August 10th, 2021

Research Report on TuSimple Holdings Inc (NASDAQ: TSP)

# L4 Autonomous Truck Driving will not be so simple for TuSimple Holdings Inc. (NASDAQ: TSP)
# Why we believe the Company is All Smoke and Mirrors

- TSP is the one of the latest hot China based IPO of an ambitious autonomous driving technology company, but we believe the company has systematically lied and misrepresented key information.

- **TSP and Nikola have a lot more in common that it may appear;** both companies are financed by the same bad actors – specifically, VectoIQ, aka Stephen Girsky, is an investor here too. These individuals were sued for negligence; when the lawsuit was filed, the BoD at TSP turned a blind eye and allowed them to continue. The existence of this investor was conveniently removed from TSP's investor presentations.

- **TSP's founders Mo Chen and Xiaodi Hou have a history of failure that is filled with bankruptcies and suspended business licenses.** The two teamed up in an Imagine recognition business, which was quickly dissolved. Chen used to run an online advertising. The firm was later sold but has its business license currently removed. Chen tried his hand at an ecommerce used car business that was both suspended by authorities and ended insolvent. The founders' track record makes them seem remarkably ill-equipped.

- TSP has managed to fool both sell side analysts and investors on pre-order numbers that seem to equate to hundreds and millions of dollar in revenue. The 5,700 pre-orders (Nikola had 7,000) the company touted equate to $420m in potential revenue; however, **this "revenue" could be cancelled anytime by the customer and the $500 deposit is completely refundable**.
The SEC sent a letter to TSP to clarify, and they ended up deleting the whole revenue forecast! Other facts investors may or may not have known:

  o Out of the 5,700 pre-orders, about 4,000 of these were equity partners with no deposit required! Are those really your true customers?

  o It's not until 2024 where TSP and Navistar are planning to bring the trucks into market!

- TSP presents Navistar as a key "customer." In reality, TSP has to reimburse Navistar $10m for expenses. **TSP is not making any money from this relationship anytime soon – instead, they are paying Navistar for the opportunity to use its name.** This relationship is zero risk for Navistar and all the burden lies with TSP. While Navistar helps TSP push KPIs, it made over $200M from its March 2021 pre IPO investments in TSP alone.

TSP Stock Performance *As of August 10th 2021*

| TSP Trade Data | *As of August 10th 2021* |
|---|---|
| Stock Price: | $34.35 |
| 52 Week Low: | $32.13 |
| 52 Week High: | $79.84 |
| Market Capitalization: | $7.181B |
| 3 Month Avg. Volume: | 1.24M |
| Weighted Avg. Shares Outstanding: | 209M |

| Share Price Performance (%) | 1 month | 3 month | 6 month |
|---|---|---|---|
| Absolute | -38% | -9% | -14% |
| Relative to S&P500 | -39% | -18% | -27% |
| Relative to FXI | -31% | -1% | 8% |

- **The company's technology is in no way differentiated from the competition.** The key differentiating factor touted by mgmt (ie. "Camera Centric Architecture") is really a glorified HD camera.
We expect competitors to install HD cameras, if this feature is demanded by customers.

- Despite the company's attempt to distance itself from China origins, **the regulatory uncertainty revolving around Chinese companies listed abroad puts huge headwind on the company's already uncertain future.**

- We conclude that **TSP is nothing but an empty box that was nicely packaged and irresponsibly dumped on US investors.** We see the stock losing up to 50% within a short to medium timeframe once the hype is over.

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# TuSimple Holdings – Brought to You by the Key People Behind Nikola

TuSimple successfully went public through IPO on the NASDAQ in April 2021. Before TSP went public, it conducted a few rounds of financing. In its Series E financing, the company raised a total amount of $350M. VectoIQ and Stephen Girsky were listed as TSP's lead investors in that round, with Principia Growth also as the new investor and Navistar (US) and Traton as the follow-on investors. The deal, according to the pitchbook, was completed on November 25, 2020.

| Deal #10: Later Stage VC (Series E), $350M, Completed; 25-Nov-2020 | | | |
|---|---|---|---|
| **VC Round** | 8th Round | **Raised to Date** | $647.85M |
| **Deal Types** | Later Stage VC, Series E | **Total Invested Equity** | $350.00M |
| **Deal Amount** | $350.00M | **Total Invested Capital** | $350.00M |
| **Deal Status** | Completed | **CEO/Lead MGT** | Cheng Lu |
| **Deal Date** | 25-Nov-20 | **Site** | San Diego, CA |
| **Financing Status** | Venture Capital-Backed | **Business Status** | Generating Revenue/ Not Profitable |
| **Financing Source** | Venture Capital | | |

| Deal Details<br>5 Investors - Navistar (US), Principia Growth, Stephen Girsky, Traton, VactoIQ | | | | | |
|---|---|---|---|---|---|
| **#** | **Investor Name** | **Status** | **Lead/Sole** | **Comments** | |
| 1 | Navistar (US) | Follow-On Invest | No | Form Of Payment: | Cash |
| 2 | Principia Growth | New Investor | No | | |
| 3 | Stephen Girsky | New investor | Yes | Form Of Payment: | Cash |
| 4 | Traton | Follow-On Invest | No | Form Of Payment: | Cash |
| 5 | VectoIQ | New Investor | Yes | Form Of Payment: | Cash |

*Source: Pitchbook*

We were very surprised that TSP would accept VectoIQ and Stephen Girsky as the lead investor for that Series E financing. Stephen Girsky and VectoIQ had just been at the center of the Nikola Motors debacle. Nikola Motors came under scrutiny in September 2020 after a critical report by Hindenburg research. Many notable news outlets reported on Nikola's alleged security fraud and its previous executive chairman Trevor Milton resigned all of his positions from Nikola the day after receiving a grand jury subpoenas from the U.S. Attorney's Office for the Southern District of New York on September 20, 2020.

| | TSP<br>(NASDAQ:TSP) | NKLA<br>(NASDAQ:NKLA) |
|---|---|---|
| **Same Backers: Stephen Girsky & VectoIQ** | Stephen Girsky and VectoIQ lead investor in the Series E round in November 2020. | March 2020: injected $700M into Nikola via VectoIQ. June 2020: oversaw their public listing via reverse merger. |
| **Shady Founders** | Upon a deeper look Founders Mo Chen and Xiaodi Hou seem ridiculously ill equipped. | Nikola Founder Trevor Milton was recently indicted for fraud for his misrepresentation at Nikola. |
| **Technology Does Not Exist / Is Not As Good as They Claim** | Pays to use third parties technologies, not proprietary nor exclusive.<br><br>Their technology isn't unique nor hard to replicate for any competitor. | Lied repeatedly about its technology claims, for example related to batteries and turbines.<br><br>Used third party technology that they presented as their own. |
| **Fake Pre Orders** | Claims having over 5,700 reservations, 75% of which are from equity investors and don't require any deposit. | Claimed to have had 7,000 pre-orders. |
| **Post IPO Pump** | Stock is down around 58% from ATH, TSP only went public in April 2021. | Stock is down more than 80% from ATH after an initially strong stock performance post Reverse Merger. |



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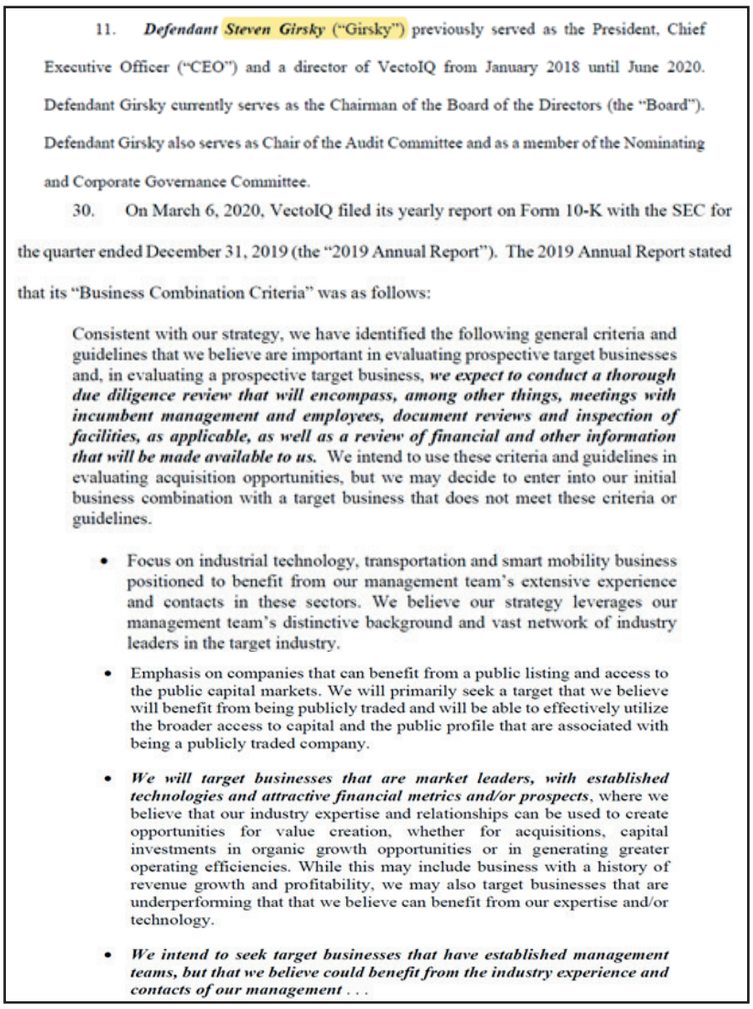
Below is from Nikola's 2020 annual report:

> *"The Company and Mr. Milton also received grand jury subpoenas from the U.S. Attorney's Office for the Southern District of New York (the "SDNY") on September 19, 2020. On September 20, 2020, Mr. Milton offered to voluntarily step down from his position as Executive Chairman, as a member of the Company's board of directors, including all committees thereof, and from all positions as an employee and officer of the Company. The board accepted his resignation and appointed Stephen Girsky as Chairman of the board of directors. The Company subsequently has appointed three new board members, Steve Shindler, Bruce Smith and Mary Petrovich."* --- *Nikola 2020 Annual Report*

The SPAC that merged with Nikola, VectoIQ Acquisition Corp., was run by Chief Executive Officer Stephen Girsky who is also a lead investor in TSP. We believe Stephen should also be liable for what has happened in the Nikola fiasco, among others. At the end of the day, VectoIQ and its CEO at the minimum did not conduct sufficient due diligence on the company that it was going to merge with. In fact, Stephen (Steve) Girsky has been sued for his role in the Nikola incident.

Below is the lawsuit Salguocar v. Girsky et. al., filed on October 19, 2020.



11. ***Defendant Steven Girsky*** ("Girsky") previously served as the President, Chief Executive Officer ("CEO") and a director of VectoIQ from January 2018 until June 2020. Defendant Girsky currently serves as the Chairman of the Board of the Directors (the "Board"). Defendant Girsky also serves as Chair of the Audit Committee and as a member of the Nominating and Corporate Governance Committee.

30. On March 6, 2020, VectoIQ filed its yearly report on Form 10-K with the SEC for the quarter ended December 31, 2019 (the "2019 Annual Report"). The 2019 Annual Report stated that its "Business Combination Criteria" was as follows:

> Consistent with our strategy, we have identified the following general criteria and guidelines that we believe are important in evaluating prospective target businesses and, in evaluating a prospective target business, ***we expect to conduct a thorough due diligence review that will encompass, among other things, meetings with incumbent management and employees, document reviews and inspection of facilities, as applicable, as well as a review of financial and other information that will be made available to us.*** We intend to use these criteria and guidelines in evaluating acquisition opportunities, but we may decide to enter into our initial business combination with a target business that does not meet these criteria or guidelines.
>
> - Focus on industrial technology, transportation and smart mobility business positioned to benefit from our management team's extensive experience and contacts in these sectors. We believe our strategy leverages our management team's distinctive background and vast network of industry leaders in the target industry.
> - Emphasis on companies that can benefit from a public listing and access to the public capital markets. We will primarily seek a target that we believe will benefit from being publicly traded and will be able to effectively utilize the broader access to capital and the public profile that are associated with being a publicly traded company.
> - ***We will target businesses that are market leaders, with established technologies and attractive financial metrics and/or prospects***, where we believe that our industry expertise and relationships can be used to create opportunities for value creation, whether for acquisitions, capital investments in organic growth opportunities or in generating greater operating efficiencies. While this may include business with a history of revenue growth and profitability, we may also target businesses that are underperforming that that we believe can benefit from our expertise and/or technology.
> - ***We intend to seek target businesses that have established management teams, but that we believe could benefit from the industry experience and contacts of our management*** . . .



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In the lawsuit, Steven Girsky was named as one of the defendants as he served as the President, CEO and director of VectoIQ, and later the Chairman of the Board of Directors. In the 10-k that VectorIQ filed with the SEC, the company stated that it was to conduct a thorough due diligence review of Nikola.

VectoIQ also noted that it seeks businesses that are market leaders, with "established technologies". However, we all know how that turned out.

Post the merger and acquisition, despite evidently doing very little due diligence, Stephen Girsky received a not so little compensation. The lawsuit claims that **"as a trusted company director and chair of the audit committee, he conducted little, if any, oversight of the company's engagement in the scheme to make false and misleading statements, consciously disregarded his duties..."**

**Defendant Girsky**

91. Defendant Girsky has served as a Company director since June 2020 and has served as Chairman of the Board since September 2020. Defendant Girsky also serves as Chair of the Audit Committee and as a member of the Nominating and Corporate Governance Committee. Defendant Girsky previously served as the CEO of VectoIQ. Defendant Girsky receives and is entitled to handsome compensation. As a trusted Company director and Chair of the Audit Committee, he conducted little, if any, oversight of the Company's engagement in the scheme to make false and misleading statements, consciously disregarded his duties to monitor such controls over reporting and engagement in the scheme, and consciously disregarded his duties to protect corporate assets. Furthermore, Defendant Girsky is a defendant in one of the Securities Class Actions.

Having profited nicely from Nikola's scheme, while conveniently overlooking all the major red flags, we highly doubt the integrity of Stephen, and worry about his involvement in any company, including TSP.

**In 2019, "We Will Target Businesses That Are Market Leaders, With Established Technologies"**

**In 2020, Nikola Acquisition Completed.**

**Stephen Girsky? Care to Explain?**



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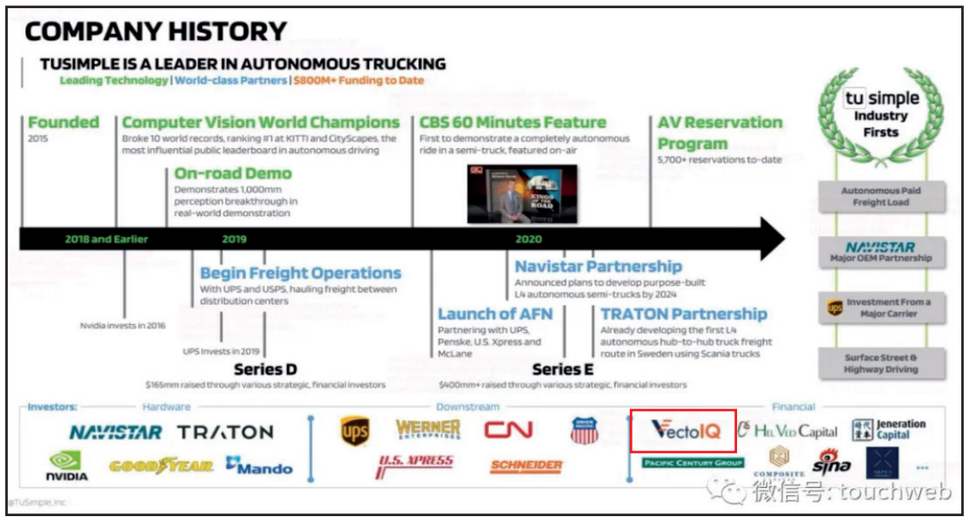
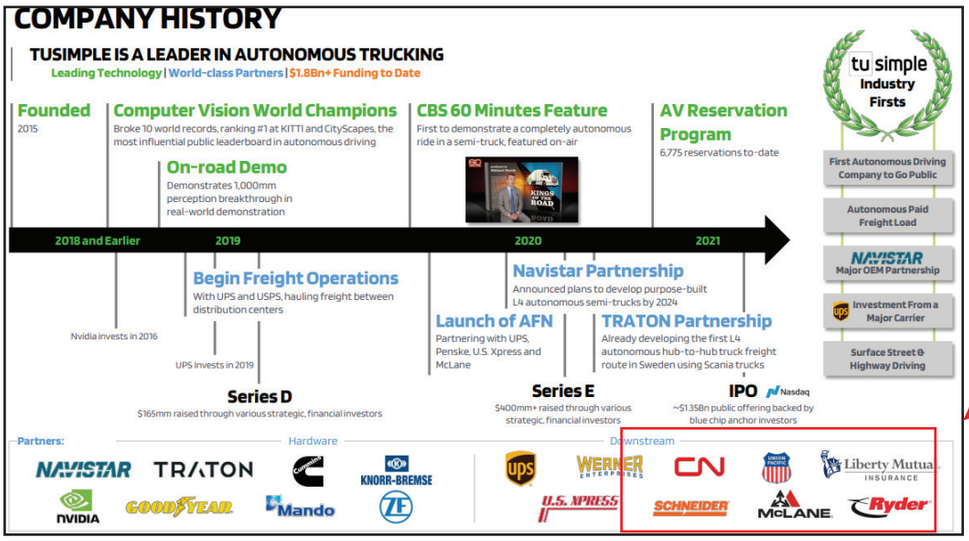
Hence, we are shocked that after the whole Nikola incident unfolded in September 2020, even after regulatory intervention and Trevor Milton's resignation, TSP would still accept VectoIQ and Stephen Girsky as its lead investor in November 2020, **only two months after the debacle.** We believe that either TSP simply does not care, or TSP's due diligence is so bad that it does not know VectoIQ and Stephen Girsky's role in the whole Nikola fiasco. Either way, we believe this is a really big red flag regarding TSP's credibility and internal control.

We believe the decision to bring them onboard was potentially done early on before the exposé of the Nikola incidence as early documents showed VectoIQ and other financial investors including Sina in its IPO roadshow presentation. **These mentions were subsequently removed in the later filings.**




*Source: https://www.sohu.com/a/459602860_430392*




*Source: https://ir.TuSimple.com*

**MISSING SOMETHING?**

**All Financial Investors Were Deleted in The Most Recent Investor Presentation. Perhaps in Attempt to Cover Up VectoIQ's Engagement.**



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While US public investors seem to be largely unaware of the shady background of TSP's key backers, regulators and even bankers seem to have been concerned about TSP from the very beginning. The SEC has exchanged some of the most revealing correspondences with the company that we have ever seen, which yield insights that we explain in this report.

In addition, it was reported that even prospective underwriter Goldman Sachs regarded TuSimple as too risky and suggest a SPAC to go public. Shortly after, Goldman Sachs was replaced and other banks were selected as TSP's IPO underwriters.

> "图森于去年 6 月启动上市时，被投行高盛评估为高风险，只能以 SPAC （Special Purpose Acquisition Company，特殊目的收购公司）形式上市。"
>
> --- *Tencent News*
>
> Translation:
> "When TuSimple attempted to go public in June of last year, it was rated as high risk by Goldman Saches, and had to go public via a SPAC"
>
> --- *Tencent News*

**Numerous Comment Letters from SEC; Even Bankers Walked Away From Underwriting Fees Due to Risks.**



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# The Two Founders of the Company, Mr. Mo Chen and Mr. Xiaodi Hou, Seem Completely Ill-equipped

Nobody would disagree that a technology company's long-term success highly depends on its founder(s), and TSP is not an exception. After all, TSP's autonomous truck driving business competes with big-pocket players such as Gooogle's Waymo or Aurora which was invested by Amazon. Based on our research on the background of TSP's two founders, we believe the market might be too optimistic about their capability to make this whole thing work.

This is how the company introduces its Executive Chairman in the prospectus:

> *"Mo Chen is our co-founder and has served as our executive chairman since September 2020 and as a member of our Board of Directors since our inception in 2015. Mr. Chen served as our chief executive officer from our inception in 2015 to September 2020. Prior to founding our company, Mr. Chen served as founder and chief executive officer at* ***Deep Blue Brothers, an online gaming platform.*** *Prior to that, he served as founder of startups in the fields of traditional and* ***online advertising and used car online marketplace****. He has more than 12 years of entrepreneurship and management experience. We believe that Mr. Chen should serve as a member of our Board of Directors because he is experienced in founding, leading and managing technology companies."* --- *TSP Prospectus*

It seems that Mr. Chen is a serial entrepreneur that has founded multiple companies. However, a deeper look into these companies does not convince us that Mr. Chen has enough technology background and successful experience to make the company become the first to solve the L4 autonomous truck driving issue.

**Online Gaming, Advertising and Used Car Business Owner to Solve L4 Truck Driving? Color Us Skeptical.**



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# The Two Founders of the Company, Mr. Mo Chen and Mr. Xiaodi Hou, Seem Completely Ill-equipped

We believe the screenshot below is Mr. Chen's official Weibo account (like Twitter in the U.S.). The account seems to have been verified by Weibo (similar to the verified Blue account on Twitter). Based on this account's description, Mr. Chen is **Deep Blue Brothers' CEO** and a **professional Texas Hold'em player.**

*Source: Weibo*

There are four previous positions listed on Mr. Chen's LinkedIn profile. TSP's experience is not shown, probably due to lack of updating. We tried to look deeper into these 4 companies and we found that Mr. Chen's previous experience is far from tech-intensive and generally lackluster.

*Source: LinkedIn*



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# The Two Founders of the Company, Mr. Mo Chen and Mr. Xiaodi Hou, Seem Completely Ill-equipped

**Company 1: Cogtu**（北京知图科技有限责任公司）

Cogtu is a company established by Mo Chen and Xiaodi Hou in 2014. Based on its introduction, Cogtu is an image recognition technology company that is used to help increase advisement efficiency. The picture below shows that Mo Chen and Xiaodi Hou are joint founders for Cogtu.

However, this company has been de-registered on August 5, 2018. The reason for the de-registration is because it decided to dissolve.

*Source: Qichacha*

There is very little footprint of the company on the internet. But from what we found, it appears that the company was just a glorified advertisement company. While the idea and business description might sound impressive, this failed venture can hardly be considered a success in our opinion. In fact, it was so short-lived that the company was only active for less than a year. On their official WeChat page, we see activities beginning and ending in July 2015.



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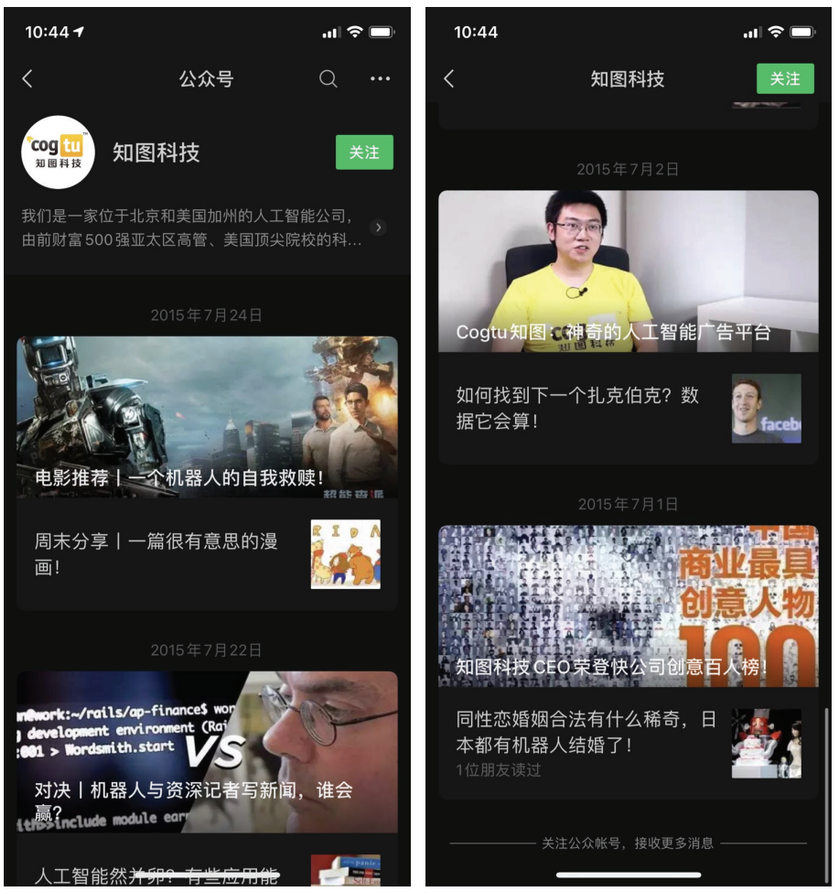
# The Two Founders of the Company, Mr. Mo Chen and Mr. Xiaodi Hou, Seem Completely Ill-equipped




The picture on the left shows the most recent activity posted by Cogtu's official Wechat website, a movie recommendation dating back to July 24th, 2015.

The picture on the right shows the earliest activity posted by Cogtu's official Wechat website, an announcement that the CEO became one of the 100 most creative entrepreneurs in China.

In total, the platform posted 10 times in merely 23 days before what appears like an abrupt stop to all activities. Of the 10 posts, most are PR related advertisements that "hint" at general AI development, with very little information about the company itself.

**TSP Executive Chairman's Longest Experience Was in a Short-Lived "Glorified" Advertisement Firm.**



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# The Two Founders of the Company, Mr. Mo Chen and Mr. Xiaodi Hou, Seem Completely Ill-equipped

**Company 2: Deep Blue Brothers** (北京深蓝兄弟网络科技有限公司)

北京深蓝兄弟网络科技有限公司 存续

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电话：010-59576053 更多 1 | 官网：www.pokersc.cn

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简介：北京深蓝兄弟网络科技有限公司成立于2010-08-04，法定代表人为邓劲，注册资本为1500万元人民币，统一社会信用代码为91110107556... 展开

财产线索 线索 94 预估价值 4035万元 | 所属集团：和壹资本 成员 29 风险 126 | 股权穿透图 挖掘深层股权结构 | 企业图谱 企业信息一图掌控

| | | | | |
|---|---|---|---|---|
| 9 | 2014-10-16 | 董事（理事）、经理、监事 | 郭敏华,经理<br>陈默,董事长【退出】<br>张成,董事【退出】<br>陈斌,监事【退出】<br>刘运利,董事【退出】 | 郭敏华,监事<br>龙旭,经理【新增】<br>龙旭,执行董事【新增】 |

*Source: Qichacha*

According to Mo Chen's own LinkedIn description, Deep Blue Brothers was the second biggest board&-card web gaming platform and was successfully sold. We can see from Qichacha that Mo Chen acted as Deep Blue Brothers' Chairman on October 16, 2014. In an interview conducted this year, Mr. Chen told the reporter that he made tens of millions of RMB by selling this company to Sina Investment.

> "这之后我去了上海做二手车交易网站，做失败了，又回到北京，开始做游戏，认识了新浪投资的刘运利。那会儿页游刚起来，他说你要不要做游戏公司，我觉得可以试试，他就投了 500 万。后来流量红利没有了，我觉得我们公司肯定做不大，就卖了。最后也没赚多少钱，赚了几千万。真正留下来的还是大厂，网易、腾讯。"
>
> *Translation:*
> *"After that, I went to Shanghai to start a second-hand car trading website. After failing to do it, I returned to Beijing and started playing games. I met Liu Yunli from Sina. He asked me whether I wanted to build a gaming company, I thought I could try it, so he invested 5 million. Later, the traffic dividends disappeared. I thought the company cannot grow in size, so we sold it. In the end, it didn't make much money, only tens of millions of RMB. The ones who really survived are still the big factories, NetEase and Tencent."* --- *Mo Chen*

**We Question How Poker Experience or Running a Gaming Company Helps With Autonomous Driving.**



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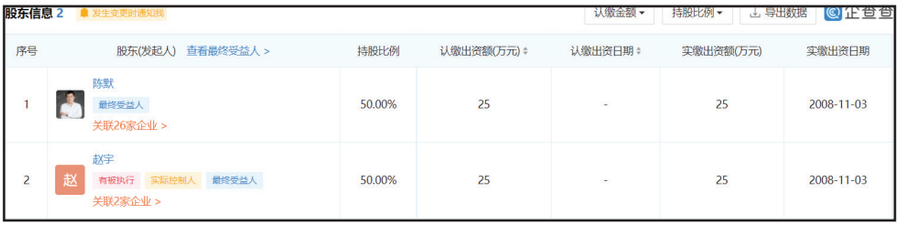
# The Two Founders of the Company, Mr. Mo Chen and Mr. Xiaodi Hou, Seem Completely Ill-equipped

**Company 3: Shanghai Cheguo Wang** (上海腾源车国二手车经纪有限公司)

It appears the company Shanghai Cheguo Wang on Mo Chen's LinkedIn profile might be called Shanghai Tengyuan Cheguo Secondhand Agency ltd. It was established in June 2008, with Mo Chen as a 50% shareholder.




According to Qichacha, the company's business operation license was suspended by the local authority. However, according to Mo Chen's description, the company was terminated because investors withdrew their investments. Either way it does not seem like a successful outcome to us.

*Source: Qichacha*

**The Only Automobile Related Experience Was a Bankrupt Venture of a Secondhand Car Online Marketplace.**



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# The Two Founders of the Company, Mr. Mo Chen and Mr. Xiaodi Hou, Seem Completely Ill-equipped

**Company 4: Beijing Cangqiong** (北京苍穹广告有限责任公司)

Beijing Cangqiong is an advertisement company which was established in 2005. According to the interview that Mo Chen did with the reporter, this company was sold to another advertisement company which was later acquired by Focus Media.

> “我 20 岁时回国，做过传统广告。当时我和几个小伙伴猜可能行业要做整合，要买这些小的广告公司。我们做了一个广告公司，卖给了框架，后来框架又被分众买了，我们就是其中一个小鱼。”
>
> Translation:
> *“I returned to China when I was 20 and did traditional advertising. At that time, a few small partners and I guessed that the industry might want to integrate and buy these small advertising companies. We set up an advertising company and sold it to the framework, and then the framework was bought by Focus Media. We are one of the small fish.“* *--- Mo Chen*

According to Qichacha, Beijing Cangqiong’s business operation license has also been suspended.

*Source: Qichacha*

Mo Chen’s previous entrepreneurial experience range from traditional advertisement, secondhand auto transaction, online gaming, to advanced online advertisement. His track record is littered with failed ventures. Our research also indicates that he completely lacks the technical understanding to be in a leadership position of a team that is supposed to solve the L4 autonomous truck driving problem.

**Another Advertisement Company; Seems Like Executive Chairman’s Experience Is Littered With Failed And Unrelated Ventures.**



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# Xiaodi Hou - Co-founder and CTO – Is the Technology Department Headed by a Hero or a Zero?

The description of TSP's Chief Technology Officer and Co-Founder reads as follows.

> *"Xiaodi Hou is our co-founder and has served as our chief technology officer and a member of our Board of Directors since our inception in 2015. Mr. Hou has more than ten years of research and development experience in computer vision and machine learning and is responsible for our new technology and advanced product development. Mr. Hou currently holds 13 patents in the field of autonomous vehicles. In the field of computer vision, Mr. Hou has developed leading theories in computational models for visual saliency. Prior to founding our company, Mr. Hou served as co-founder and chief technology officer at Cogtu, an image recognition technology company. Mr. Hou also serves as the reviewer of more than ten major computer vision journals and conferences. He holds a Ph.D. from the California Institute of Technology and a B.Eng in computer science from Shanghai Jiao Tong University. We believe that Mr. Hou should serve as a member of our Board of Directors because of his expertise in, and contributions to, our technologies."*

While Xiaodi Hou certainly seems to be tech-savvy on paper, he lacks in our view any professional experience that would make him suitable to lead a $7 billion technology company's key department. Mr. Hou's only previous professional experience was the co-founder and CTO at Cogtu. We showed earlier that this company has been de-registered on August 5, 2018. The reason for the de-registration is because it is decided to be dissolved.

*Source: Qichacha*



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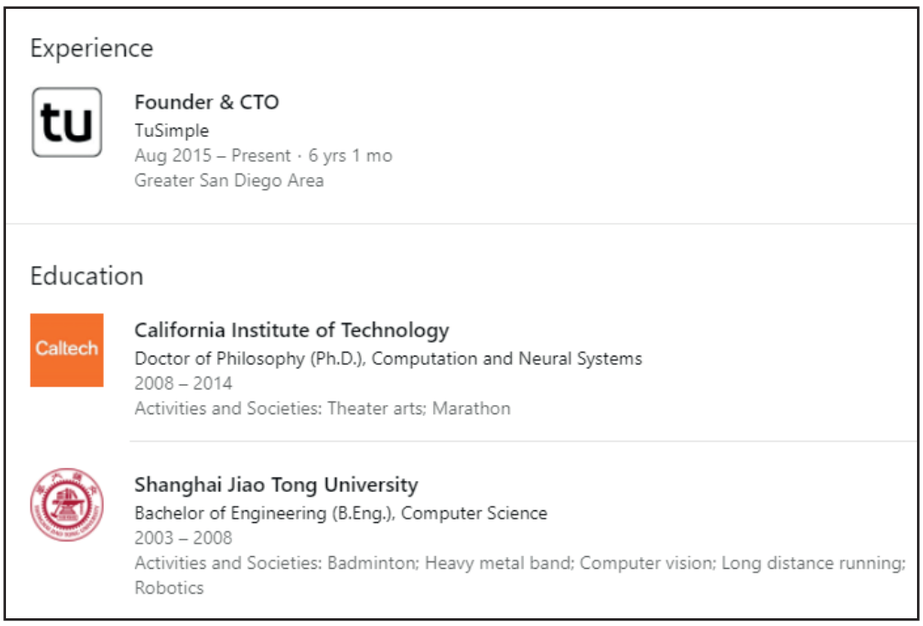
# Xiaodi Hou - Co-founder and CTO – Is the Technology Department Headed by a Hero or a Zero?

Besides Cogtu's experience, Mr. Hou's LinkedIn did not show any other professional experience other than his education at Caltech as Ph.D. and B.Eng at Shanghai Jiao Tong University.




*Source: LinkedIn*

Mr. Hou's previous startup experience does not give us a lot of confidence in TSP's success.

In summary, we believe that both founders lack the track record or experience in this highly competitive industry.



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# Disclosed Reservations and Relationship with Navistar are not What It Appears to Be

According to TSP's prospectus, as of March 23, 2021, the company accepted over 5,700 reservations from approximately 10 customers. **However, about 75% of its reservations were made by customers who are also TSP's equity investors**. TSP stated that "each reservation requires a $500 per truck deposit, however, the deposit requirement has been waived for our equity investors that currently hold reservations." This means that not until 2024 would we know whether or not there will be any autonomous drivable truck in production in scale. We remain suspicious of these reservations that TSP discussed in its prospectus, as none of them have led to a purchase agreement yet, 100% of these reservations could be canceled and deposits are refundable. Think about it, if even your investors don't want to purchase your trucks, who will?

> *"Partnership with Navistar. In July 2020, we announced our formal partnership with Navistar, one of the world's largest commercial truck OEMs. ...Through our partnership, we intend to produce a line of purpose-built L4 autonomous semi-trucks for the North American market at scale by 2024 in Navistar's manufacturing facilities. ... Through our first four months of accepting reservations for our purpose-built L4 autonomous semi-truck, we have accepted over 5,700 reservations as of March 23, 2021 from approximately ten customers, each of whom has significant freight operations.* ***Approximately 75% of our reservations were made by customers who operate commercial truck fleets and who are also equity investors in our company****..."*

> *"As of June 2021 [...] We have not entered into purchase agreements with any of our customers that have reserved our purpose-built L4 autonomous semi-trucks."*

**Even Nikola Claimed to Have 7,000 Pre-orders WITH DEPOSITS. Compared to That, ~4,000 Reservations Made by EQUITY PARTNERS without Deposit is Really Nothing to Tout.**



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# Disclosed Reservations and Relationship with Navistar are not What It Appears to Be

In addition, TSP also wanted to present to investors in its draft registration statement that 5,700 reservations could potentially translate into approximately $420 million revenues annually with over $2 billion over an estimated five-year life. This is probably also what TSP told sell-side analysts and investors to estimate its revenues a few years out. **The SEC specifically addressed this issue in one of its letters to the company.** Instead of explaining or convince the SEC of its rationale, **TSP DELETED this revenue estimation part from its registration statement**. We believe, if TSP is confident in its revenue estimation based on these 5,700 reservations, it should have kept it in the registration statement and explained it properly. The fact that the company directly deletes the part from the registration statement after SEC's inquiry letter makes us highly suspicious of the reservation-based-revenue-growth story the company has been telling analysts and investors.

Below is part of the correspondence letter between TSP and SEC:

Amendment No. 1 to Draft Registration Statement on Form S-1

Prospectus Summary

Our Solution, page 13

1. ***On page 16, you disclose that you have received 5,700 reservations in your first four months of accepting them and that these potentially represent approximately $420 million in revenue per year and over $2 billion over an estimated five-year life. To provide context to this disclosure, please revise your filing throughout to address the following:***

   - ***Clarify what a reservation consists of, whether these are paid or unpaid reservations and whether they are cancellable and if so, under what circumstances.***
   - ***Disclose the basis for the assumptions used to calculate your potential revenue. For example, clarify if the price per mile consists of the average of the price per mile pursuant to the reservations, whether the assumed miles per year is based on the miles included in the reservations and whether the assumed operational capability of the truck is based on those you currently have in service.***

**RESPONSE TO COMMENT 1:**

In response to the Staff's comment, the Company has revised its disclosure on pages 16, 39, 114 and 127 of the Amended Draft Registration Statement. The Company also removed reference to potential revenue associated with the semi-trucks that are reserved.

*Source: SEC Comment Letters*

**When The SEC Questioned Their Reservations and Revenue Estimates, TSP Simply Deleted it.**



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# Disclosed Reservations and Relationship with Navistar are not What It Appears to Be

For example, before the SEC inquiry letter, on page 16 of the amended registration statement filed on 02/16/2021, the revenue estimates based on these 5,700 reservations are described as below:

> *"Partnership with Navistar. In July 2020, we announced our formal partnership with Navistar, one of the world's largest commercial truck OEMs. Navistar manufactures its trucks under the International and IC brands...Through our first four months of accepting reservations for our purpose-built L4 autonomous semi-truck, we have accepted over 5,700 reservations.* ~~*Assuming each truck drives 210,000 paid miles per year at an illustrative $0.35 revenue per mile, these truck reservations potentially represent approximately $420 million revenue per year and over $2 billion over their estimated five-year useful life.*~~*"*
>
> --- *Registration Filed by TSP*

> *"Partnership with Navistar. In July 2020, we announced our formal partnership with Navistar, one of the world's largest commercial truck OEMs. Navistar manufactures its trucks under the International and IC brands... Through our first four months of accepting reservations for our purpose-built L4 autonomous semi-truck, we have accepted over 5,700 reservations.*
>
> *Revenue Estimation Gone*
>
> *We enter into reservation agreements with our customers that allow them to secure a priority position to order and purchase one of our purpose-built L4 autonomous semi-trucks. Until the customer enters into a purchase agreement for our purpose-built L4 autonomous semi-truck, which is within the discretion of the customer, the reservation can be canceled and the customer is entitled to a full refund of its deposit."*

After the SEC inquiry letter, the company filed another amended registration statement on 03/08/2021 and we can see that the revenue estimation part based on the 5,700 reservations has been deleted. Furthermore, it also added that the reservations can be canceled and the customer is entitled to a full refund of its deposit.

**Why Delete Revenue Estimates When You Could Clarify It? Or Could You?**



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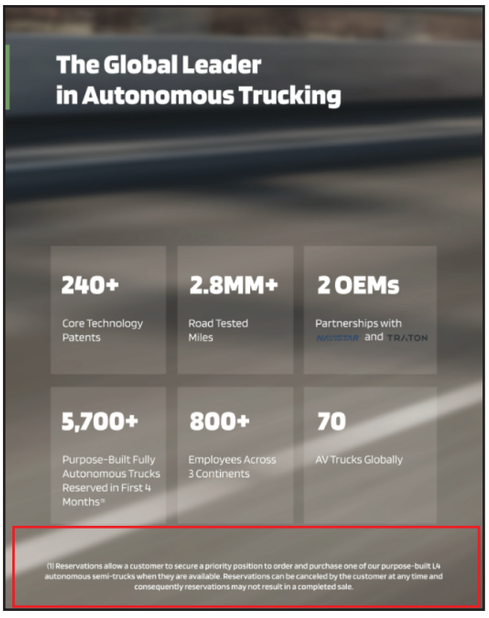
# Disclosed Reservations and Relationship with Navistar are not What It Appears to Be

In addition, the company's reservation disclosure on the graphics at the forefront of the registration statement was also required by SEC to be amended to more accurately reflect the attributes of these reservations.

> *"12. Please revise the graphics at the forefront of the registration statement to accurately depict the company's truck reservations. Specifically, we note that you include a metric for 5,700+ purpose-built fully autonomous trucks reserved in first four months. Please revise this graphic in light of your disclosure in the registration statement that your reservations are only to secure a priority position to order and purchase a truck and that reservations may never result in actual purchase agreements. Refer to Securities Act Forms C&DI 101.02.*
>
> *RESPONSE TO COMMENT 12: The Company acknowledges the Staff's comment and has updated the referenced graphic at the forefront of the Registration Statement to clarify that reservations may not result in the execution of actual purchase agreements."*

**Before Amend**

**After Amend**




The added verbiage after the amendment is as follows:

> *"(1) Reservations allow a customer to secure a prior position to order and purchase one of our purpose-built L4 autonomous semi-trucks when they are available. Reservations can be canceled by the customer at any time and consequently reservations may not result in a completed sale."*

We encourage investors to be more cautious on the reservation numbers that TSP has been disclosing, because those reservations are cancelable at any time, and only require $500 which is refundable. And investors should also be very cautious about the revenue projection that either TSP or sell-side analysts give based on TSP's disclosed reservation numbers. In the next section, we will discuss in more detail the relationship between TSP and Navistar. We believe the relationship between Navistar and TSP is not what it appears to be.



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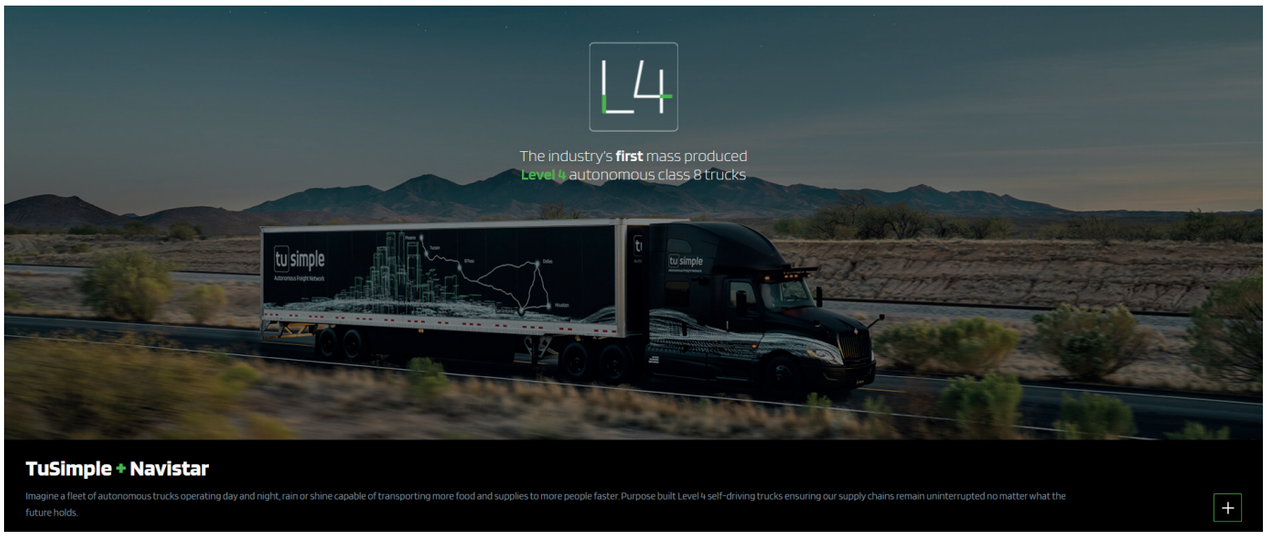
# Disclosed Reservations and Relationship with Navistar are not What It Appears to Be

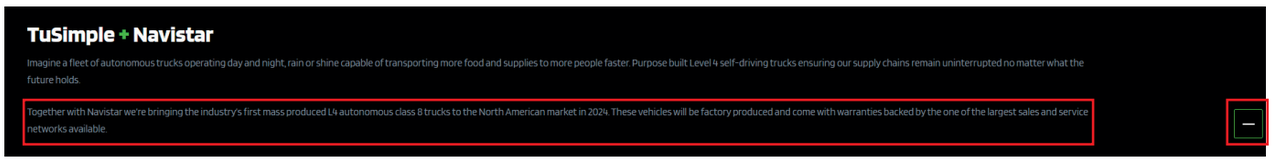
According to the company's disclosure, Navistar reached a partnership with TSP and Navistar is also TSP's shareholder. The relationship between Navistar and TSP was a selling point during TSP's IPO and business promotion. However, there are several points we want to illustrate regarding this relationship that we believe are not fully understood by the market.

First of all, we find the information regarding the mass-produced Level 4 autonomous class 8 trucks listed on TSP's website somewhat misleading. For example, on its "Product" page, it says "The industry's first mass-produced Level 4 autonomous class 8 trucks" with a picture of a truck with TuSimple logo on it right below this sentence.




For people that are not familiar with the company, one would think TSP already has the mass-produced autonomous class 8 trucks on the operation. However, if we click the "+" button on the down right corner, we would find that:

> *"Together with Navistar we're bringing the industry's first mass produced L4 autonomous class 8 trucks to the North American market in 2024. These vehicles will be factory produced and come with warranties backed by the one of the largest sales and service networks available."*




*Source: https://www.TuSimple.com/product/*

So it's not until 2024 TSP and Navistar are planning to bring mass-produced autonomous trucks to the market. But the verbiage on its website gives people the impression that the company has already mass-produced autonomous trucks under operations.



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# Disclosed Reservations and Relationship with Navistar are not What It Appears to Be

Secondly, investors should know that Navistar is not a customer of TSP. Based on our understanding, Navistar is an OEM that TSP partnered with and if any clients want to place Level 4 autonomous truck orders to Navistar, Navistar will produce those trucks and those clients will pay for those trucks. After those clients obtained the autonomous trucks, they would probably use TSP's solution to transport freight, and via which TSP would be able to collect fees (in terms of xx$ per mile) by providing the autonomous truck driving solution to these clients.

In correspondence between TSP and the SEC where the SEC asked TSP to provide more color on the Navistar and Traton agreements, TSP stated that "Navistar is not a customer", rather "Under the arrangement, the Company will reimburse Navistar up to $10.0 million for expenses incurred." So TSP is not collecting any money from this Navistar partnership for the foreseeable future. Instead, TSP is paying up to $10 million for the expenses incurred during this partnership. We are scratching our head when we see the explanation from TSP on the Navistar Agreement, why this was not discussed on its prospectus as well as in its investor presentation. However, for the Traton Agreement, there is no reimbursement from TSP to Traton, as "Each party is responsible for funding its development costs and no payments are made from one party to another for development activities performed".

> *"11. Please provide us with an analysis of the specific guidance applied or analogized to in accounting for your joint development agreements with Navistar and Traton. Clarify how you considered Traton and Navistar's intentions to enter into future arrangements upon completion of development in your analysis."*

**It Sounds Like TSP is Not Making any Money from the Navistar Relationship Anytime Soon But Are Paying Instead.**

If TSP's technology and products are so good that Navistar wants to form a partnership with TSP, why does TSP need to pay up to $10 million in reimbursements to Navistar for this agreement? This makes us highly suspicious of TSP's leading position in this industry as claimed by the company.

Considering those cancelable and refundable reservations and the real nature of the Navistar relationship, we believe that TSP is just selling an autonomous truck driving dream to the investor. After all it is hard to prove them wrong now, as the mass production of those trucks will not be implemented until 2024, which is 3 years away.

This makes us wonder if Navistar might have purposefully supported TSP in misrepresenting the company to investors. After all, Navistar made significant pre-orders, and is the key supporter or TSP's entire on the road testing program: Without these two things we doubt TSP could have been brought public. It is worthwhile noting that Navistar exercised its options to buy TSP shares at $14.14 per share in March 2021, right before the IPO. We estimate Navistar has profited so far from their investment in TSP to the tune of $200M.



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# U.S. & China National Security Concerns Could Strangle TSP's Business in Both Countries

It was widely reported recently that the Chinese government was furious about DIDI's IPO in the U.S. stock market, and one of the main reasons is DIDI's massive data collection through its ride-sharing business in China. The Chinese government is concerned that once DIDI goes public in the U.S., it might be under pressure to hand sensitive data to the U.S. regulators, which might cause a national security risk for the Chinese government. The actions that the Chinese government took against DIDI were very severe, including removing its main app as well as another 25 DIDI-related apps from various App stores in China. This incident happened in the context of worsening tensions between U.S. and China over trade and security concerns, and we do not see this kind of tension ease anytime soon.

As one of the leading autonomous vehicle companies claimed by the company, TSP is under heavy scrutiny by regulators both in China and in the U.S. In the autonomous truck driving industry, the U.S. is estimated to be the biggest market and China has the second-largest market. Currently, TSP's supposed pre-orders are from U.S. partners, and the company indicates that it wants to concentrate on the US market. Therefore, TSP has undertaken certain measures to appear more like an American company. For example, in September 2020, TSP obtained 100% ownership in two subsidiaries Beijing Tusen Weilai and Shanghai Tusen Weilai in China and, as a result, the VIE structure has been dissolved. In February 2021, the company changed its jurisdiction of incorporation from the Cayman Islands to the State of Delaware. However, we do not believe these measures are enough to ease U.S. regulators' concerns on data security issues among other things. **U.S. regulators have already started looking into TSP's early investor, Sun Dream Inc which is an affiliate Sina Corporations, which we believe is a China-related company.**

> *"On March 1, 2021, the CFIUS Staff Chairperson, acting at the direction of the Committee, requested that we file a written notice regarding the 2017 purchase of shares of our Series B redeemable convertible preferred stock by Sun Dream Inc ("Investor"), an affiliate of Sina Corporation (the "Investment"). Following the acceptance of the filing of our joint notice, CFIUS will have 45 days to conduct a review of the Investment, after which CFIUS could (i) conclude that the Investment is not a covered transaction subject to CFIUS jurisdiction, (ii) clear the Investment by concluding that the Investment presents no unresolved national security concerns, or (iii) initiate a 45-day investigation of the Investment. At the conclusion of the investigation period, CFIUS may clear the Investment or, as a condition to clearing the Investment, require the parties to enter into an agreement to mitigate any unresolved national security concerns. Such a mitigation agreement could, among other things, restrict Investor's governance rights. In addition, if the President concludes that the Investment threatens to impair the national security of the United States, the President may order that Investor divest its interest in our shares. Any restrictions implemented by CFIUS, or the threat of any such action, may adversely impact the market for our Class A common stock. We can provide no assurance regarding the resolution of the CFIUS process."*

**Despite TSP's Attempt to Appear More American, We Still See National Security Concerns and China Regulatory Uncertainty as Major Headwinds Not Yet Priced in by the Market.**



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Coincidentally, in TSP's IPO, Sun Dream unloaded 6.76M shares concurrently with TSP's 27M new shares issuance at a price of $40 per share. We believe Sun Dream might look to sell more shares once the lockup expires, which could cause bigger selling pressure to the stock in the future.

| Name of Beneficial Owner | Shares Beneficially Owned Prior to IPO and PIPE | | | | % of Total Voting Power Before IPO and PIPE | Number of Share being Sold | Shares Beneficially Owned After IPO and PIPE | | | | % of Total Voting After IPO and PIPE |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Class A | | Class B | | | | Class A | | Class B | | |
| | Shares | % | Shares | % | | | Shares | % | Shares | % | |
| **Directors and named Executive Officers:** | | | | | | | | | | | |
| Mo Chen | 14,367,314 | 9.00% | 12,000,000 | 50% | 33.60% | - | 14,367,314 | 7.60% | 12,000,000 | 50% | 31.40% |
| Xiaodi Hou | 13,367,314 | 8.30% | 12,000,000 | 50% | 33.30% | - | 13,367,314 | 7.10% | 12,000,000 | 50% | 31.10% |
| Cheng Lu | 2,745,000 | 1.70% | - | - | - | - | 2,745,000 | 1.50% | - | - | - |
| Patrick Dillon | - | - | - | - | - | - | - | - | - | - | - |
| James Mullen | - | - | - | - | - | - | - | - | - | - | - |
| Brad Buss | 347,303 | ** | - | - | - | - | 347,303 | ** | - | - | - |
| Charles Chao | 31,433,464 | 19.60% | - | - | 7.90% | - | 24,676,708 | 13.10% | - | - | 5.80% |
| Karen Francis | 104,420 | ** | - | - | - | - | 104,420 | ** | - | - | - |
| Bonnie Yi Zhang | - | - | - | - | - | - | - | - | - | - | - |
| All Executive Officers and Directors as a Group (9 persons) | 62,364,815 | 38.70% | 24,000,000 | 100% | 88.60% | - | 55,608,059 | 29.40% | 24,000,000 | 100% | 79.70% |
| **Principal and Selling Stockholders:** | | | | | | | | | | | |
| Sun Dream Inc | 31,433,464 | 19.60% | - | - | 7.90% | 6,756,756 | 24,676,708 | 13.10% | - | - | 5.80% |
| Composite Capital Master Fund LP | 11,444,365 | 7.10% | - | - | 2.90% | - | 11,444,365 | 6.10% | - | - | 2.70% |
| Navistar, Inc | 10,217,846 | 6.40% | - | - | 2.60% | - | 10,217,846 | 5.40% | - | - | 2.40% |

TSP is in a dilemma because judging by its jurisdiction, it is within the United States and subject to U.S. law and regulation. However, its major investor is a Chinese company and the company's 62.5% voting power is in the hands of its two co-founders, Mo Chen and Xiaodi Hou.

Therefore, TSP could find itself in a position where neither China nor the US is keen to work with them. We highly doubt that U.S. regulators would give TSP an easy time especially in a sensitive area such as autonomous trucking driving, given its strong China links. On the other hand, the Chinese government would also be very cautious to work with TSP because legally speaking TSP is a U.S. company and is obliged to submit data for regulator's review if requested. We think it is almost certain the Chinese government would not let TSP become one of the dominant players in the autonomous truck driving industry in China.

> *"Note 12 Variable Interest Entities, page F-28*
>
> *8. We note that in September 2020 you obtained 100% of the equity interests in each of your variable interest entities. Please explain to us the facts and circumstances that lead to the dissolution of your VIE structure including any changes in PRC regulations that may have prompted this change.*
>
> *RESPONSE TO COMMENT 8: The Company believes that for its business there are no restrictions on foreign investment under the applicable laws of the PRC that currently make a VIE structure necessary or advisable for the Company or its shareholders. The dissolution was not prompted by a change in PRC regulations or other applicable law. After determining the structure to be unnecessary in light of its business, the Company and its shareholders elected to dissolve the VIE structure to directly hold the interests in the PRC subsidiaries instead of consolidation through contractual arrangements."*



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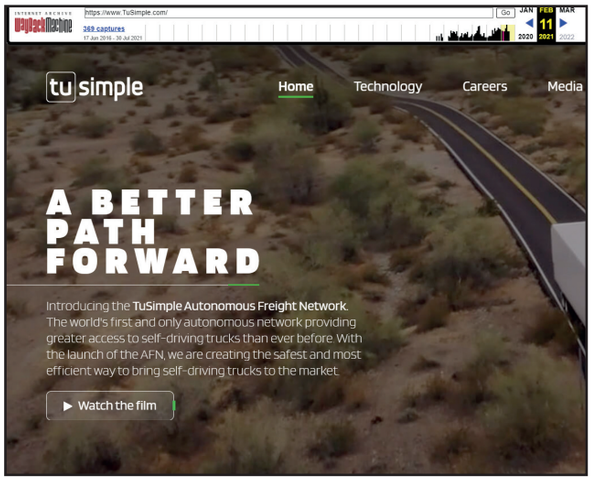
# U.S. & China National Security Concerns Could Strangle TSP's Business in Both Countries

In addition, we can also see from TSP's website history **via Wayback Machine that TSP tries to disassociate itself from China. We think this seems disingenuous and will not trick regulators.**

For example, on February 11, 2021, TSP's website was available in English and Chinese. Below are those two versions of websites on that day on Wayback Machine. We can see from the up-right, there are two choices for both "Chinese" and "English" for the website.




*Source: https://web.archive.org/web/*

*Source: https://web.archive.org/web/*

If we go to TSP's current website, there is no Chinese language option anymore. We do not know when exactly this feature was changed, but it appears the last time Wayback Machine has its Chinese version of website is the February 11, 2021 version. Be reminded that TSP filed its IPO registration statement on March 23, 2021. **It almost seems as if the company tried to hide their Chinese connections from investors.**

**We also find it curious that Mo Chen, the company's co-founder and chairman of the board, who also previously served as CEO, is not listed in the Leadership category on TSP's current website.**

**The company Obviously Tries to Avoid Connections with China:**
**- Removed Chinese Language Version of Website.**
**- Chairman is Not Listed on Leadership Page.**
**- Removed VIE Structure and Moved Incorporation to Delaware.**



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# An Ocean of Issues, Dishonesties, and Outright Lies

According to its prospectus, TSP has a material weakness in its internal control over financial reporting. The material weakness is mainly related to the lack of appropriately designed and implemented controls over the review and approval of manual journal entries which include consolidation entries, as well as the related supporting journal entry calculations. This means that employees could enter any numbers and the company has no way of controlling it, neither do the auditors. This does not give us a lot of confidence.

> *"Internal Control over Financial Reporting*
>
> *Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal control and procedures over financial reporting. In the course of auditing our consolidated financial statements included elsewhere in this prospectus, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting related to our financial statement closing process, primarily related to a lack of appropriately designed and implemented controls over the review and approval of manual journal entries (including consolidation entries) and the related supporting journal entry calculations. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis."*

**We Are Simply Not Comfortable with A Multi-Billion Company that Cannot Even Correctly Handle Journal Ledgers.**



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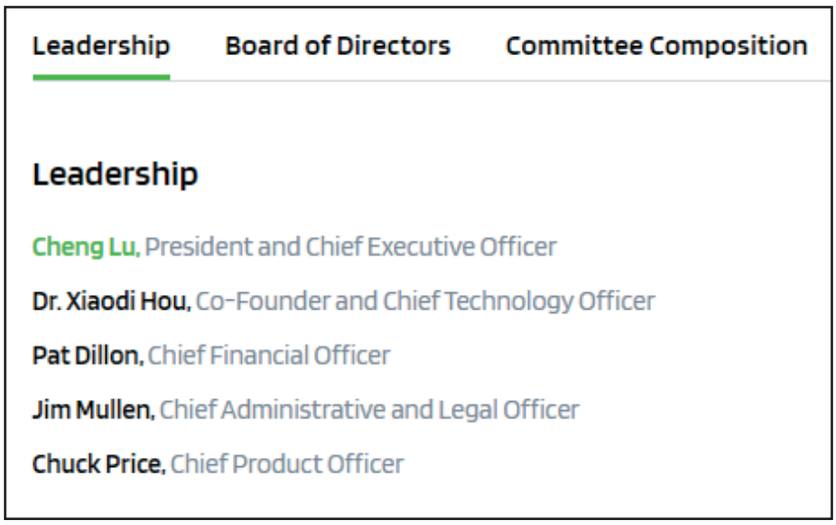
# An Ocean of Issues, Dishonesties, and Outright Lies

In addition, it was reported that TSP's General Manager, Jiancong Xue, resigned end of June 2021, which is only 2 months after TSP went public in the U.S. stock market. We take this kind of swift management change shortly after IPO as a red flag that investors should pay attention to.




*Source: https://ir.TuSimple.com/corporate-governance/leadership*

**If the Company Wanted to Do Business in China, why Hide TSP's Chinese Origin by Deleting Chinese Version, Hiding Chairman & Co-Founder Involvement?**



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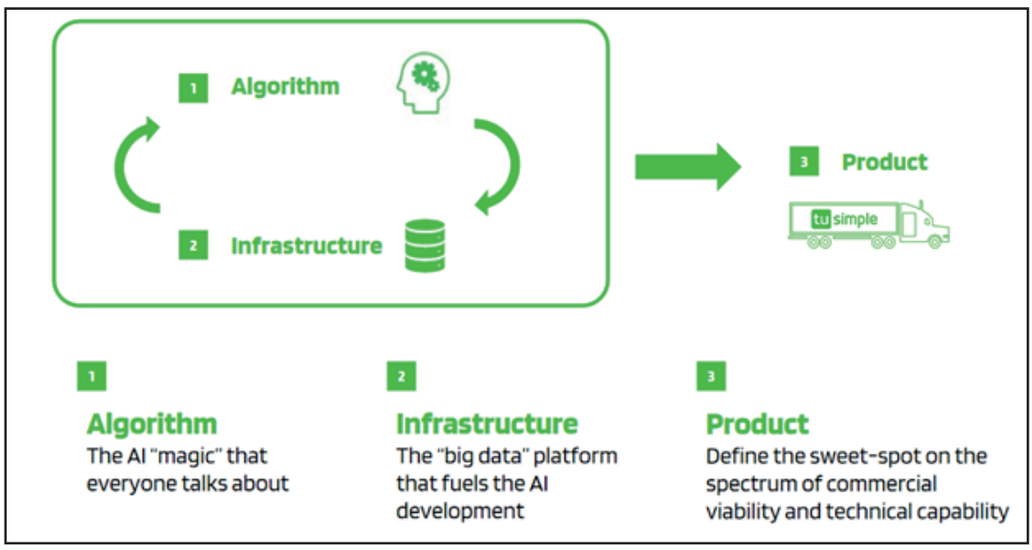
# Claims of Unique Proprietary Technology Seem Vastly Exaggerated

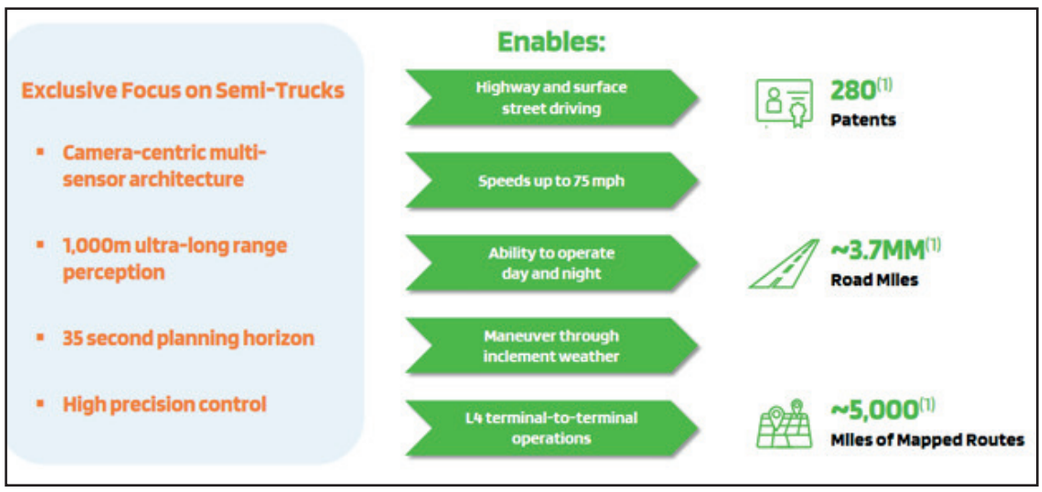
TSP has made many product claims that fall apart under scrutiny. The company portrays itself as the leader in the autonomous trucking and trucking industry. The company's investor presentation is rich with very general product claims and buzzwords, but lacks concrete information that would allow an investor to evaluate the technology involved.




*Source: Investor Presentation*

(In picture description: Buzz words like "AI magic", "big data", and "Sweet-Spot" without any concrete back up explanation make us generally suspicious).

We looked more into the few concrete technology related claims TSP makes. According to our research, nothing what TSP is doing is particularly unique, or hard to replicate for any competitor. The company seems to try to differentiate with its camera centric architecture. The proprietary AI magic the company claims is hard to evaluate from the outside.




*Source: Investor Presentation*

**Nothing Instills More Confidence Than Calling Your Technology Magic!**



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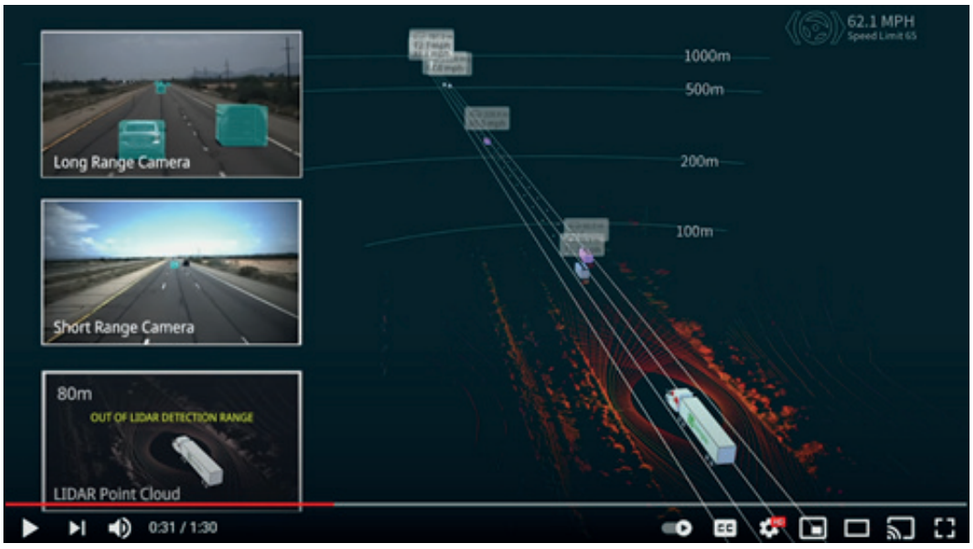
# Claims of Unique Proprietary Technology Seem Vastly Exaggerated

In September 2018, TSP announced that it built the "safest" Self-Driving Truck with 1,000 Meter Perception Range. On its official Youtube Channel, it uploaded a video illustrating the 1000-meter perception breakthrough.




*Source: TSP Youtube Channel*

It appears to us that the so-called 1000 meter perception range is simply realized with both LIDAR and Short Range & Long Range Cameras. However, it appears that TSP is simply realizing this via LiDAR solutions provided by third parties such as AEye, who currently has LiDAR sensors with range of 1,000 meters. We hardly believe the pay to use solution is proprietary, nor exclusive.

Nothing would stop any competitor from simply installing additional HD cameras on a vehicle. The company has shown us nothing to date that makes it seem in any way unique or proprietary from a technology perspective.

Sell side analysts seem to be focused on the driver-out program the company plans to accomplish by Q4 2021. While we expect an investor focused show, we believe real technological progress will be minor and the challenges of L4 autonomous truck driving will be solved by others than TSP.

We want to caution investors to not get too excited about the test miles travelled that the company likes to tout. These miles consist of test driving off the street, and mileage driven by normal trucks that were retrofitted with cameras to gather data. These test miles are enabled by the equity investors who are making hundreds of millions off TSP's successful go public process. We believe investors should be extremely cautious.



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# Conclusion on TuSimple Holdings Inc

We believe TSP is nothing but smoke and mirrors and not the company that will solve L4 autonomous truck driving. We believe the company has notoriously engaged in deception, trying to hide among other things that key investors were in fact also backers of recently regraced Nikola.

The order book that the company touts is non-binding, and in fact TSP even pays monies to the partners for development. The company seems to try to hide their Chinese identity, and the straddle position that it finds itself in between Chinese and US regulators.

We believe neither government is keen to engage with TSP. The key founders have a less than impressive track record that makes them seem utterly unsuited for the job.

What investors are left with is a lot of fancy buzz words, ambitious projections, and the soon to come realization that TSP is the latest IPO that is not all what it claimed to be.

We believe the stock has over 50% downside potential from current prices in the short to medium term.



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