolarCity?

Mark Spiegel: Well, SolarCity, but people say, "Oh, Tesla's really a battery company," right? I mean, Tesla's batteries are made by Panasonic. Tesla buys the batteries and packages them.

Demetri Kofinas: And they presented Panasonic [00:27:30] as a partner, but in fact, Panasonic isn't a partner whatsoever.

Mark Spiegel: It's not a partner.

Demetri Kofinas: They're working out a deal with some other Korean car manufacturer.

Mark Spiegel: First of all, Panasonic is not a partner. Panasonic installed its machines in a fake boondoggle that they call a Gigafactory in the middle of effing nowhere in Nevada.

Demetri Kofinas: Sounds good, sounds good.

Mark Spiegel: In exchange for doing it, Tesla gave Panasonic a guaranteed amount of purchase that it would do. These machines are actually capitalized leases on Tesla's balance sheet. Point being that Panasonic's like, "Give us the money, and we'll put the machines in."

Demetri Kofinas: Right, so they're on [00:28:00] the hook to Panasonic now, too.

Mark Spiegel: Yeah. They're on the hook to Panasonic. But the other thing is, Tesla bid on this big battery project in Australia, which you probably heard about, which they installed. In order to do that project, Tesla had to buy probably millions of batteries from Samsung and packaged them and installed them. Now, Samsung has its own energy storage business. Samsung is all over the world bidding on projects. Samsung looked at how much Tesla underbid on that project. I guarantee Tesla lost money [00:28:30] on that project. Samsung said, "Whoa, if these idiots are going to do it for that little, we'll just sell them the batteries, and let them sell them for less than we're charging them for the batteries." That's essentially what happened there.

Demetri Kofinas: I want to just interject here. I want you to continue, Mark. Because I want to make an edit to my statement about Elon Musk being brilliant. There are all ways that someone can be brilliant. He clearly is a horrific businessman. I think that the thing that stands out for me when I read through this stuff and it's just exacerbated [00:29:00] by listening to you ... and I want to say it for our audience ...

... is I think sort of the big overarching problem here is that anyone with sort of a strategic mind is seeing at the most sort of elementary blunders of strategy that this company has made in the last number of years. I mean, they moved into this mass car production market and what's manifested is a disaster, an epic disaster that the most sort of [00:29:30] basic strategic thinker could have avoided. Does that resonate with you? Because for me, looking at it ... like they put themselves in such a horrific position, where even if everything goes right, they still can't come out on top.

Mark Spiegel: It's all about the stock pump. Musk has borrowed, I don't know, probably around a billion dollars, or close to that. The last report was high hundreds of millions against his Tesla stock. He flies around the world, he lives an incredible ...

Demetri Kofinas: You think it's that bad? I mean, like there are people that might agree with you. [00:30:00] I mentioned that Jim Chanos has compared the company to Enron, but I didn't hear him compare ... Who was the guy with an S ... what was the guy's name at Enron?

Mark Spiegel: Skilling?

Demetri Kofinas: Skilling. Do you think he's like Skilling?

Mark Spiegel: I don't think ... I certainly have absolutely zero evidence that Tesla is making up the bottom line number. I mean, it's so horrendous that ...

Demetri Kofinas: They're not making up the number, that's for sure.

Mark Spiegel: I mean, no one would make that number up. But what Tesla does is they do very deceptive and misleading things in the financials. For instance, [00:30:30] Tesla's service and used car division in the last quarter, which is Q4, which is the last one we have as of the time of this podcast, had a massive negative gross margin.

Who loses money selling used cars and doing automotive service? Nobody. You know why they do? Because they under reserve for warranty costs in the new cars to have an artificially high gross margin. And they're overpaying for trade-ins in order to get people to buy the new car, then when [00:31:00] they have to sell those used cars at a loss, net of all expenses involved, they bury that in the automotive service line to make the gross margin line on the car look better.

I'll give you another example. The entire automotive industry counts against gross margin engineering costs. A chunk of ... some do all R&D, some do a chunk of R&D, because basically you've got a car model, you've got to re-engineer it every six years. That cost is part of the cost of goods sold, [00:31:30] or in Tesla's case, cost of point of sales. They don't do that, they put all of that stuff below the gross margin line in order to have an artificially high gross margin line, and then they compare themselves to other car companies and say, "Look at how great our gross margin is," which, by the way, is now awful.

I'll give you one more point, which is every other car manufacturer in the world, major manufacturer, they have franchise dealers. So if you've got a Mercedes S-Class with \$100,000 sticker, Mercedes sells it to its dealer for \$ [00:32:00] 90,000 and then doesn't have the cost of operating the dealerships. That's all in its stickers. But it just took a 10% hit to gross margin. Tesla has its own dealerships. Tesla doesn't have to take that hit on gross margin, instead it loses all kinds of money on the SG&A operating its dealerships.

Point being is this. Last quarter, Tesla automotive sales, if you exclude those ZEV credits, had around a 13 point something percent gross margin [00:32:30] under its own total bullshit definition of gross margin. If Tesla had to calculate gross margin the way the rest of the auto companies did, so you could actually do an apples to apples comparison, Tesla would have had a negative gross margin on its cars.

But you talked with Teslarian, or a Teslemming, as I call these people, and they say, "Oh, they have the highest gross margin in the world." No, they don't. Most of these people don't even know how to read a financial statement, frankly. The ones who do don't want to look. Then there were ...

Demetri Kofinas: I wouldn't want to look at these [00:33:00] financial statements, either.

Mark Spiegel: Right, exactly. There was some mutual funds who I think are basically momentum investors, who are like, "As long as it's going up. We're not going to worry about that stuff."

Demetri Kofinas: It's similar to the culture ... has some similarity to the crypto community culture. In fact, generally speaking ... and I wonder what you think about this, because it's one thing I want to ask you about, which is I think that Tesla in some ways is a ... if not 'the' certainly 'a' icon and Elon certainly is, as well as the person he personifies, [00:33:30] this bull market and technology related stocks and sort of this tech-bull market more generally. I think there is this cultural ...

Mark Spiegel: By the way, except ... to repeat what I said earlier. Tesla is not a tech company, it's a car maker.

Demetri Kofinas: Of course, but it's located in Silicon Valley, like ...

Mark Spiegel: I defy you to show me a single tech company with a 13% gross margin.

Demetri Kofinas: No, no, I hear that. Technically speaking, yes, I agree with that, and I agree with everything we discussed earlier about the lack of sort of proprietary technology in the car. All these other [00:34:00] cars are technological, blah blah blah, sure yeah. That's irrelevant in terms of what the public feels and thinks and how ...

Mark Spiegel: It is ... Well, it's irrelevant until it isn't.

Demetri Kofinas: Well, right. That's not my point. My point is that we've been in a bull market now for years and there is, I think, something unique about this market that wasn't true in the last ... I wouldn't even call the last one a bull market, it was a credit fueled bubble.

Mark Spiegel: That's what this one is, too, by the way.

Demetri Kofinas: Yeah, it is, but we're actually ... but that money's going [00:34:30] into investments as opposed to going into housing prices to refuel the bubble. It's different. We had a bubble in the late '90s, as well, but it was ...

Mark Spiegel: It's actually not going into investments. First of all, housing prices, I think, are probably back up to where they were. But more importantly, you've got ridiculous multiples on stocks, and they're borrowing money to buy back stocks.

Demetri Kofinas: I got you, no 100%.

Mark Spiegel: This isn't going into investment, either.

Demetri Kofinas: -- there is stock ...

Mark Spiegel: Or you've got the complete incineration of capital, like the Tesla's of the world have done.

Demetri Kofinas: Yeah, you're 100% right that in the stock buy backs things is a huge problem. In that [00:35:00] sense, it is sort of like the equity extraction of the mortgage market and sort of piling on, and leveraging, and buying more homes. But I just think that that was even worse, from a standpoint of like actual investment capital.

Mark Spiegel: Stocks are more ... Well, if you're talking about the stock market, stocks are more expensive than they were in 2007 by just about any multiple possible.

Demetri Kofinas: Right. But I think there is this sort of euphoria for sure, but what I think we're seeing this time around ... this was my point. It's more similar to the late '90s, and I [00:35:30] think the vitriol that accompanied the 2008 collapse, the sort of seething hatred for Wall Street, I think that's something that we're not at 2008 in terms of the same types of potential feelings, but I think we're making progress towards that. I think the public backlash against Silicon Valley and tech related stocks and companies and cryptocurrencies, I think all those things are on the horizon.

I think one of the blow backs is going to be regulation. We've talked about that for crypto currencies. I think in terms of one [00:36:00] the sort of bearish cases you can make for autonomous driving is not the technology itself, but the backlash that could accompany stories like the recent crash of that Tesla vehicle and the sort of person that got hit by an Uber vehicle.

It's not the statistics, it's not the facts, let's put those aside. It's just, I think, there will be a backlash and government will overregulate, and I think that's going to be part of the story that's going to happen after there's going to be a correction or a crash or whatever you want to call it. [00:36:30] We may have already begun that process. Do you think that the top was made in January and that we're going to be bouncing until we start making new lows in financial markets?

Mark Spiegel: You know ...

Demetri Kofinas: When I said, "do you think," do you think that's a higher probability?

Mark Spiegel: Okay, I'm positioned for that. Obviously, calling market tops is hard.

Demetri Kofinas: Yeah, yeah, for sure.

Mark Spiegel: But I'm positioned for that. I think that we've seen the best in terms of the economy in the world. There's actually a lot of liquidity withdrawal that's about to happen from [00:37:00] the central banks. The Fed has already withdrawing tens of billions a month. Europe's been printing 30 billion euros a month, but that ends, actually, in September. They may extend it with some limited amount after that, but not a lot after that. That's what's been driving this stuff.

I mean, the Bank of Japan is still printing a massive amount of yen, frankly, and I've been short the yen, and it's done nothing. I have no idea why. I think eventually it will, but that's a whole different story.

But as interest rates go up ... this whole thing was fueled by money printing, low interest rates, [00:37:30] and just general liquidity. As that goes away, you can't sustain these kind of asset prices.

Demetri Kofinas: Right.

Mark Spiegel: It's interesting, by the way, you talked about the backlash against Silicon Valley. I'm not on Facebook, but certainly use Google services all the time.

Demetri Kofinas: You've never been on Facebook ever? Good for you.

Mark Spiegel: No, I registered my name on it just so I'd have it, so someone else couldn't do it.

Demetri Kofinas: It's such a waste. It's such a shitty platform. It really is. It's pure shit. I've been using it out of ... I've been using it for the show out of ... sort of pushed into doing it by someone with good intentions. [00:38:00] I've wasted a lot of time, created content for Facebook, where ultimately no one really who's going to listen to this show cares or goes on Facebook and spends much time. I've found that, now that I started using Twitter a bit more ... I mean, my audience is on Twitter. It's just such a time suck to sort of Tweet and stuff like that on Twitter. It sort of goes against kind of the more sort of thoughtful approach that I want to take with the show as opposed to gun-slinging sort of witty comment stuff that does well on Twitter. But anyway, so you're not really on Facebook ...

Mark Spiegel: What I was going to [00:38:30] say was I'm against this kind of regulation. Even though I'm not on Facebook, but like Google. I use all the Google services. I

know what Google's doing. I know they're pulling key words out of my stuff and hopefully anonymously selling it advertisers. Listen, you know what I say to people? I say, "You're getting all these services for free. If you don't want people scanning your stuff to anonymously sell you ad words, or whatever the hell they do, you know what? Go start a business where you charge people \$100 a year because you've got to operate all those services [00:39:00] and everything. You're getting this for free. If you don't like it, leave."

Demetri Kofinas: You use all their cloud services, like all their ...

Mark Spiegel: I do use Google Drive, so I pay a little bit more because I ...

Demetri Kofinas: You don't have anything locally? You don't use Microsoft Word? Do you use MS Office?

Mark Spiegel: No. Actually, I do use ... I subscribe to Microsoft's Office Suite for \$99 a year for five computers.

Demetri Kofinas: But you have to save it locally, you don't have it sort of on the cloud?

Mark Spiegel: Correct, it's local. Actually, then I store my documents on Google Drive.

Demetri Kofinas: The ones that you don't worry about. I know people that are just fully plugged into the cloud. In general, I really don't [00:39:30] like Google's stuff. In fact, it's interesting, now we're getting way off topic, but I got really bullied into using Google for the company for a bunch of things, and now I've pushed back. I've taken control back and I've ...

Mark Spiegel: So what do you use instead?

Demetri Kofinas: I have Outlook. I use Outlook for my emails. I have everything saved.

Mark Spiegel: Oh, that's fine.

Demetri Kofinas: Yeah, so I mean, I don't like ... but that's a whole 'nother thing. I don't feel comfortable, generally, with where privacy has gone.

Mark Spiegel: But that's fine. I totally respect that, I totally respect you for doing that. But then you have to pay for a service.

Demetri Kofinas: Yeah, for sure you have to pay for it. 100%. [00:40:00] That's part of the argument that I've made for the audience on this show. You cannot get good content anymore from companies that rely, or publishers that rely on advertising. You will get pure

shit. The ones that have made a bargain with the devil and Facebook, they're getting pure crap.

Mark Spiegel: I've noticed more and more paywalls going up.

Demetri Kofinas: We're not going to do subscription services for the podcast. Everything that's free people get now is going to be free. But we're going to make stuff that's valuable and meaningful and educational for people available, and they'll be able to pay for it at a very reasonable cost that will [00:40:30] be worth it.

Mark Spiegel: So, in other words, they shouldn't judge this by me.

Demetri Kofinas: What do you mean?

Mark Spiegel: When you say valuable and useful stuff.

Demetri Kofinas: This is valuable. Listen, this show is super valuable. You know, we need to have episodes like this sometimes, where we have smart people who are also funny and have done stand up. You're my first stand-up comedian. But you ever watch Comedians in Cars Getting Coffee?

Mark Spiegel: Yeah. I have to tell you, what actually got me to do comedy was seeing Seinfeld and how successful he was --

Demetri Kofinas: Really? Live, or ...

Mark Spiegel: No, no, no. The show. I guess I'd see some episode and say, "That guy's kind of funny, but he's not that funny, and he's making all [00:41:00] that money?" I said, "I could do that."

Demetri Kofinas: He's a horrible actor.

Mark Spiegel: What's that?

Demetri Kofinas: He was a horrible actor.

Mark Spiegel: Yeah, obviously it's harder to do it than you think. He's a funny guy and I like him.

Demetri Kofinas: He's a funny guy.

Mark Spiegel: I liked that show. I mean, I'm a total car guy, so he's got some great cars on there.

Demetri Kofinas: So I haven't really watched much of them, but I was having my engineer watch one that I saw last night that I literally pissed myself it was so funny. Alec Baldwin, have you seen that one?

Mark Spiegel: No. Is he on Netflix now? I don't have Netflix.

Demetri Kofinas: Well, the Comedians in Cars Getting Coffee is on Netflix.

Mark Spiegel: That's on Netflix. [00:41:30] I don't have Netflix. I used to watch it on Crackle or whatever.

Demetri Kofinas: Oh, I didn't know that. What's Crackle?

Mark Spiegel: That was like a comedy thing on YouTube.

Demetri Kofinas: Oh, that's interesting.

Mark Spiegel: Whoever had it, I think it was [crosstalk 00:41:38]

Demetri Kofinas: So you know that guy ... You grew up in New York, right?

Mark Spiegel: Yeah.

Demetri Kofinas: Where'd you grow up?

Mark Spiegel: Well, I grew up in Jersey and then I moved into the city after college.

Demetri Kofinas: But you ever go out when you were younger ... you went out ... maybe you still do it, but probably not too many people to do it with. But you go out to a club or something, you're wasted, it's the end of night, it's like 4, 5:00 AM. Later, you go to a diner. You're with a bunch of buddies.

Mark Spiegel: Many [00:42:00] times, but not in many years, but many times.

Demetri Kofinas: Yeah, you're with a bunch of buddies, and you're sitting at a table, and there's that guy who's in the group who's always like ... he can just ... he's not in every group, because he's a rare find. He can engage everyone and you're all choking on your food, you can't stop laughing.

Mark Spiegel: I'll tell you what the most fun was.

Demetri Kofinas: Maybe that was you.

Mark Spiegel: No, I'll tell you.

Demetri Kofinas: That was Alec Baldwin in this ...

Mark Spiegel: He was that good?

Demetri Kofinas: Oh my god, man. He was that guy. He was just that guy that you can't stop. [00:42:30] He was just ... He had the best impressions. He did this great Jack Nicholson impression. He did all this interesting ... he would just talk. His flow was incredible.

Mark Spiegel: Alec Baldwin is an amazingly talented actor.

Demetri Kofinas: Amazingly talented.

Mark Spiegel: The seven minutes, or whatever it was, that he did in Glengarry Glen Ross, you know the scene I'm talking about, right?

Demetri Kofinas: Oh, of course, of course. He's a genius.

Mark Spiegel: That could be the single greatest seven dramatic minutes of any sort of staged play ever.

Demetri Kofinas: He's incredible.

Mark Spiegel: I mean, fantastic. But the guy's career kind of went to shit.

Demetri Kofinas: Yeah, [00:43:00] because I think he ...

Mark Spiegel: He was a leading man in Hollywood, and then I guess he became difficult.

Demetri Kofinas: He's apparently very difficult to work with.

Mark Spiegel: But let me tell you what I can do with Alec Baldwin.

Demetri Kofinas: He's an angry man.

Mark Spiegel: Yeah, right. Let me tell you what I can do with him. I can have total respect for his talent, which I do. He's incredibly talented. And separate that from his total libtardism, which he suffers from.

Demetri Kofinas: Sure, 100%.

Mark Spiegel: People tell me, "What do you think of Trump?" Okay, now, I think Trump is a buffoon, [00:43:30] he's a serial liar, he's a jerk. He's a lot like Elon Musk.

Demetri Kofinas: He should run Tesla.

Mark Spiegel: He's got a lot of parallels to Elon Musk, actually. Seriously, he does in terms of the narcissistic personality [inaudible 00:43:41]. But ... [crosstalk 00:43:42]

Demetri Kofinas: I don't ... I mean, yeah, but I mean ... you're really taking a whack at Elon.

Mark Spiegel: Well, there are a lot of interesting parallels there. But Elon lashes out at the media when they ask legitimate questions, very similar ...

Demetri Kofinas: Do you think he's having a breakdown? In all seriousness ...

Mark Spiegel: Maybe.

Demetri Kofinas: I think he's ... No, no, in all seriousness, I actually think ...

Mark Spiegel: Do I sound excited when I [00:44:00] say that? Maybe.

Demetri Kofinas: No, but ...

Mark Spiegel: I don't mean to sound ...

Demetri Kofinas: I don't know, our audience doesn't know this, here's that picture of him. He took a fake picture of himself on April Fools and he put a sign, "bankrupt," on the end of a car. Not funny at all ... in all seriousness, not funny at all. I saw that, and he put out a Tweet that Tesla's going bankrupt. I just thought, "That's scary that you would think that that's appropriate." In all seriousness right now, because that's super scary, man.

Mark Spiegel: He's admitted to either being bipolar or manic depressive. But just to finish my point ...

Demetri Kofinas: He may be [00:44:30] having a breakdown, in all seriousness, because in the condition that the company is in and the seriousness of his situation, he's not approaching it with the same level of seriousness.

Mark Spiegel: You know, it's funny is ...

Demetri Kofinas: He deleted the Facebook account, by the way. It might be part of the whole bender.

Mark Spiegel: What's funny is a lot of people own Tesla because of Elon. One of the biggest reasons I'm short ...

Demetri Kofinas: Yeah, that's a bad idea.

Mark Spiegel: One of the biggest reasons I'm short Tesla is because of Elon. I just want to finish on Trump, because to people hearing this, [inaudible 00:44:57]. What I was

saying was I actually like ... [00:45:00] not all of them, but I like a fair number of the guy's policies, even though I think the guy is a jerk and a liar and a buffoon and everything else. All of my relatives are total ultra-liberal Jews from New York City. I'm like anathema even saying that. We'll sit down, they'll go like, "So, what do you think of Trump?" I'll start off with ...

Demetri Kofinas: Like what's his name from Curb Your Enthusiasm.

Mark Spiegel: I'll start off with ...

Demetri Kofinas: He's like, "You voted for Bush?"

Mark Spiegel: Larry David.

Demetri Kofinas: "She voted for Bush?"

Mark Spiegel: Larry David is a genius. If I were doing comedy today [00:45:30] still, and I saw Larry David, I would just quit.

Demetri Kofinas: I can't watch him now. I found him funny for a couple episodes, but I couldn't ...

Mark Spiegel: Some people can't take him.

Demetri Kofinas: I have another friend, a really good friend, who's Jewish. Like Jewish, Jewish, grew up in Brooklyn. He goes, "I can't watch that guy. I grew up with those guys. I can't watch that guy." [Laughter]

Mark Spiegel: Yeah, so I'll start off with my relatives and I'll start off about I think Trump's a liar and a jerk, and blah blah. They're nodding their heads, like, "Oh, great, great, great," then I'll say, "But I actually like some of the [00:46:00] guy's policies." They all have TDS, Trump Derangement Syndrome. They can't separate the person from the policies.

Demetri Kofinas: I can't deal with that bullshit. I don't ...

Mark Spiegel: With Alex Baldwin, just to finish full circle, I can separate the person from the talent. He's a very talented guy.

Demetri Kofinas: Well I mean you know, it's funny you say that, because Jerry Seinfeld was on Stephen Colbert some months ago. Stephen Colbert asked him ... which I thought was just a weird question. He was like, "So now that these things with Louis [00:46:30] CK came out, can you separate that from him?" Seinfeld's like ... or maybe it was Bill Cosby he was talking about, I forget what he said. No, I don't think it was Bill Cosby, It was Louis CK. He said, "Yeah, I can separate it." Then he's like, "Okay. You can't separate it?" He's like, "No, I can't." You can imagine Seinfeld ...

Mark Spiegel: Who said he can't?

Demetri Kofinas: Colbert said he can't separate it.

Mark Spiegel: Oh, Colbert said he can't.

Demetri Kofinas: Seinfeld, you could see, was becoming really disgusted. He was like, "You can't separate it?"

Mark Spiegel: Well, Seinfeld, to his credit, said he can't even do good comedy anymore in colleges anymore with this whole PC stuff.

Demetri Kofinas: No, of course. There are a lot of people are saying that. But it is true, man, it's totally true.

Mark Spiegel: [00:47:00] Admire the art, not the artist.

Demetri Kofinas: It truly is an ... I'm not just saying this. It truly is true of both the left and the right. You and I experience it for people on the left, because we live in New York, and it is a very leftist city. We experience that from the left. There are other parts of the country that I'm sure people experience it from the right, and each sort of side has its characteristics, but it's a sheepish, sort of ideologically driven mentality.

It's horrible, because it's genuinely dividing people, even within families. People getting into [00:47:30] arguments, right? We've all experienced that. It's the reason why I don't talk about politics on the program, because I find that the task of trying to approach the subject intelligently is impossible.

I'm going to have Jonathan Haidt, the author of *The Righteous Mind: Why Good People Are Divided by Politics and Religion* ... a fantastic book, a book I read over a couple summers ago. He's going to come on the program sometime in the early summer, I think, because he has a book coming out that he's been working feverishly on. He wasn't [00:48:00] doing any press except for like one thing he did with Marc Andreessen or something at TED. He approaches it in such an intellectual way, talking about sort of our feelings of disgust and morality and everything. I would do a show like that.

But in general, I don't touch it, because I really don't want to get into a situation where I'm being criticized by the left, because it is religious, because people are lemmings, and they are sort of just so focused on sort of the moral aspects and all these sort of Pavlovian [00:48:30] reactions.

Mark Spiegel: My late ...

Demetri Kofinas: By the way, this shows you how little respect we obviously have for Elon and Tesla, because we've completely ... This show is going to be titled ... By the way, I have the working title here. This is horrible. I have the working title here for this show, it's

called, "Tesla and the Cult of Elon Musk. Are we seeing a bursting bubble in tech?" Half the show or more is going to be about like Jerry Seinfeld and ...

Mark Spiegel: It's my fault, I steer ...

Demetri Kofinas: It's alright, man. It's all good.

Mark Spiegel: We can go back on topic. I just want to say that my late [00:49:00] Jewish mother last election completely disowned me when I told her I voted libertarian. She was like, "So, who'd you vote for?" I said, "Well, Mom, I voted for the libertarian guy."

Demetri Kofinas: She's like, "You voted for Gary? For Gary Johnson?" Aleppo? What's Aleppo?

Mark Spiegel: She's like, "You're no son of mine." My buddy came over, he had the same thing with his Jewish mother. We were like the two people in Manhattan who voted libertarian. Anyway.

Demetri Kofinas: So back to Elon and to Tesla, because we have gotten ... It's okay that we kind of got off track on like facts and figures, because [00:49:30] we did cover them quite a bit. I will suggest to the audience to go back to our episode with Charley from last week. Anyone who hasn't heard that one who wants more sort of fact based, meat and potato conversations. We did cover that a lot, and Charley's been covering this stuff. To bring it back to the seriousness of this issue, we talked a little bit about these sort of questions of integrity. Jim Chanos, who's no joke, a very serious short seller, who had shorted Tesla, shorted ... he's probably shorting Tesla. I don't know what his position is or if he's publicly [00:50:00] said ... has he?

Mark Spiegel: He has said, he's short. I know him a little bit peripherally. Yeah, very smart guy.

Demetri Kofinas: He said he's short. He's an interesting guy.

Mark Spiegel: Great guy, good sense of humor also. He's definitely short Tesla.

Demetri Kofinas: He's compared it to Enron. He's openly compared Enron ... He talks about he, a couple years ... either a couple years ago he started to put this list together, or recently, but he was ...

Mark Spiegel: The executive departure list.

Demetri Kofinas: He had an executive departure ...

Mark Spiegel: I actually post that on Twitter. He has one of his analysts put that together, and I put it up there.

Demetri Kofinas: He [00:50:30] pulled that data from you, initially?

Mark Spiegel: No, no, he gets it from all over. He's not on Twitter. He was on Twitter for a while, and he's not on Twitter anymore.

Demetri Kofinas: He doesn't seem like Tweeter, you know what I mean? He shouldn't be on Twitter.

Mark Spiegel: Well, he's not.

Demetri Kofinas: He's too reserved, too quiet.

Mark Spiegel: He's actually a dryly funny guy. But at any rate, so yeah, so Tesla ...

Demetri Kofinas: He's scary thoughtful. I've met Jim, and I had lunch with him once at a table. Me, him, and a few other people. I would describe him as scary thoughtful. That's how I would describe him. I remember sitting there being like, "This guy is having a tremendous [00:51:00] amount of brain activity, which I am not registering because of his facial expressions and his body language."

Mark Spiegel: He's got a great memory for detail, for like something a company said.

Demetri Kofinas: Yeah, for sure. Very true, very true.

Mark Spiegel: Then they'll contradict it 18 months later, and he'll be like, "Wait a second. I seem to remember this," then he'll put it right up. Yeah, he's terrific.

Demetri Kofinas: He talked about the dark turn and the purchase of SolarCity. We talked about that last week. Absolutely very scary thing, not in accordance with sort of typical sort of corporate governing.

Mark Spiegel: [00:51:30] It was total self-dealing. Now there's a lawsuit that's been allowed to go forward on that. Yeah, what you started referring to with Chanos is he maintains that executive departure list, which is just massive. Another guy left today, literally today. By the way, last month, two of the top three financial people left within a week of each other. That is never good. The CFO, who was brought in to replace the original CFO, lasted I think a year, this guy Wheeler. He left, and they brought back the original [00:52:00] CFO.

Demetri Kofinas: These are horrible signs, which I mentioned last week in my conversation with Charley. I asked him, "Why is your opinion, Charley, not reflected in the stock price?" Of course, I know that part of the process of making money in markets is being right before everyone else sees that you're right. I understand that. But again, this is such an egregious case looking at it. It is not a normal bearish case against the stock that's doing abnormally [00:52:30] well, given where its debt is trading. To me, it defies ...

Mark Spiegel: So basically, you've got a fairly restricted flow in the stock. Musk himself owns over 20% of the company. Then you've got a handful of mutual funds. Baillie Gifford, which is a Scottish firm fidelity, which has been selling, but I think they're still the largest outside shareholder, or close with T. Rowe Price, which added shares last quarter. Those three together have a huge amount of the stock.

Demetri Kofinas: Do we know [00:53:00] what percentage they own?

Mark Spiegel: Yeah, we do know. It's all public. I forget offhand. I don't know, maybe 30% among the three of them? Something like that in total.

Demetri Kofinas: Well, Elon owns like 20%, doesn't he?

Mark Spiegel: What's that?

Demetri Kofinas: Doesn't Elon own like 20%?

Mark Spiegel: Right, he's owned over 20%, so that's half the float, there. Then you've got other mutual funds with big chunks. I've seen all three of the portfolio managers who control the stock at those three mutual funds interviewed. They just talk in vague terms about, "Tesla's going to dominate this, and Elon Musk [00:53:30] is that."

I would love to sit down with one of those guys across from the table and say, "Okay, they're going to dominate? Well, why don't you explain to me why it's better for them to wire together 7,000 little batteries that they buy from Panasonic than the whole rest of the industry moving to prismatic batteries that are larger and you only have to wire together a few hundred of them." I think the guy's jaw would drop open. These people have done no homework on the company. I mean, as far as I can tell, they haven't.

I've never seen ... There's no specific case for this. It's a religion. [00:54:00] I learned a long time ago not to argue ... I said I'm Jewish, but I'm totally agnostic. I'm really agnostic. I don't say I'm atheist just in case I'm wrong. I'm agnostic.

Demetri Kofinas: You can only take so much shit from your mother. You already voted for Gary Johnson.

Mark Spiegel: Well, she was more than agnostic. We never argued about that. My point is that you can't argue religion with people. They just believe, and they don't want to hear anything that contradicts that. But here's the difference, the difference between Tesla and other stuff is Tesla, just to keep the lights turned on and [00:54:30] spend the caps back that they say they're going to spend, is consuming like four or five billion dollars a year in negative free cash flow. It's one thing for some schmuck to say, "Oh, I love Elon Musk [inaudible 00:54:42]." It's another thing for that schmuck to keep opening his wallet and pouring more of his own personal money into the company.

Demetri Kofinas: So where is that money ... We've seen in the last few days the stock getting hammered, and then buying that dip. Who is buying stock at those levels? Is it just traders who are taking advantage of the momentum in the stock, or sort of using [00:55:00] technicals to trade it and looking to make short term profits? Or are there actually people buying the dip in this stock?

Mark Spiegel: Well, we don't know at this point. We'll see the new institutional holdings six weeks after the quarter ends. My guess is a lot of Tesla trading is computer momentum stuff. Momentum on the way up, momentum on the way down. The fundamentals are so horrid for this company that recently we got in a lot of what I call tourist shorts. In other words, people who haven't been short this thing, and know it the way I do, but they're like, "Oh this is really bad, I think I'll short some." [00:55:30] It's pretty easy to spook those guys out. Today, they put out the release about the production in Q1. It was terrible. They missed everything. But, for whatever reason, people seized on Musk saying, and undoubtedly lying, that they don't have to raise capital for the rest of this year. That gets the stock going, and then a few shorts get scared, and then they cover, then more shorts get scared. Then computers, I think, sense this, the algos. They're like, "Oh, there's a lot of shorts here that are getting scared. Let's spike it up more." I think that's kind [00:56:00] of ...

Demetri Kofinas: That's a really good point.

Mark Spiegel: I think that's what happens.

Demetri Kofinas: There's a lot of short covering.

Mark Spiegel: Then you've got quote on quote, "bargain hunters." The stock was 380 at one point, and it was down to what, to the high 240s the other morning. They're like, "Oh, it must be cheap in the high 240's." They're not paying attention to the fact that there's like ... whatever it is at that price, a 50 billion dollar enterprise value or something on this thing. They're consuming billions of dollars a year. I think there's some of that, too.

Demetri Kofinas: Well, Elon knows better than anyone else, the one thing he certainly knows, is that gravity is real. [00:56:30] You can't fight it. Mark, I really enjoyed having you on the program. This was a lot of fun. We didn't get into too many sort of specific details, but I think that that was alright, because we got into those last week, and what I ...

Mark Spiegel: What you have to remember is massive competition coming from companies that know how to build cars, it's better technology than Tesla's. They can cross subsidize those cars by their profits from their traditional cars and SUVs. Here [00:57:00] in the U.S., Tesla later this year is going to lose the \$7,500 per car tax credit while all these new competing cars are going to have it. Not only are many of these cars priced cheaper than Tesla's to begin with, they're going to have an extra \$7,500 Tesla's going to lose.

They had their window, all they did was lose more and more money during that window. Now the window is getting slammed shut on them. Tesla is not a business. It's a cash burning Musk vanity project.

Demetri Kofinas: That's where money goes to die. Well, let me [00:57:30] ask you this. What do you think, if you had to say ... because I have my sort of sense of this. But if you had to say like what the story is ... When we look back, let's say things sort of progress the way you imagined them, in a number of different ways that you have imagined. What will the story be of Tesla?

Mark Spiegel: I'll tell you. Well, besides ...

Demetri Kofinas: I already got this ready, this is ready. This is canned material, this is not ...

Mark Spiegel: No, no, no, besides everything we talked about, there's one other point I should make. This ties into that point. You know, when you talk to a Tesleming, the first thing they say to your [00:58:00] facts is, "But have you driven the car?" Many, many people are confusing EV love, electric vehicle and electric vehicle drive train, with the instant torque and the quiet and that stuff ... many people are confusing Tesla love for EV love.

All these people will say, "Oh, I'll never go back to my other car. I love my Tesla too much." You put those people in the Jaguar, the Mercedes, the Audi, or the Porsche, with the electric drive train, and a Jaguar, Audi, [00:58:30] and Mercedes, and Porsche level of interior quality and reliability and dealership convenience, they will throw that Tesla in the garbage where it belongs, because they'll be able to enjoy whatever they liked about the Tesla with none of the sacrifices you have to make in terms of the company itself.

Demetri Kofinas: Well, in that sense, I think Elon has accomplished the goal that he stated early on was sort of his goal. You know, it's interesting you say that, because I watched him on a piece in 60 Minutes, and he talked about this with SpaceX. I saw [00:59:00] another interview, and it may have been in SXSW where he said the same thing. Actually, it probably wasn't at SXSW, because that would have been ...

Mark Spiegel: To encourage the world to --

Demetri Kofinas: Yeah, yeah. His point being that ... which is a crazy thing to say as a CEO of a company, I would never want to invest in a company with a CEO ... but, you know, look he has done that. That's exactly what he's done.

Mark Spiegel: Hey, you know what? That's fine. We're very compatible. If he's happy with Tesla going out of business because everybody else builds better cars ...

Demetri Kofinas: He's not going to be happy about that. He says he is, he's not going to be happy.

Mark Spiegel: Of course he's not.

Demetri Kofinas: Yeah, yeah, yeah, he's not going to be happy about that. But ...

Mark Spiegel: He's going to have to swap the G650 for a [00:59:30] G250 or a propeller plane.

Demetri Kofinas: I have driven a Tesla, and it's an amazing car.

Mark Spiegel: Right. You know what [crosstalk 00:59:36]

Demetri Kofinas: I love driving it. So my point is, I loved driving it, and I'm going to love driving the next sort of fleet of electric high performance vehicles that are going to come down the line.

Mark Spiegel: By the way, there are multiple hedge fund managers who own Tesla's and are short the stock.

Demetri Kofinas: Makes sense. Why not? Sure.

Mark Spiegel: Yeah, right.

Demetri Kofinas: You could own a DeLorean and be short it, right? I don't know, maybe not.

Mark Spiegel: Well, that was never public.

Demetri Kofinas: Yeah, that was a much bigger disaster. [01:00:00] But I think the story, Mark, will be ...

Mark Spiegel: Actually, Tesla's a bigger disaster.

Demetri Kofinas: Because there's more money.

Mark Spiegel: Tesla's destroying far more capital than John DeLorean did.

Demetri Kofinas: But we don't know about any coke deals that John --

Mark Spiegel: Well, Musk is an Ambien man. He said that. If we catch him with a suitcase, it's not going to be coke, it's going to be Ambien.

Demetri Kofinas: A suitcase from Colombia with Ambien, is that right? Ambien's the worst to take for sleep.

Mark Spiegel: I've never had it.

Demetri Kofinas: It's horrific. You sleep well?

Mark Spiegel: I sleep very well.

Demetri Kofinas: Really? Amazing. That's because you're short Tesla and it's right now --

Mark Spiegel: When it was spiking, alright I'll [01:00:30] admit, I would get up at 4:00 AM to check the price when it opened and then I'd go back to sleep. I sleep better now.

Demetri Kofinas: So I just want to say this. I think the story for me ... the reason why I find this story interesting is because it is at the intersection of a number of these forces that we've covered on the show, one of which is the chronically low interest rates and the cheap financing, the wealth gap that's grown that's made a lot of this funding additionally available. We've seen that also in the case of Uber, where Uber's investors are financing, subsidizing of my rides in [01:01:00] an Uber.

But it's also interesting as a ... really because of Elon, because you've got this really captivating figure who's shooting rockets in space, walking around with a flight jacket, who's sort of investing at the frontier of technological innovation insofar as the public sort of imagines. It's obviously not. Obviously it's not. We agree with that 100%. That is not the frontier of public innovation. But these are things that public can sort of conceptualize, they can wrap their heads around. Electric [01:01:30] cars, hyper loops, electric planes, tunneling. You create a boring company.

Mark Spiegel: I'm telling you, all this shit was on the cover of Pop Science in like the '70s.

Demetri Kofinas: No, listen, listen, listen. I think when we look back, he is going to be a seminal figure that ... I'm not going to say this 100%, it's one possibility. You could see how 10, 20 years from now ... maybe not 20, but 10 certainly. We'll look back, and Elon will have been the face, or one of the faces of the boom and the bust.

Mark Spiegel: [01:02:00] No question.

Demetri Kofinas: It shows sort of the willingness of people to believe in a story above the facts that are staring them in the face.

Mark Spiegel: Absolutely. That's absolutely right. It's a religion.

Demetri Kofinas: Mark, you got me excited having you on, man. I feel like [crosstalk 01:02:14]. I interrupted way too much, but it was such an engaging conversation.

Mark Spiegel: No, it was a lot of fun. I think ... No, I interrupted you. I think we could keep it going here, this was a lot of fun. I really enjoyed this.

Demetri Kofinas: You did a good job, you're super polite. You're more polite than I expected. I was ready for combat here.

Mark Spiegel: No.

Demetri Kofinas: Mark, so great having you on, man. I know the audience is going to really appreciate it and enjoy this, except for the ones who own [01:02:30] Tesla stock and who will never listen to me again. I hope that's not true.

Mark Spiegel: You know what, if they're listening to this on United Airlines, they're going to have to spring for \$10 for the ... what's it called?

Demetri Kofinas: It's pretty cool that we're on United Airlines internet. The audience may not ... not everyone in the audience may know that, that this show is on United Airlines.

Mark Spiegel: Yeah, what's the ... I'm blanking out.

Demetri Kofinas: International flights.

Mark Spiegel: No, when you get the internet on the plane.

Demetri Kofinas: Bongo?

Mark Spiegel: No, that's in the airport.

Demetri Kofinas: Go-go.

Mark Spiegel: Go-go. They're going to have to spring for that and dump their Tesla, because that's what's going to happen.

Demetri Kofinas: What do you mean? What does that have to do with our show? You don't have to be on Go-go to listen to [01:03:00] our show.

Mark Spiegel: No, but if they're on a plane listening to the show.

Demetri Kofinas: Oh, if they're on a plane listening to the show.

Mark Spiegel: Yeah, they're going to have to get the internet connection, login to their broker ... hopefully after hearing this. Save your money, people, seriously.

Demetri Kofinas: Didn't we say this is not financial advice?

Mark Spiegel: Oh, you're right.

Demetri Kofinas: Not financial advice.

Mark Spiegel: I'm not giving financial advice. You want to wind up having to fly coach the rest of your lives, then keep going to Tesla.

Demetri Kofinas: Do you hear that, audience? You guys ... a lot of you in the audience do not know this. We are on United Airlines, all international flights. Correction, actually. Let me make this clear. [01:03:30] I think all international flights use the wide bodied aircraft, certainly some non-international flights do. Like if you go to Hawaii, you're on a wide bodied aircraft. You can listen to Hidden Forces.

That's because this is an amazing show. It's an amazing show, and I know how many listeners I have. I think we only have like 64 reviews on iTunes. Guys, this is unacceptable. I never make a stink about iTunes, but I'm going to make it now, because I have the appropriate person on the show to make that. I would love and appreciate one of you to go and click [01:04:00] that five star button on iTunes.

Mark Spiegel: I'm going to do it as soon as we get off.

Demetri Kofinas: Even Mark's going to do it. Alright, Mark, great man. Thanks for coming on.

Mark Spiegel: Thank you.

Demetri Kofinas: That was my episode with Mark Spiegel. I want to thank Mark for being on the program. Today's episode was produced by me and edited by Stylianos Nicolaou. For more episodes, you can check out our website at @HiddenForces.io. Follow us on Facebook, Twitter, and Instagram at @HiddenForcesPod [01:04:30], or send me an email. Thanks for listening, we'll see you next week.