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Tune in every week as we react to the latest in innovation and reflect on how short-term news impacts our long-term views.

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Welcome to episode 20 of the brainstorm episode 20.

We're in the studio.

Sam.

How are you doing?

Good.

Good.

Nice to see you in person.

It's been a while.

It has been a while.

Today, we're talking about Tesla and Bitcoin, topics that everyone loves.

But people love Tesla a little bit less.

Let's just kind of go into their earnings call they had this past week.

X-Tone, definitely a bit more downtrodden than people are used to.

And a lot of the discussion here was around Cybertruck and ramping it.

People were just expecting, I think, Tesla to come out and say, this is going to be great.

It's super simple to manufacture, and margins are going to be terrific out of the gate.

They did reiterate there's tons of demand for it.

But I don't think people should be surprised that production is hard.

It's always been hard.

The Model X, somewhat infamous for how complicated it was, they learned their lesson.

But then the Model 3, much simpler, still went through production hell, as Elon has said, to get it out there.

And now you've got a unique vehicle, the Cybertruck.

It looks very different.

It's got novel elements that I don't think people know what all of the, quote, bells and whistles that they're including in it.

And so, would it be great if they could flip a switch and start producing it like crazy?

I think that would be amazing, but that's not how the world works.

So I think it is understandable that it is going to take some time here.

And then the other piece of it that I think we spoke about, maybe it's like two or three weeks ago now, and this was, you know, Musk was, I'd say even somewhat emotional about this, is the increase in interest rates, making it extremely difficult for individuals to afford cars.

And you actually, you called this out, I made a chart, and then what'd you say?

I said, show us the total cost of ownership on a monthly basis, with the interest rate environment being what it is.

Exactly.

The interest rates that have skyrocketed, and actually Tesla's price decreases have made it such that to the end consumer, the price is almost not changed.

So the fact that Tesla can do this is pretty remarkable, and it is important because it is true, you know, for vehicles, there is a very high price elasticity of demand.

I don't know, we've got some cameras here.

I don't know which one I'm looking at when I'm doing this, but in our big ideas deck, you can see there's a percent of revenue of the auto market on the y-axis, and on the x-axis is sticker price of the car, and you can see the type of curve.

So if you go from 45,000 down to 20,000, you're jumping from, I don't know, maybe a third of addressable revenue to something like 80 to 90%.

And so these monthly costs play a big factor here.

I want to circle back to the Cybertruck, because I have two questions for you.

One is a clarifying question, on the demand side, I think the number quoted was they have a million plus reservations for the Cybertruck.

Is that correct?

I think so, yeah.

And where would that put that truck in, you know, relation to Ford F-150 or some of these other highly touted trucks?

And then my second question is, on the manufacturing of the vehicle itself, I assume there's some innovation in the way that they're actually manufacturing it.

What is that specifically?

Like, I saw a video or pictures of what will probably be a video of, you know, what looks like bullet holes, but actually not holes, just bullet dents.

And I think the rumor is that they shot like a full drum of a Tommy gun into the side of the Cybertruck, and it didn't break.

So I'm assuming there's some innovation, because not every car or probably no car out there on the market for public use can do that.

So those are my two questions.

Yeah.

So on the annual sales side, I think for the F-Series, I just pulled it up here.

I think it's like 650,000 annual units.

Tesla's not even targeting that, right?

You saw, they put out what their capacity was.

They said they maybe ramped to 250,000 and kind of evaluate as they go from there.

On the manufacturing side, I think there is probably some unique aspects here.

I mean, it's almost entirely flat surfaces, so a lot of potential stamping or variation in that.

I think the other thing people are looking at is Tesla rolled out the wraps for the three in the Y and saying, maybe there's some type of automated way to do that easier with flat surfaces.

And I think you can definitely expect Tesla to keep improving the production line, right?

And that goes back to Tesla building the machine that builds the machine and their next generation vehicle going further with verticalization, allowing them to change the way that the whole production line runs.

So Cybertruck likely an incremental step here in improvement and we'll probably see continued improvement on the production side.

And do you know the cost?

Have they disclosed?

I know there was a previous figure given, that's what everyone signed up on the reservations for.

Are you locked in?

No.

No.

It said prices could change.

I think technically there's some text saying that you potentially lock in the cost of auto pilot or FSD, but I'll just touch on the FSD too.

That was kind of notable for the call as well, talking about logarithmic curves and you see rapid improvement, but then it starts to trail off and it's a series of stacked log curves.

You see improvement, it starts to trail off.

You do something else, you see the quick improvement, then it starts to trail off.

Something that Brett Winton, our Chief Futurist has discussed is saying that he thinks since they've gone to a full end-to-end deep learning approach, he thinks that'll actually make it far easier to forecast improvement in FSD.

And so maybe that will lead to some more accurate forecasting and prediction of when it's coming.

And then I have one last question for you.

What else caught your eye in this last report?

And then also, I guess two last questions, the Cybertruck delivery date event is November?

November 30th.

Okay, so we have something to look forward to.

Yeah.

Yeah, that'll be fun.

Yeah.

I'm sure we're going to get the video of them shooting up the side of the car.

Oh yeah.

Well, I tweeted this out.

You've got Cybertruck at SpaceX towing, literally rocket engines, which is going to be very cool.

You've got Tommy Gunn video.

You've got, I think there's some off-roading and driving in Baja, California.

Yeah, so I'll have to look forward to it on that date.

And then yeah, what else caught your eye before we move on to Bitcoin?

I think the other interesting thing, discussion around the robot as well, continuing to make progress there, and the fact that Tesla is solving AI in a movable object.

And that crosses beyond just autonomous vehicles.

And I think that's an interesting thing to think about.

And then for those of you that may ask in the comments, whereas Tasha, we wanted to bring her in, but our producer, Michael, this room's only set up for two.

So we had to wing it, and luckily we have Sam here who also helps cover Tesla.

But hopefully we'll get Tasha back on to talk about some of this innovation and what Tesla's doing maybe next week or the week after.

I think that's...

Yeah, we got to call out Michael for...

He's popping his head out of the other room.

Yeah, he's very mad at us, but it's okay.

This is the truth.

And then maybe Nick, what happened with Bitcoin last week?

There's a lot of excitement.

Yeah, I think it is becoming clear that Bitcoin is potentially becoming more favorable with institutions.

And I think you get a sense of that in this recent news.

And it was specifically around Larry Fink, who is the CEO of BlackRock.

And he is talking about Bitcoin, and he used the actual phrase, this recent rally in Bitcoin to him indicates a flight to quality.

And so his view of this recent rally in Bitcoin has been that institutions retail are looking at Bitcoin as a quality asset.

He is a bit late to this party because I think if you look at ARCS research, the great research that you've seen in the crypto team have been doing for many years, that has always been our viewpoint, that when you look at Bitcoin within the crypto space and even broader, when you compare Bitcoin to other assets out there as a store of value and some of its other properties, we have always viewed it as a quality asset that investors should view as such.

So very interesting to hear BlackRock's tone, Larry, specifically on this.

Obviously, there is maybe a not so hidden agenda, right?

Bitcoin is vying for a spot Bitcoin ETF approval.

BlackRock has thrown their hat in that ring.

So him saying that there is a bit more to it behind the scenes.

But I think it is a step in the right direction for the asset and the space overall.

Nick, question for you.

Not investment advice at all.

No.

100 years from now.

Do you think Bitcoin is around?

I think it's extremely hard to kill a decentralized asset.

I mean, look at Bitcoin and the adoption, the use cases of it, and then look at some of these other tokens that have been launched that have no use case, really no adoption, and somehow they're still lingering around and they're being traded.

So I think when you look at the top of the tier in the crypto space, and we definitely think Bitcoin is in that category, it's really hard to say that I don't think it will be around given what we've seen with some of these other tokens that just came and went in terms of popularity, but yet they still trade.

And I think that's because of the decentralized nature to shut down the Bitcoin network. I'm not even sure what you would have to do, but I don't think it's even really possible as long as someone's running a node somewhere in the world, the Bitcoin network is still functioning.

That's my understanding of it.

And you didn't even mention though, it's like during the regional bank crisis, Bitcoin had its moment then as well.

So it'll be interesting to see, obviously, I think there's a lot of speculation going on around those approvals.

But I think still early days.

It is, it's definitely still early days.

But I think we're probably at a really interesting moment in time because it does feel like maybe we're nearing a decision on the spot Bitcoin ETF front and hearing some of these very well known individuals in the financial space coming out and heralding this asset, whereas rewind the clock a few years ago, that was absolutely not the case.

So to see the change in tone, I think is just overall positive regardless of what happens with a spot ETF.

I think it's just generally a good sign for the asset class.

Definitely.

And from a number of people I've heard, originally, institutions said, no, don't do this.

Now they're saying, oh, maybe there's something to this, here's the, it's like go five years ahead and it's like, they're going to be selling it potentially.

We don't know.

We're obviously speculating here, but and just reading the tea leaves, which I think is what you have to do in a situation like this where a lot of it is hearsay until a

decision is made.

No one has that information, nor should they.

Yeah.

And then, oh, this is just, I remember this stat that Tasha pulled up in brainstorm with Daniel as well, which is that 60 plus day auto loan delinquencies have surpassed their 2008, 2009 recession highs driven by subprime borrowers.

So this ties back into the.

That's not good.

Right.

So this is definitely not good.

You can see Musk was burnt, or he has that memory of 0809 seared into his mind from trying to not go bankrupt through then.

The auto market seems, I mean, not just the auto market.

It seems as though interest rates are going to continue to push and something could break out there.

Yeah.

So you're not saying it's the potentially the auto market, but who knows, but you can understand his visceral reaction to it.

And then, oh yeah, this is the other, all these things just coming to me at the end.

So many people were concerned with Tesla.

Tesla is the low cost provider in vehicles, and they're leading the way with growth and electric vehicles.

And if people are concerned about Tesla, which I think is misplaced, maybe their short term concern just as they ramp and macro factors here, the real spotlight should be shown on traditional automakers.

I think there's going to be some damage done, but we'll find out.

Well, right.

I think if you look at the balance sheet of Tesla, right, they have what?

25?

26 billion dollars in cash.

Very little debt.

Very little debt, which I don't think you can say about the other major automakers.

Yep.

So it'll be interesting.

Good to be in the studio with you.

Another handshake.

Come on.

Yeah.

Shake it out.

There you go.

Thank you everyone for listening, and we'll see you next week for episode 21.

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That's our show.

In person.

Live.

Live.