

Constant Model S fire videos adds to Tesla woes pre-results

[Brenda Goh](#), [Yilei Sun](#)

SHANGHAI (Reuters) - Video of a parked Tesla Inc Model S exploding and a Wall Street downgrade of the electric carmaker's stock pushed shares down 4 percent on Monday, as it prepared to issue results for a troubled first quarter.

FILE PHOTO: A Tesla logo is seen on a wheel rim during the media day for the Shanghai auto show in Shanghai, China April 16, 2019. REUTERS/Aly Song/File Photo

Brokerage Evercore cut its recommendation on shares of the Silicon Valley company to "sell", becoming the twelfth brokerage to ask investors to abandon billionaire Elon Musk's venture and raising bearish sentiment to its highest ever.

Musk and Tesla have faced a range of challenges over the past year as one of the leaders in electric vehicle technology sought to ramp up production, deliveries and sales of the Model 3 sedan seen as crucial to its long-term profitability.

The company, which is struggling with deliveries of its higher-priced Model S and X luxury cars, said it has sent a team to investigate the video on Chinese social media apparently showing the latest in a string of fires involving its cars.

The video, time stamped Sunday evening and widely shared on China's Twitter-like Weibo, shows the parked vehicle emitting smoke and bursting into flames seconds later.

A video purportedly of the aftermath showed a line of three cars completely destroyed.

Reuters was not immediately able to verify the origins of the video, which Weibo users said was taken in Shanghai.

The cause of the explosion could not be immediately ascertained from the videos.

"We immediately sent a team onsite and we're supporting local authorities to establish the facts. From what we know now, no one was harmed," Tesla said in

a statement.

It declined to comment further when contacted by Reuters.

There have been at least 14 instances of Tesla cars catching fire since 2013, with the majority occurring after a crash.

“The car fire is just another data point of continued difficulties,” Roth Capital analyst Craig Irwin wrote in an email. “Not a lot of good news for Tesla these days.”

Tesla will report its first-quarter results on Wednesday and had flagged in February that it expects to post a loss as it launched a cheaper \$35,000 Model 3 sedan.

“We remain encouraged by Tesla’s vision and future growth prospects, but there is increased uncertainty around near-term demand versus previous bullish forecasts and growth cannot stall for a growth company,” Evercore analysts wrote in their note downgrading the shares.

The change meant 38.7 percent of analysts now have a sell rating on Tesla, topping the previous record of 36.8 percent in November, 2016.

REPUTATION IN CHINA

The latest fire incident comes as Tesla tries to push sales in China, where its prices were impacted by tit-for-tat tariffs imposed during Sino-U.S. trade tensions last year.

The automaker currently imports all the cars it sells in China, but is building a factory in Shanghai that will initially make its Model 3 and help reduce the hit of a trade war.

In March, Tesla was also on the receiving end of a labeling mix-up at Shanghai customs that led to a temporary suspension of clearance for a batch of Model 3 cars.

Analysts said the latest fire incident would likely increase attention on the safety of EVs, but was unlikely to have a significant impact on Tesla’s sales or reputation in China while the cause was being investigated.

“Tesla had fire incidents before, but they didn’t have a big impact on its reputation in China,” said analyst Alan Kang at LMC Automotive.

“Since its consumer base is not particularly conservative, and China is pushing the electric vehicle market, if this incident is just accidental, it will not have a

big impact on Tesla,” he said.

“Tesla self-ignites” was one of the most popular hashtags on Weibo on Monday, racking up over 20 million clicks. Some users urged the automaker to quickly find the cause, whereas others speculated over the impact to the value of Tesla cars currently on the road. Still more found humor in the situation.

“One lesson I learned from the Shanghai self-exploding Tesla: Don’t park your car next to a Tesla,” said one commentator.

The company is expected to host an Autonomy Day later at its headquarters in Palo Alto, focusing on its autonomous driving system.

In a separate, unrelated incident, Tesla’s rival in China, Nio, said in a social media post that an ES8 electric sport utility vehicle caught fire on Monday in a Nio service center in the central city of Xian while under repair.

“Nio has launched an investigation to determine the cause of the fire,” Nio said, adding no one was harmed due to the incident.

Reporting by Brenda Goh and Yilei Sun in Shanghai, Akanksha Rana in Bengaluru; Editing by Christopher Cushing, Himani Sarkar and Bernard Orr