

## Tesla sends bitcoin to record high with \$1.5bn investment

Electric carmaker also plans to accept cryptocurrency as payment



Tesla is the latest consumer-facing company to venture into cryptocurrency markets, following PayPal © David Paul Morris/Bloomberg

**Richard Waters** in San Francisco and **Eva Szalay** in London FEBRUARY 8 2021

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Elon Musk's Tesla gave bitcoin its most significant corporate endorsement yet as it revealed that it had ploughed \$1.5bn of its reserves into the cryptocurrency, adding another boost to its dizzying rise.

Bitcoin climbed more than 10 per cent to a record high of \$44,100, extending its 50 per cent surge so far this year, as Tesla also announced plans to accept payments in the cryptocurrency for its electric cars, albeit "initially on a limited basis".

The huge volatility and high costs of using bitcoin have severely limited its use for payments. But if Musk can overcome those limitations, it could enable Tesla to tap a wealthy market of bitcoin speculators who have become avid fans of his outspoken support on Twitter for cryptocurrencies.

The carmaker on Monday said its board of directors and audit committee had both signed off on the investment, which represented 11 per cent of the company's cash, net of the \$5.6bn of debt for which Tesla says it is directly liable.

Most Tesla observers, though, said the bet on bitcoin looked more like a personal bet by its [anti-establishment chief executive](#).

## Bitcoin soars after Tesla reveals \$1.5bn investment

\$ per coin



Source: Bloomberg  
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“I think this is Musk’s decision, not Tesla’s,” said John Coffee, a professor at Columbia Law School. “Given that he also runs a corporation seeking to explore or colonise Mars, an investment in cryptocurrency seems almost mundane. Who knows, maybe Martians will accept bitcoin?”

In a regulatory filing, Tesla said it purchased the bitcoins after changing its investment policy last month to “diversify and maximise” returns on its cash. It said the purchase was not part of the money it needed to preserve its “operating liquidity”.

The bitcoin investment amounts to a recycling of some of the billions of dollars Musk has been able to raise from stock market investors on the back of Tesla’s [booming share price](#). Less than two years ago, it flirted with bankruptcy as its reserves dipped close to \$2bn at a time when its carmaking business was bleeding money.

Musk’s personal backing for cryptocurrencies and other speculative investments have had a big impact amid recent market volatility. [Dogecoin](#) has risen 11-fold since he wrote in support of it on Twitter last month. He also signalled apparent backing for GameStop, contributing to a speculative frenzy in the retailer’s shares.

Robyn Denholm, an Australian telecoms executive who [took over](#) from Musk as chair of Tesla's board in 2018, is head of the audit committee that approved the change to the company's investment policy. The move allows Tesla to invest "a portion" of its cash in "alternative reserve assets including digital assets [and] gold bullion".

The carmaker is the latest consumer-facing company to venture into cryptocurrency markets, following PayPal.

"We believe our bitcoin holdings are highly liquid. However, digital assets may be subject to volatile market prices, which may be unfavourable at the time when we want or need to liquidate them," said Tesla.

Dan Ives, an analyst at Wedbush Securities, said: "[This] is a potential game-changing move for the use of bitcoin from a transactional perspective."

"Investors and other industry watchers will be watching this closely to see if other corporations follow the lead of Tesla on this crypto path or . . . does it remain a contained few names that make this strategic jump around bitcoin."