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## Tesla surges as Wall Street bets on Model 3

By David Randall and Noel Randewich (excerpt)

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Tesla Inc. jumped over 6 percent on Thursday as its quarterly report fueled bets that its new Model 3 sedan would propel the luxury electric carmaker into the mainstream.

Chief Executive Elon Musk is counting on the Model 3, Tesla's least pricey car, to make the company profitable and establish it as the leading electric carmaker ahead of BMW, General Motors and other long-established players.

Tesla's stock is up 63 percent in 2017, underscoring Wall Street's confidence in Musk. The Palo Alto, California company late on Wednesday reported quarterly results that beat average analyst estimates, and said it received more than 1,800 reservations per day for the Model 3 since its launch last week.

Tesla had \$3 billion in cash on hand at the end of the June quarter, reassuring investors who were worried after Musk warned on Friday that the automaker would face six months of "manufacturing hell" in ramping up production of the Model 3.

Tesla's cash burn, expected to top \$2 billion this year, has prompted short-sellers like Greenlight Capital's David Einhorn to bet against the company, and some analysts expect the carmaker to seek extra funding this year.

Musk said investors should have "zero concern" Tesla would fail to reach its production target of 10,000 vehicles each week by the end of 2018.

Skeptics believe Tesla's aggressive production targets are unrealistic and the company's electric cars will be overtaken by larger automakers. ...

...David Kudla, chief investment strategist at Mainstay Capital Management, who shorted Tesla in the past but does not have a current position on its shares, said he expected Musk to go back to capital markets before year end to raise extra funding.

Musk said on an earnings call with analysts Wednesday that while Tesla was not considering an equity raise, "we are thinking about debt" issuance.

The sooner the company does that, the better shape it will be in, Kudla added, saying he expected more delays and slow-downs as the company ramps up Model 3 output.

"There are so many things that can go wrong," he added. ...