

Q: Is Tesla the new Amazon?

Brian Lockhart: The stock was up a staggering 8.5% today as I respond to this question, up \$122 to more than \$1,500 per share. The stock trades at over 800 times current earnings and over 10X revenue. Given the stock is up 500% in the last 12 months, it is being traded like Amazon was at this stage of their development. What is clear is that everyone who has bet against Elon Musk has typically lost. Elon does have his detractors, as he was once described as a “battery salesman who acts like a car salesman who wants to be an astronaut.”

Tesla makes great cars, few debate that. Their business strategy has come under scrutiny, especially the move to try and compete at the entry level for electric cars. The forecasted profit margin on Model 3 is less than 10%, so even if they blow out sales on those models, it doesn't move the needle in terms of profitability. SpaceX is definitely the aspect of the business that has tremendous upside. Musk has amassed assets for space exploration that are difficult to value today but are likely to be worth billions over time.

While I would not specifically bet against Elon Musk, I would also not be interested in buying Tesla at the current price (or probably 50% below the current level). Long term I think Elon will figure out how to change the world.

Clint Pekrul, CFA: One way you can quickly gauge investors' take on a company's future prospects is to measure its short interest. Currently, Tesla (TSLA) is one of the most widely shorted stocks in the market. Despite its epic runup since the March lows, there are plenty of investors who think TSLA is nothing more than a speculative stock that's completely overvalued. Based on data from www.shortsqueeze.com, about 10% of TSLA's float is being shorted. Conversely, the short interest in Amazon stock (AMZN), is less than 1%. So, I don't think the market is convinced that TSLA is the new AMZN, at least not yet. TSLA is just now starting to show quarterly profits, whereas AMZN has been profitable for several years. But I think the future is bright for TSLA, given their involvement in clean energy. I think the question of TSLA becoming the new AMZN depends on whether Elon Musk can become the next Jeff Bezos. If TSLA is going to become the behemoth that is AMZN, based on market capitalization, the two CEOs will certainly continue to cross paths. Ultimately, who's the better CEO and businessman? Seems like TSLA still has a ways to go to convince the market that it's in the same league as AMZN.