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## More Smoke and Mirrors Coming From Tesla

By Bryce Hoffman (excerpt)  
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Tesla Inc.'s surprise earnings announcement is yet another sign of a company that lacks real leadership and anything resembling a long-term strategy.

While the company has not explained its decision to pull ahead its third-quarter earnings, there's been plenty of speculation online as to the reasoning behind it. Some are guessing that Tesla's numbers are going to be even more disappointing than usual, suggesting the company wants to get the bad news behind it. But most believe it is because Tesla is finally going to post a profit for the first time since 2016, and they say CEO Elon Musk wants to make sure the good news is not eclipsed by the U.S. midterm elections.

I think the bulls are right, but that doesn't mean that Tesla has turned the corner. And Tesla's rush to trumpet its good news is yet another sign that this a company driven by short-term thinking.

### Reading the tea leaves

Musk promised third-quarter profits and positive cash flow, and Tesla has gone out of its way to make good on his pledge — but not by addressing the company's underlying issues.

“Like the shenanigans in the second quarter to produce 5,000 Model 3s for one week in June, in the third quarter production builds were biased to high revenue models and car deliveries were manipulated. So, we fully expect that Tesla has found a way to show a profit for the third quarter and would be very surprised if they don't, given the hoops they jumped through to do so,” said

analyst David Kudla, chief investment strategist at Mainstay Capital Management, in a note Tuesday morning. “Just as Elon Musk used customers as beta testers on Tesla's Auto Pilot, he used customers' deposits and full payments to fatten revenue on vehicles in which deliveries were being delayed.”

Achieving profitability and positive cash flow are the least of Tesla's worries. The real challenges it faces are on the production front.

The company is still struggling to deliver even a few thousand cars a week — compared to the tens of thousands that even smaller automakers manage without a perceptible hiccup.

Moreover, the cars Tesla does manage to deliver are still not ready for prime-time. Kudla says that over half of Tesla's Model S owners had their cars in the shop for at least a week, noting that in Tesla's score worst among newer hybrids and electric vehicles when it comes to reliability. ...