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May 10, 2011

Tesla Motors Inc.

The Small Wins Matter

Stock Rating
Overweight

Industry View
In-Line

Tesla met or beat expectations on just about every key operating metric, milestone and guidance point the market could focus on for Q1. Revenues beat by 14%, gross margins improved to 37% vs. 31% last quarter. They lost less money and they burned less cash than we expected. We'd note the cash flow was helped by capex that was 1/2 our estimate, and this should catch-up through the rest of the year. Importantly - Model S reservations are running at around 300 per month, more than double our expectations.

Tesla aims to have a Model S beta build by the end of the summer that can be properly thrown around a test track by journalists. We recommend investors own this stock before that happens. Other catalysts include accelerating Model S reservations, new store openings and the presentation of the Model X prototype by the end of the year. While impossible to model, these are real catalysts that we think can move this stock.

Raising estimates through 2012. \$70 price target unchanged. We have made some adjustments to our model following the better than expected 1Q result. For 2011, our revenue expectation rises to \$184m from \$171m previously, just inside the high end of management's range of \$170m to \$185m. Our revenues are based on 570 units of Roadster, \$46m of powertrain sales and \$60m of development services sales. Our US GAAP EPS improves to (\$2.10) from (\$2.33) previously, based on rest-of-year losses slightly higher than the 1Q run-rate. Despite the low level of capex in 1Q, we expect Tesla full-year capex to reach \$195m (near the low-end of the company's \$190m to \$215m target). Our 2012 EPS improves to (\$2.28) from (\$2.80) previously on changes to the timing of SG&A and R&D expenses vs. our previous forecasts. Our free cash flow (and gross liquidity) est. improve slightly.

Bottom line: Since their IPO, these guys just keep delivering on multiple fronts. Our \$70 target is clearly based on far longer-term developments for top-line growth, but it all starts with these small but very important wins. \$70 PT offers 151% upside, on revenue est. roughly 3x consensus in the out years. On our forecasts, Tesla's biggest financial challenge comes in 2013 when gross liquidity falls to \$156m.

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Key Ratios and Statistics

Reuters: TSLA.O Bloomberg: TSLA US
Autos & Auto-Related / United States of America

Price target	\$70.00
Shr price, close (May 9, 2011)	\$27.91
Mkt cap, curr (mm)	\$2,679
52-Week Range	\$36.42-14.98

Fiscal Year ending	12/10	12/11e	12/12e	12/13e
ModelWare EPS (\$)	(3.04)	(2.10)	(2.28)	(0.64)
Prior ModelWare EPS (\$)	-	(2.33)	(2.80)	(0.75)
P/E	NM	NM	NM	NM
Consensus EPS (\$)	(2.53)	(2.05)	(1.52)	1.30

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Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
\$ = Consensus data is provided by FactSet Estimates.
e = Morgan Stanley Research estimates

Quarterly ModelWare EPS

Quarter	2010	2011e	2011e	2012e	2012e
		Prior	Current	Prior	Current
Q1	(4.04)	-	(0.51)a	(0.61)	(0.61)
Q2	(5.04)	(0.56)	(0.51)	(0.62)	(0.66)
Q3	(0.38)	(0.59)	(0.55)	(0.47)	(0.55)
Q4	(0.54)	(0.60)	(0.52)	(0.41)	(0.47)

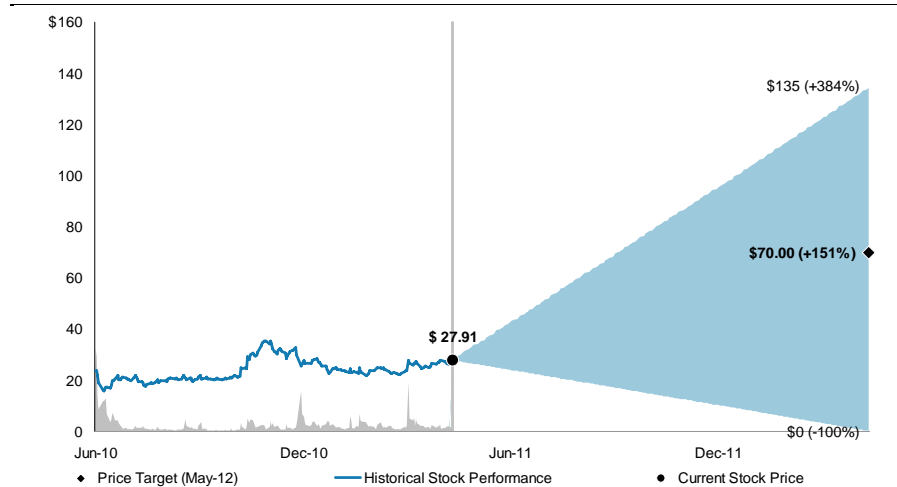
e = Morgan Stanley Research estimates, a = Actual company reported data

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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

Risk-Reward Snapshot: Tesla Motors (TSLA, OW, PT \$70)

There are few things in business as risky as starting an auto company – especially one that relies on entirely new technology that is not likely to be competitive vs. the established internal combustion engine for more than a decade. However, conditions are ripe for new entrants and we believe Tesla can be a significant volume player in the auto industry. We believe the market for xEVs (plug-in-hybrids or PHEVs and pure EVs) is underestimated as rising oil prices and government support accelerate the shift away from the internal combustion engine. This shift has made room for entirely new players to join the ranks of currently entrenched OEMs, and has afforded Tesla the opportunity to establish itself as America's fourth automaker. The biggest risk remains Tesla's own execution of its plan. Despite its extremely risky profile, the 151% upside to our base case \$70 price target is enough to justify an Overweight rating.



Source: FactSet (historical share price data), Morgan Stanley Research estimates

We argue Tesla cannot be valued on near-term multiple metrics like traditional auto companies given that we expect Tesla to multiply revenues by more than 20x from 2010 to 2015, by more than 80x by 2020 and over 160x by 2025. We have thus chosen a 15-year time horizon for our DCF which captures the full utilization of Tesla's manufacturing capacity in Fremont, the full maturation of the Model S, Model X (and top-hat derivatives) and also the ramp up of its mass market electric vehicle (the Gen 3). We have applied a 12% WACC with a range of 10% to 14%. The terminal value accounts for around 60% to 70% of the total DCF value across the range of methodologies we have applied to arrive at our \$70 PT.

Bull Case \$135	Production far beyond Fremont. Global car market runs at 3.4% CAGR through 2025. Global xEV penetration at 7% by 2020 and 21% by 2025. Tesla EV share peaks at 11% and >8% long term. Pricing similar to base case. Mix stable over time due to higher contribution from Model S and Model X and higher content uptake on Gen 3. Break-even OP reached in 2013, OP margin peak at 23%, normalize at just under 20%.
Base Case \$70	Significant EV player, fully utilizes Fremont. Global car market runs at 3.2% CAGR through 2025. Global EV penetration at 5.5% by 2020 and 15% by 2025. Tesla xEV share peaks at <4% and runs at 2.5% long term. Pricing grows slightly - up in the early years, down in the later years. Mix driven down over time by growth in mass market with Gen 3 dominating the volume. Break-even OP reached in early 2014, OP margins peak at 17%, normalize at 13%.
Bear Case \$0	Cash burn exceeds available liquidity by 2013/2014. Global car market runs at 1.9% CAGR through 2025. Global xEV penetration at 2.5% by 2020 and 6.2% by 2025. Delays to Model S lead to cost overruns not adequately funded by additional capital sources. A not uncommon outcome for many new technology start-ups.

Why Overweight?

- We forecast grid-enabled vehicles (plug-in hybrids and pure electric vehicles) will comprise 5.5% of global car sales by 2020 and 15% by 2025.
- A high oil price helps sway both consumer and political forces to support widespread electrification of the automotive fleet.
- No attachments to the established belt-driven internal combustion technology allows 100% focus on new technological challenges.
- Strategic cooperation and ownership relationships with Daimler, Toyota and Panasonic lend credibility and validation to Tesla's strategy.
- Acquisition of former NUMMI facility from Toyota enables manufacturing scale to be a high volume producer.

Key Investment Risks

- Missteps in the execution of the Model S sedan (and derivatives) could jeopardize the ability of Tesla to participate in the mass EV market.
- Evolution of cost and performance of battery technology vs. ever-improving internal combustion engines.
- Stiff competition from other OEMs as they develop their own xEVs.
- Significant long-term government coordination required to provide incentives to foster the application of new battery technologies, consumer taste and grid infrastructure necessary for EV adoption.
- Significant delays to Model S and inability to raise new equity could challenge min. liquidity thresholds.

Current Valuation

- Tesla trades on 109% EV/Sales and 8.9x EBITDA on our 2015 estimate. Tesla trades at 18.5x 2015e P/E and 4.0x 2020e P/E.

Potential Catalysts

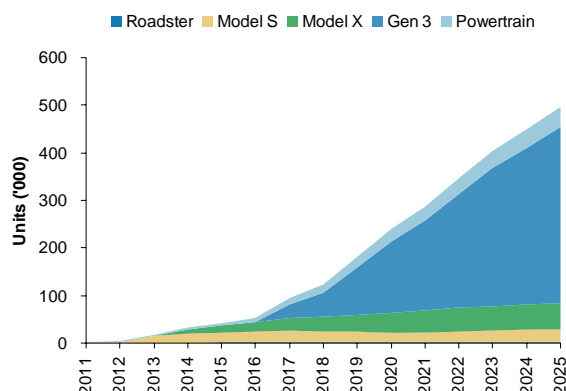
- Strategic tie-ups, Model S milestones, quarterly results, estimated 2H capital increase.

May 10, 2011

Tesla Motors Inc.

Tesla Market Position and Strategic Snapshot

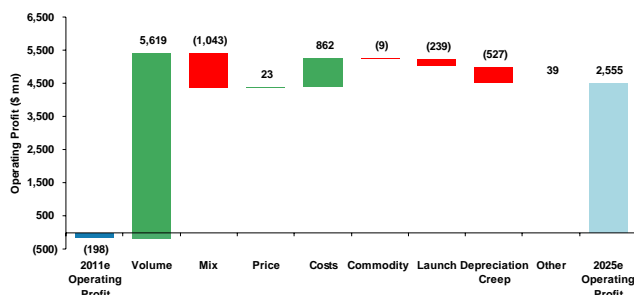
Tesla unit volume by model line, 2011 to 2025e



Tesla Liquidity vs. Cash Burn through 2015e (\$mm)

	2010	2011E	2012E	2013E	2014E	2015E
Liquidity vs. Burn Profile						
Cash	100	153	157	156	226	226
Restricted Cash	74	0	0	0	0	0
Undrawn DOE Loan	393	209	16	0	0	91
Other	0	0	0	0	0	0
End-of-Period Liquidity	566	362	173	156	225	317
Beginning-of-Period Liquidity		566	362	173	156	225
Free Cash Flow (Burn)		-354	-189	-17	69	92
Capital Increase		150	0	0	0	0
End-of-Period Liquidity	566	362	173	156	225	317

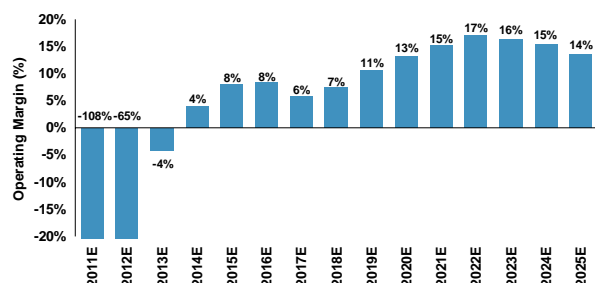
Tesla Operating Profit Bridge, 2011 to 2025e (\$m)



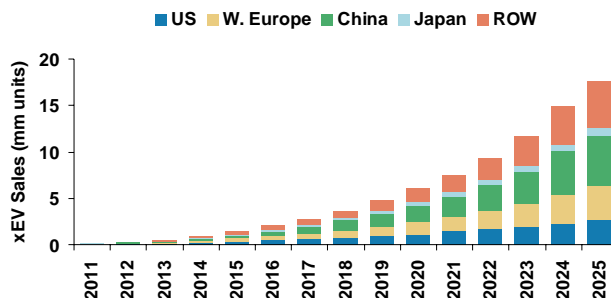
Tesla: DCF Sensitivity to WACC and EV/EBITDA (\$)

		EV/EBITDA									
		4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	
WACC	6.0%	95	108	120	132	144	156	168	180	192	
	8.0%	74	83	93	102	111	120	129	139	148	
	10.0%	58	65	72	79	86	93	100	107	114	
	12.0%	45	51	56	61	67	72	78	83	88	
	14.0%	36	40	44	48	52	56	60	65	69	
	16.0%	28	31	34	38	41	44	47	50	54	
	18.0%	22	24	27	29	32	34	37	39	42	
	20.0%	17	19	21	23	25	27	29	31	33	
	22.0%	13	15	17	18	20	21	23	24	26	
	24.0%	10	12	13	14	15	16	18	19	20	
	26.0%	8	9	10	11	12	13	14	15	16	

Tesla: Operating Margin, 2011e to 2025e (%)



Global EV Sales Penetration by through 2025



e = Morgan Stanley Research estimates

Source: Company data, FactSet, Morgan Stanley Research

Key catalysts to watch out for

How do we get there? Our recent Tesla upgrade “America’s Fourth Automaker” (March 31, 2011) is based on top-line assumptions that are >3x above consensus longer-term. Investors are asking us what is the path to unlock value nearer-term? We identify six catalysts that we believe can move the stock in 2011:

(1) Capital raise: we estimate that Tesla’s gross liquidity bottoms at \$156m in 2013, after a \$150m equity raise, which we model in 2H11. A key positive catalysts could be the completion of a sufficient capital raise to diminish concerns that Tesla would have insufficient capital to produce and ship the Model S, fund the design of the Model X, and build a distribution network. Without the capital raise, we believe Tesla would have to slow expansion plans.

We would also view as an incremental positive if strategic partners Daimler, Toyota or Panasonic invest additional capital. Note that foreign entities would have to file Hart–Scott–Rodino (HSR) if their investment exceeded \$66m.

(2) Oil price moves. On our calculations, a \$10 rise in global oil prices is worth ~5% to Tesla shares. A \$1 move in US gas prices is worth 13% to Tesla shares as higher gas prices increase the attractiveness of electric vehicles and reduce the payback period. Tesla offers a hedge against rising oil prices, the function of an EV costing around 3 cents per mile of electric energy usage vs. around 15 cents per mile for a typical internal combustion vehicle. The typical US driver buys 480 gallons of gas per year. The burden of a \$1 increase in gas price has an NPV cost of \$3,500, equal to 25 to 30% of the cost of a 100-mile-range EV battery (\$12,500). Seen another way, \$1 rise in gas price reduces the payback period of an EV battery from 9.5 to 6.9 years at \$500 per kWh and 25mpg for internal combustion engine.

(3) Powertrain wins. Daimler currently uses Tesla’s battery packs and chargers in electric versions of the Smart ForTwo and the A-class. Toyota plans to use Tesla’s entire electric powertrain including the motor, battery pack, power management system, and charger in a new electric version of the RAV4 small SUV, which Tesla is developing with Toyota. Toyota is paying Tesla \$69m over 5 quarters for development of the RAV4 powertrain, accounting for 35% of 2011e revenues. To date, the anticipated volumes on the Daimler and Toyota powertrain agreements are small, typically below 2,000 units, but they serve as validation of Tesla’s technology.

Higher volumes and/or additional OEM agreements would be a significant positive catalyst.

(4) Further detail on upcoming models, esp. the Gen 3:

We expect TSLA could show a concept version of its Model X crossover as early as the LA Auto Show this November. We believe any glimpse into the future model pipeline at TSLA could soothe investor fears about over-reliance on the Model S. This is especially true of the “Gen 3,” a lower-priced higher volume Tesla which we forecast to launch in 2017 with 30,000 units, and grow to 370,000 units by 2025, accounting for over 80% of Tesla’s vehicle volumes. TSLA itself has made few public statements about the Gen 3 and we believe most analyst models reflect little value. There is significant skepticism that battery costs will come down quickly enough to sell an electric vehicle around \$30,000. If management starts sharing more details about the Gen 3 with investors, the market could start to incorporate Gen 3 volumes into forecasts, potentially driving upside in the shares.

If we exclude Gen 3 from our forecast, our DCF-based value and our 2025 EPS would each be 55% lower; our DCF without Gen 3 falls to \$32 per share and our EPS in 2025 falls to \$5.85. As management starts planning the Gen 3, and the market starts to incorporate Gen 3 volumes into forecasts, we see upside to the shares.

(5) Road test reports of the Model S could be on

newsstands as early as 4Q11. A positive review would reduce skepticism that deliveries will begin on time in mid-2012 and would likely increase the pace of reservations. We forecast that by the time Model S production begins, Tesla will have over 6,500 reservations, creating a backlog of nearly six months of production.

We don’t expect Tesla to hit \$70 overnight, nor in a straight line. Our forecasts and valuation approach are radically different from the prevailing view. Our thesis requires a combination of near-term execution and long-term industry developments to come to fruition.

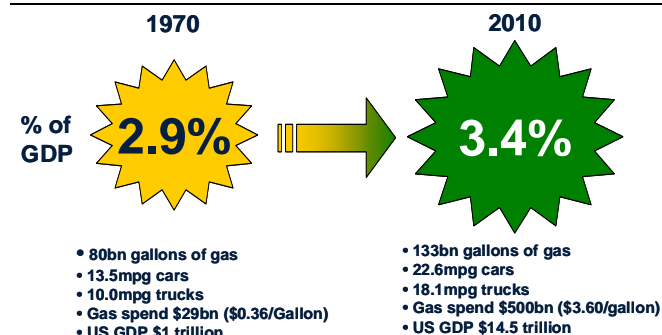
May 10, 2011
Tesla Motors Inc.

The ultimate hedge against higher oil?

The political push for EVs: Governments worldwide have a strategic interest in reducing transportation dependence on foreign oil. The statistics speak for themselves. At \$3.60 per gallon, Americans spend roughly \$0.5 trillion on gasoline for personal transport each year. This amount accounts for approximately 3.4% of US GDP. Personal transport accounts for the largest portion of the \$1tn in total US oil demand (half of which is imported). By comparison, the 2010 US Department of Education annual budget was approximately \$50bn. Such an enormous dependence of the US economy on foreign oil alone creates a great incentive for the Federal government to have a hand in creating conditions for grid-enabled-vehicles to thrive. The incentive to create green manufacturing jobs is augmented by sluggish growth and high unemployment.

Exhibit 1

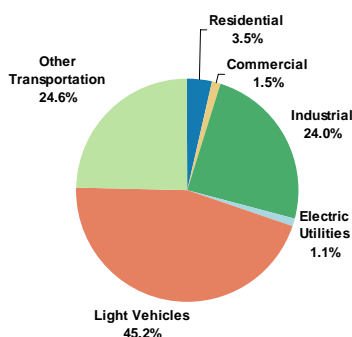
US economy, environment and national security threatened by dependence on oil (gas spend/GDP)



Source: US Transportation Energy Book, Morgan Stanley Research.

Exhibit 2

Light vehicles for personal use accounts for nearly 1/2 of US oil consumption



Source: US Transportation Databook, Morgan Stanley Research.

The key impediment for EVs: Battery costs are too high and today's cars are too good. While the initial uptake of xEVs will be driven by early adopters, long-term demand will depend on whether xEVs can become financially viable. Viability can be defined as (1) upfront cost premium: if the cost of entry is too high, operating cost savings will not even matter. It is encouraging to see many initial EV launches in the \$25-50k range before radical technology breakthroughs. (2) ability to reach breakeven vs. running cost savings.

Prevailing gasoline prices and fuel economy of internal combustion engine will significantly influence the payback period for xEVs. All else equal, a \$1 increase in gas price per gallon would reduce the payback period of purchasing an xEV by roughly 2.5 years. Each 5mpg increase in ICE fuel economy extends the payback by >2 years.

A \$1 rise in US gas price could be worth 13% to Tesla's share price. Each \$1 of gas price per gallon is a projected \$103bn annual operating cost increase to light vehicle consumers in the United States based on our projection of gasoline consumption for personal transport by 2025. Assuming 15% of this burden shifts to xEVs with Tesla taking a 6% share of the US xEV market adds \$233m of incremental EBITDA by 2025 and \$3.40 per Tesla share.

Exhibit 3

US gasoline analysis – sensitivity to Tesla value

Annual gasoline usage for personal transport (bn gallons)	138
2025 projected gasoline usage for personal transport (bn gallons)	103
Gasoline price (\$)	3.95
Annual US gasoline expenditure for light vehicles (\$bn)	409
Gas price increment (\$)	1.00
Burden of \$1 move in gas price on light vehicle consumers (bn)	103
% of burden moving to xEV demand	15%
Value of burden moving to xEV demand (\$bn)	15.5
Tesla share of US xEV market by 2025 (%)	6.0%
Value of incremental Tesla sales in 2025 (\$mm)	931
Incremental margin on Tesla sales (%)	25%
Incremental EBITDA for Tesla (\$m)	233
2025 EBITDA multiple (x)	8.5
Additional terminal value (\$m)	1,978
WACC (%)	12%
PV of additional terminal value (\$mm)	361
Tesla shares outstanding (m)	107
Increased value per Tesla share (\$)	3.4
Tesla share price (\$)	28
% of current Tesla Share price (%)	12%

Source: Company data, Morgan Stanley Research

May 10, 2011
Tesla Motors Inc.

How do you value Tesla?

Market View: Heavily sentiment driven. Take a 3 to 5 year view based on execution of 'milestones' like Roadster sales and Model S launch deliverables. Tough to take a long-term view.

Our view: Must take a long-term view to value Tesla. The company either succeeds as a high-volume EV player or may ultimately not be viable as a stand-alone company.

We value Tesla on a 15-year DCF: At some level, Tesla is an exercise in investment fundamentalism – you either believe in the wide spread adoption of electric vehicles, or you don't. Clearly, we believe in the adoption of electric vehicles as an increasingly viable competitor to the internal combustion engine. However, even in our more optimistic scenarios, we have to allow for the gradual ramp-up of xEV penetration through at least 1 or 2 engineering cycles, particularly given the early stage development of applied battery technology, as well as the radical changes required to the regulatory environment, the electric utility industry and consumer perceptions.

At the current price, Tesla valuation does not begin to make sense until 2015. That is, unless you think 15.4x 2014e EBITDA is cheap - which we do not. Tesla currently trades at more than 2x 2013e EV/Sales. We'd have to roll forward to 2015 before the first "reasonable" P/E multiple of 18.5x. On our forecast, by 2016 Tesla will have achieved an essentially debt-neutral position and an EV/EBITDA multiple (on today's balance sheet) of 7.0x. Interpolating through our 15-year DCF, we believe the current Tesla price assigns the company a viable 4%-type share of an emerging/niche EV market who's long term independence may be questioned. Among any number of scenarios, we believe the current price discounts Tesla sales reaching 100 to 150k units with operating margins peaking at 12% and normalizing at 5.5%, roughly one-third the company's long term OP margin target of 15%.

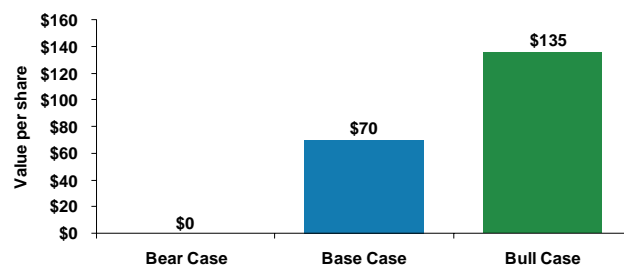
Our valuation on near term earnings figures looks even more expensive. On our forecasts, Tesla equity is worth roughly \$7.5bn, an amount roughly equal to a level of sales we expect Tesla to achieve by 2019. On any valuation metric one would use to value a traditional auto company over a typical earnings horizon of 2 to 3 years, Tesla will appear anything but cheap.

Our DCF valuation is highly sensitive to a number of key variables:

- **Discount rate.** Every 200bps of discount rate is worth roughly \$20 to Tesla's share price around the 12% level we have applied. In its most recent employee stock option pricing exercise (June 9th, 2010), Tesla applied a range of discounts from 14.5% to 20.0%, trending down from the 30% to 40% range applied in 2008 and early 2009.
- **EV/EBITDA multiple.** Each 1 turn of EV/EBITDA multiple is worth around \$6 of Tesla share price at the 12% WACC level.
- We can account for Tesla's current market cap with our cash flow from 2011 to 2024. This triangulates to the fact that two-thirds of our DCF valuation for Tesla is accounted for by the terminal value.
- In our opinion, the next 3 years will be critical to determining Tesla's long term viability. The following 7 years will determine if Tesla is a winner.

Exhibit 4

Tesla: Valuation by scenario analysis (\$)



Source: Morgan Stanley Research

Exhibit 5

Tesla: DCF sensitivity to WACC and EV/EBITDA (\$)

		EV/EBITDA									
		4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	
WACC	6.0%	95	108	120	132	144	156	168	180	192	
	8.0%	74	83	93	102	111	120	129	139	148	
	10.0%	58	65	72	79	86	93	100	107	114	
	12.0%	45	51	56	61	67	72	78	83	88	
	14.0%	36	40	44	48	52	56	60	65	69	
	16.0%	28	31	34	38	41	44	47	50	54	
	18.0%	22	24	27	29	32	34	37	39	42	
	20.0%	17	19	21	23	25	27	29	31	33	
	22.0%	13	15	17	18	20	21	23	24	26	
	24.0%	10	12	13	14	15	16	18	19	20	
	26.0%	8	9	10	11	12	13	14	15	16	

Source: Morgan Stanley Research

May 10, 2011
Tesla Motors Inc.

Key assumptions behind our 15-year DCF for Tesla. Given the very early-stage time in the company's lifecycle, we believe it is imperative to value Tesla on long-term basis that captures the transformational developments to the top line. We expect Tesla to multiply revenues by over 20x from 2010 to 2015, by more than 80x by 2020 and over 160x by 2025. Needless to say, we argue Tesla cannot be valued on traditional multiple metrics like traditional auto companies. We have chosen a 15-year time horizon for our DCF which captures the full utilization of Tesla's manufacturing capacity in Fremont, the full maturation of the Model S, Model X (and top-hat derivatives) and also the ramp up of its mass market electric vehicle (the Gen 3). We have applied a 12% WACC with a range of 10% to 14%. The terminal value accounts for around 60 to 70% of the total DCF value across the range of methodologies we have applied. We have treated stock-based compensation as a cash expense in the forecast period.

- **Unit volume:** We expect Tesla's unit volumes to grow at a CAGR 47% over the next 15 years. By 2015, we forecast unit volumes of over 42,000, ballooning to almost 500,000 by 2025.
- **Revenues:** We expect revenue to grow at a 40% CAGR over the next 15 years. As Tesla introduces more mainstream models such as the Model S, Model X, and eventually the Gen 3, we forecast average selling price (ASP) will drop 41% from \$62,956 in 2010 to \$37,451 in 2025.
- **Operating Profit:** We project Tesla to first achieve positive operating profit in 2014, with margins peaking at 17% in 2022.
- **Free Cash Flow:** We project Tesla to first generate positive free cash flow in 2014 and to grow at a 37% CAGR thereafter.

Exhibit 6

Tesla: Summary 15-year DCF Analysis

	FY 2010A	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E	FY 2023E	FY 2024E	FY 2025E
Unit Volume	1,542	2,420	5,240	18,566	32,976	42,329	53,268	94,786	123,344	181,801	240,194	287,512	346,178	403,221	449,606	496,454
% Growth	57%	117%	254%	78%	28%	26%	78%	30%	47%	32%	20%	20%	16%	12%	10%	10%
Automotive Revenue Per Unit (\$)	62,956	51,154	55,606	68,843	67,795	63,016	60,912	48,045	44,313	41,007	39,372	39,143	39,064	37,184	37,270	37,451
% Growth	-19%	9%	24%	-2%	-7%	-3%	-21%	-8%	-7%	-4%	-1%	0%	-5%	0%	0%	0%
Automotive Sales	97	124	291	1,278	2,236	2,667	3,245	4,554	5,466	7,455	9,457	11,254	13,523	14,994	16,757	18,593
Development Service Sales	20	60	60	63	66	69	73	77	80	84	89	93	98	103	108	113
Total Sales	117	184	351	1,341	2,302	2,737	3,318	4,631	5,546	7,540	9,545	11,347	13,621	15,096	16,865	18,706
% Growth		58%	91%	282%	72%	19%	21%	40%	20%	36%	27%	19%	20%	11%	12%	11%
EBITDA	(143)	(178)	(169)	41	194	336	427	466	642	1,083	1,569	2,070	2,710	2,932	3,075	3,102
% Margin	-122%	-97%	-48%	3%	8%	12%	13%	10%	12%	14%	16%	18%	20%	19%	18%	17%
D&A	11	20	61	98	101	116	151	196	228	288	310	346	389	444	492	547
% of Capex	26%	10%	72%	73%	55%	42%	45%	60%	82%	80%	72%	71%	68%	73%	73%	73%
EBIT	(153)	(198)	(229)	(56)	93	220	276	270	414	794	1,259	1,723	2,322	2,489	2,584	2,555
% Margin	-131%	-108%	-65%	-4%	4%	8%	8%	6%	7%	11%	13%	15%	17%	16%	15%	14%
Net Interest Income (Expense)	(1)	(4)	(10)	(13)	(12)	(15)	(7)	7	14	29	51	78	116	156	199	242
Other Income	(7)	(1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pretax Income	(161)	(204)	(240)	(69)	81	205	269	277	428	824	1,309	1,802	2,437	2,645	2,782	2,798
Income Taxes	0	0	0	0	5	12	19	23	55	180	307	429	583	634	667	671
% Effective Rate	0%	0%	0%	0%	6%	6%	7%	8%	13%	22%	23%	24%	24%	24%	24%	24%
Net Income	(161)	(204)	(240)	(69)	76	193	250	253	373	644	1,002	1,373	1,854	2,011	2,115	2,126
Plus																
After-tax Interest Expense (Income)	1	4	10	13	12	15	7	(7)	(14)	(29)	(50)	(78)	(115)	(156)	(198)	(242)
Depreciation of PP&E	11	20	61	98	101	116	151	196	228	288	310	346	389	444	492	547
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less																
Change in Working Capital	11	2	(42)	(56)	(38)	(19)	(23)	(113)	(60)	(141)	(126)	(99)	(124)	(111)	(146)	(190)
% of Change in Sales		3%	-25%	-6%	-4%	-4%	-4%	-9%	-7%	-7%	-6%	-6%	-5%	-8%	-8%	-10%
Capital Expenditures	40	195	84	134	184	274	332	324	277	362	430	488	572	604	675	748
% of Sales	34%	106%	24%	10%	8%	10%	10%	7%	5%	5%	5%	4%	4%	4%	4%	4%
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unlevered Free Cash Flow	(201)	(377)	(211)	(37)	43	69	99	232	370	682	958	1,252	1,680	1,806	1,880	1,873
															EBITDA	
															Sales	
															Net Debt (Cash)	
															Tesla Diluted Shares	
															3,102	
															18,706	
															(28)	
															107	

Exit EBITDA High	10.5 x	Exit PPG High	5.0%	Exit P/Sales High	180%
Exit EBITDA Low	6.5 x	Exit PPG Low	2.0%	Exit P/Sales Low	100%
Discount Rate High		14.0%	FY Month of Valuation	4.0 (Beginning of this Month)	
Discount Rate Low		10.0%	Month of FY End	12.0 (End of this Month)	

Source: Company data, Morgan Stanley Research. e = Morgan Stanley research estimates.

May 10, 2011
Tesla Motors Inc.

Exhibit 7

Tesla: DCF Fair Value Analysis Based on Various Terminal Value Methodologies

EV/EBITDA Terminal Value

Exit EBITDA Multiple	6.5			8.5			10.5		
Discount Rate	10.0%	12.0%	14.0%	10.0%	12.0%	14.0%	10.0%	12.0%	14.0%
PV of 1st Year Cash Flow	(273)	(271)	(269)	(273)	(271)	(269)	(273)	(271)	(269)
PV of Cash Flows 2 thru 15	3,563	2,899	2,368	3,563	2,899	2,368	3,563	2,899	2,368
Terminal Value	20,161	20,161	20,161	26,365	26,365	26,365	32,569	32,569	32,569
PV of Terminal Value	<u>4,943</u>	<u>3,789</u>	<u>2,919</u>	<u>6,464</u>	<u>4,955</u>	<u>3,817</u>	<u>7,985</u>	<u>6,121</u>	<u>4,715</u>
Enterprise Value	8,232	6,417	5,017	9,753	7,583	5,915	11,274	8,749	6,813
% Value in Terminus	60.0%	59.1%	58.2%	66.3%	65.3%	64.5%	70.8%	70.0%	69.2%
% Value in Cash Flows	40.0%	40.9%	41.8%	33.7%	34.7%	35.5%	29.2%	30.0%	30.8%
Enterprise Value	6,417			8,749					
Equity Value Per Share	60			82					

EV/Sales Terminal Value

Exit EV/Sales Multiple	100%			140%			180%		
Discount Rate	10.0%	12.0%	14.0%	10.0%	12.0%	14.0%	10.0%	12.0%	14.0%
PV of 1st Year Cash Flow	(273)	(271)	(269)	(273)	(271)	(269)	(273)	(271)	(269)
PV of Cash Flows 2 thru 15	3,563	2,899	2,368	3,563	2,899	2,368	3,563	2,899	2,368
Terminal Value	18,706	18,706	18,706	26,189	26,189	26,189	33,671	33,671	33,671
PV of Terminal Value	<u>4,586</u>	<u>3,516</u>	<u>2,708</u>	<u>6,421</u>	<u>4,922</u>	<u>3,791</u>	<u>8,255</u>	<u>6,328</u>	<u>4,874</u>
Enterprise Value	7,876	6,143	4,806	9,710	7,550	5,889	11,544	8,956	6,972
% Value in Terminus	58.2%	57.2%	56.3%	66.1%	65.2%	64.4%	71.5%	70.7%	69.9%
% Value in Cash Flows	41.8%	42.8%	43.7%	33.9%	34.8%	35.6%	28.5%	29.3%	30.1%
Implied Exit EBITDA Multiple	6.0			8.4			10.9		
Implied Perpetual Growth Rate	1.3%			4.1%			5.8%		
Enterprise Value	6,143			8,956					
Equity Value Per Share	58			84					

Perpetual Growth Terminal Value

Perpetual Growth Rate	2.0%			3.5%			5.0%		
Discount Rate	10.0%	12.0%	14.0%	10.0%	12.0%	14.0%	10.0%	12.0%	14.0%
Implied Exit EBITDA Multiple	8.1	6.5	5.5	10.1	7.8	6.4	13.4	9.6	7.6
PV of 1st Year Cash Flow	(273)	(271)	(269)	(273)	(271)	(269)	(273)	(271)	(269)
PV of Cash Flows 2 thru 15	3,563	2,899	2,368	3,563	2,899	2,368	3,563	2,899	2,368
Terminal Value	25,145	20,298	17,066	31,403	24,232	19,791	41,416	29,851	23,424
PV of Terminal Value	<u>6,165</u>	<u>3,815</u>	<u>2,470</u>	<u>7,699</u>	<u>4,554</u>	<u>2,865</u>	<u>10,154</u>	<u>5,610</u>	<u>3,391</u>
Enterprise Value	9,454	6,443	4,569	10,989	7,182	4,963	13,443	8,238	5,489
% Value in Terminus	65.2%	59.2%	54.1%	70.1%	63.4%	57.7%	75.5%	68.1%	61.8%
% Value in Cash Flows	34.8%	40.8%	45.9%	29.9%	36.6%	42.3%	24.5%	31.9%	38.2%
Enterprise Value	6,443			8,238					
Equity Value Per Share	61			77					

Source: Company data, Morgan Stanley Research. e = Morgan Stanley research estimates.

Electric Vehicle Projections and Earnings Model

Exhibit 8

Global PHEV + EV Sales Projections (000s)

	2011	2012	2013	2014	2015	2020	2025
PHEV +EV SALES							
US							
PHEV	11	51	90	176	266	574	1,068
EV	7	28	39	59	89	574	1,601
Total	19	79	129	234	355	1,148	2,669
PHEV % of Total	60%	65%	70%	75%	75%	50%	40%
% of Global xEV Sales	29.2%	33.1%	27.9%	26.6%	25.3%	19.1%	15.2%
W. Europe							
PHEV	19	53	97	180	255	652	1,450
EV	13	29	42	60	85	652	2,174
Total	31	82	139	239	341	1,305	3,624
PHEV % of Total	60%	65%	70%	75%	75%	50%	40%
% of Global xEV Sales	49.1%	34.1%	30.0%	27.2%	24.3%	21.7%	20.7%
China							
PHEV	6	34	72	136	236	1,160	2,718
EV	4	18	31	45	79	625	2,718
Total	9	52	103	182	315	1,785	5,435
PHEV % of Total	60%	65%	70%	75%	75%	65%	50%
% of Global xEV Sales	14.6%	21.8%	22.2%	20.6%	22.5%	29.7%	31.0%
Japan							
PHEV	2	11	29	54	77	177	349
EV	1	6	12	18	26	177	524
Total	3	17	41	72	103	355	873
PHEV % of Total	60%	65%	70%	75%	75%	50%	40%
% of Global xEV Sales	4.7%	7.0%	8.9%	8.1%	7.4%	5.9%	5.0%
ROW							
PHEV	1	6	36	115	215	710	1,975
EV	1	3	15	38	72	710	2,962
Total	2	9	51	153	287	1,421	4,937
PHEV % of Total	60%	65%	70%	75%	75%	50%	40%
% of Global xEV Sales	2.4%	3.9%	11.0%	17.4%	20.5%	23.6%	28.1%
Global							
PHEV	38	155	324	660	1,050	3,274	7,559
EV	25	84	139	220	350	2,739	9,979
Total	64	239	462	880	1,401	6,013	17,538
PHEV % of Total	60%	65%	70%	75%	75%	54%	43%

Source: Company data, Morgan Stanley Research. e = Morgan Stanley research estimates.

Cost-benefit methodology behind our xEV model. We have attempted to determine the financial inflection point for operating costs, which is one of the objective factors driving our US xEV demand model. We note that several other factors also drive EV demand, some of which are more subjective including image, political will etc. These subjective factors could be even more influential than the cost factor in determining xEV demand. For our model, we assume the average car drives 12,000 miles/year and gets 25 mpg, and we estimate a weekly gasoline consumption of 8-9 gallons/week. We note that US consumers tend to feel the pain of high gas prices between \$3.50-\$4 per gallon. This means the average consumer would be comfortable spending no more than \$30 per week on gasoline costs. As part of our xEV model, we have tried to maintain the weekly gasoline/electricity spend at \$30 per week by substituting more PHEVs and EVs in the car fleet, as gasoline prices get to \$5, \$6 and higher between now and 2025.

May 10, 2011
Tesla Motors Inc.

Exhibit 9

Global PHEV + EV Share of Total Market (%)

	2011	2012	2013	2014	2015	2020	2025
PHEV + EV SHARE %							
US							
PHEV	0.1%	0.3%	0.6%	1.1%	1.6%	3.3%	6.0%
EV	0.1%	0.2%	0.2%	0.4%	0.5%	3.3%	9.0%
Total	0.1%	0.5%	0.8%	1.4%	2.1%	6.6%	15.0%
W. Europe							
PHEV	0.1%	0.4%	0.6%	1.1%	1.6%	4.0%	8.7%
EV	0.1%	0.2%	0.3%	0.4%	0.5%	4.0%	13.0%
Total	0.2%	0.5%	0.9%	1.5%	2.1%	8.0%	21.6%
China							
PHEV	0.0%	0.2%	0.4%	0.7%	1.1%	4.1%	8.7%
EV	0.0%	0.1%	0.2%	0.2%	0.4%	2.2%	8.7%
Total	0.1%	0.3%	0.5%	0.9%	1.5%	6.3%	17.5%
Japan							
PHEV	0.0%	0.2%	0.6%	1.1%	1.6%	3.9%	8.0%
EV	0.0%	0.1%	0.3%	0.4%	0.5%	3.9%	12.0%
Total	0.1%	0.4%	0.8%	1.5%	2.1%	7.9%	20.1%
ROW							
PHEV	0.0%	0.0%	0.1%	0.3%	0.6%	1.7%	4.3%
EV	0.0%	0.0%	0.0%	0.1%	0.2%	1.7%	6.4%
Total	0.0%	0.0%	0.2%	0.4%	0.8%	3.4%	10.7%
Global							
PHEV	0.0%	0.2%	0.4%	0.7%	1.1%	3.0%	6.5%
EV	0.0%	0.1%	0.2%	0.2%	0.4%	2.5%	8.6%
Total	0.1%	0.3%	0.5%	0.9%	1.5%	5.5%	15.1%

Source: Company data, Morgan Stanley Research. e = Morgan Stanley research estimates.

Exhibit 10

Global PHEV + EV Parc Analysis

	2011	2012	2013	2014	2015	2020	2025
PHEV + EV PARC							
US	19	98	225	455	802	4,587	13,814
W. Europe	31	112	249	484	816	4,924	16,663
China	9	61	162	341	649	5,883	23,226
Japan	3	20	60	131	232	1,386	4,361
ROW	2	11	61	213	495	4,673	20,056
Global	64	301	757	1,623	2,994	21,452	78,120
% Change		371.4%	151.4%	114.4%	84.5%	36.3%	26.0%
PHEV + EV PARC SHARE %							
US	0.0%	0.0%	0.1%	0.2%	0.3%	1.7%	4.8%
W. Europe	0.0%	0.0%	0.1%	0.2%	0.3%	1.9%	6.1%
China	0.0%	0.1%	0.2%	0.3%	0.5%	2.9%	8.4%
Japan	0.0%	0.0%	0.1%	0.2%	0.3%	1.9%	6.0%
ROW	0.0%	0.0%	0.0%	0.1%	0.1%	1.1%	4.0%
Global	0.0%	0.0%	0.1%	0.2%	0.3%	1.7%	5.5%
TOTAL VEHICLE SALES							
US	14,000	15,000	16,033	16,645	17,136	17,488	17,788
W. Europe	14,345	14,863	15,620	16,190	16,125	16,263	16,743
China	15,845	17,372	18,711	20,125	21,451	28,335	31,128
Japan	4,742	4,783	4,862	4,876	4,814	4,498	4,346
ROW	27,904	30,827	33,023	35,080	37,065	42,378	46,070
Global	76,836	82,844	88,249	92,916	96,592	108,963	116,075
% Change		7.8%	6.5%	5.3%	4.0%	1.2%	1.0%
TOTAL VEHICLE PARC							
US	247,046	248,944	251,728	254,954	258,486	274,686	288,568
W. Europe	238,502	240,697	243,500	246,706	249,690	262,513	274,281
China	82,091	93,524	105,532	118,149	131,256	203,860	276,161
Japan	75,395	75,367	75,415	75,474	75,471	74,645	73,000
ROW	311,523	321,809	333,542	346,504	360,555	437,494	506,186
Global	954,557	980,340	1,009,717	1,041,787	1,075,457	1,253,196	1,418,196
% Change		2.7%	3.0%	3.2%	3.2%	2.9%	2.3%

Source: Company data, Morgan Stanley Research. e = Morgan Stanley research estimates.

May 10, 2011
Tesla Motors Inc.

Exhibit 11

Internal Combustion Engine Share of Auto Market

	2011	2012	2013	2014	2015	2020	2025
ICE Sales Share %							
US	99.9%	99.5%	99.2%	98.6%	97.9%	93.4%	85.0%
W. Europe	99.8%	99.5%	99.1%	98.5%	97.9%	92.0%	78.4%
China	99.9%	99.7%	99.5%	99.1%	98.5%	93.7%	82.5%
Japan	99.9%	99.6%	99.2%	98.5%	97.9%	92.1%	79.9%
ROW	100.0%	100.0%	99.8%	99.6%	99.2%	96.6%	89.3%
Global	99.9%	99.7%	99.5%	99.1%	98.5%	94.5%	84.9%
ICE PARC Share %							
US	100.0%	100.0%	99.9%	99.8%	99.7%	98.3%	95.2%
W. Europe	100.0%	100.0%	99.9%	99.8%	99.7%	98.1%	93.9%
China	100.0%	99.9%	99.8%	99.7%	99.5%	97.1%	91.6%
Japan	100.0%	100.0%	99.9%	99.8%	99.7%	98.1%	94.0%
ROW	100.0%	100.0%	100.0%	99.9%	99.9%	98.9%	96.0%
Global	100.0%	100.0%	99.9%	99.8%	99.7%	98.3%	94.5%
ICE SALES							
US	13,981	14,921	15,904	16,411	16,781	16,340	15,119
W. Europe	14,313	14,781	15,481	15,951	15,785	14,959	13,120
China	15,836	17,320	18,609	19,943	21,136	26,550	25,693
Japan	4,739	4,766	4,821	4,804	4,711	4,143	3,474
ROW	27,902	30,817	32,972	34,926	36,778	40,958	41,133
Global	76,772	82,605	87,786	92,036	95,191	102,950	98,537
% Change		7.6%	6.3%	4.8%	3.4%	0.0%	-1.5%
ICE PARC							
US	247,027	248,846	251,503	254,499	257,683	270,099	274,753
W. Europe	238,471	240,584	243,252	246,222	248,874	257,589	257,618
China	82,081	93,463	105,370	117,808	130,607	197,977	252,935
Japan	75,392	75,347	75,355	75,343	75,239	73,259	68,639
ROW	311,521	321,798	333,480	346,291	360,060	432,821	486,130
Global	954,493	980,039	1,008,960	1,040,164	1,072,463	1,231,744	1,340,076
% Change		2.7%	3.0%	3.1%	3.1%	2.4%	1.2%

Source: Company data, Morgan Stanley Research

May 10, 2011

Tesla Motors Inc.

Exhibit 12

Tesla: Quarterly Revenue Driver Analysis, 2009-2012e

Revenues	FY 2009	FY 2010	1Q11P	2Q11E	3Q11E	4Q11E	FY 2011E	1Q12E	2Q12E	3Q12E	4Q12E	FY 2012E
Unit Volume												
Roadster	840	567	145	145	140	140	570	120	100	80	40	340
Growth		-32.5%	15.1%	2.8%	-7.3%	-6.0%	0.5%	-17.2%	-31.0%	-42.9%	-71.4%	-40.4%
Model S	-	-	-	-	-	-	-	-	-	750	1,250	2,000
Growth												
Model X	-	-	-	-	-	-	-	-	-	-	-	-
Growth												
Gen 3	-	-	-	-	-	-	-	-	-	-	-	-
Growth												
Powertrain	-	975	450	450	450	500	1,850	650	700	750	800	2,900
Growth			328.6%	125.0%	87.5%	16.3%	89.7%	44.4%	55.6%	66.7%	60.0%	56.8%
Total Units	840	1,542	595	595	590	640	2,420	770	800	1,580	2,090	5,240
Growth												
Revenue/Unit (\$000s)												
Roadster	133,251	133,437	139,503	137,324	136,356	135,383	137,164	135,318	134,578	134,992	134,029	134,872
Growth		0.1%	-2.9%	1.0%	13.0%	0.0%	2.8%	-3.0%	-2.0%	-1.0%	-1.0%	-1.7%
Model S	-	-	-	-	-	-	-	-	-	89,000	89,000	89,000
Growth												
Model X	-	-	-	-	-	-	-	-	-	-	-	-
Growth												
Gen 3	-	-	-	-	-	-	-	-	-	-	-	-
Growth												
Powertrain	-	21,968	29,778	24,720	22,439	21,977	24,654	28,289	23,484	21,317	20,878	23,282
Growth			-5.0%	3.0%	5.0%	5.0%	12.2%	-5.0%	-5.0%	-5.0%	-5.0%	-5.6%
Total Revenue/Unit	133,265	62,956	56,518	52,161	49,470	46,784	51,154	44,969	37,371	59,201	63,786	55,606
Growth												
Revenues												
Roadster	112	76	20	20	19	19	78	16	13	11	5	46
Growth		-32.4%	11.8%	3.9%	4.8%	-6.0%	3.3%	-19.7%	-32.4%	-43.4%	-71.7%	-41.3%
Model S	-	-	-	-	-	-	-	-	-	67	111	178
Growth												
Model X	-	-	-	-	-	-	-	-	-	-	-	-
Growth												
Gen 3	-	-	-	-	-	-	-	-	-	-	-	-
Growth												
Powertrain	-	21	13	11	10	11	46	18	16	16	17	68
Growth			438.2%	131.8%	96.9%	22.1%	112.9%	37.2%	47.8%	58.3%	52.0%	48.0%
Total Automotive Revenues	112	97	34	31	29	30	124	35	30	94	133	291
Growth		-13.3%	63.4%	29.5%	25.0%	2.6%	27.5%	3.0%	-3.7%	220.5%	345.2%	135.4%
Developmental Services Sales	-	20	15	15	15	15	60	15	15	15	15	60
Growth			NM	238.3%	90.1%	110.9%	207.1%	NM	0.0%	0.0%	0.0%	-0.7%
Total Tesla Revenue	112	117	49	46	44	45	184	50	45	109	148	351
Growth		4.3%	135.6%	62.1%	41.4%	23.9%	57.8%	1.2%	-2.5%	145.6%	230.0%	90.8%

Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates.

May 10, 2011
Tesla Motors Inc.

Exhibit 13

Tesla: Consolidated Quarterly Income Statement, 2009 to 2012

Income Statement	FY 2009	FY 2010	1Q11P	2Q11E	3Q11E	4Q11E	FY 2011E	1Q12E	2Q12E	3Q12E	4Q12E	FY 2012E
Revenues												
Automotive	112	97	34	31	29	30	124	35	30	94	133	291
Growth		-13.3%	15.3%	-7.7%	-6.0%	2.6%	27.5%	15.6%	-13.7%	212.9%	42.5%	135.4%
Development services	-	20	15	15	15	15	60	15	15	15	15	60
Growth			116.5%	-2.6%	0.0%	0.0%	207.1%	0.0%	0.0%	0.0%	0.0%	-0.7%
Total Revenues	112	117	49	46	44	45	184	50	45	109	148	351
Growth		4%	35.1%	-6.1%	-4.0%	1.7%	57.8%	10.4%	-9.5%	141.7%	36.6%	90.8%
Total Cost of Revenues	102	86	31	27	27	27	114	35	33	84	113	265
Growth												
Total Gross Profit	10	31	18	19	17	18	70	15	12	25	35	87
Gross Margin	8.5%	26.3%	36.8%	41.1%	38.2%	39.2%	38.0%	30.0%	25.8%	23.1%	23.6%	24.6%
Research and Development	19	93	41	42	41	40	164	42	42	42	42	168
R&D/Sales	17.2%	79.7%	84.0%	91.2%	92.8%	89.0%	89.1%	84.6%	93.5%	38.7%	28.3%	47.8%
SG&A	42	85	24	25	27	28	104	34	36	38	40	148
SG&A/Sales	37.7%	72.4%	49.4%	54.3%	61.1%	62.3%	56.6%	68.5%	80.2%	35.0%	27.0%	42.1%
Stock-based Compensation	1	21	6	7	7	7	26	8	8	8	8	32
% of Operating Expense	2.3%	11.9%	10.0%	10.0%	10.0%	10.0%	9.8%	10.0%	10.0%	10.0%	10.0%	10.0%
Operating Profit (GAAP)	(52)	(147)	(47)	(48)	(51)	(50)	(198)	(61)	(66)	(55)	(47)	(229)
Operating Margin	-46.4%	-125.8%	-96.6%	-104.5%	-115.6%	-112.1%	-107.7%	-123.1%	-147.9%	-50.7%	-31.7%	-65.3%
Operating Profit (Non-GAAP excl. Stock Comp)	(50)	(126)	(41)	(41)	(44)	(44)	(172)	(54)	(59)	(47)	(39)	(198)
Operating Margin	-45.1%	-107.7%	-84.5%	-89.9%	-100.3%	-96.9%	-93.5%	-107.8%	-130.5%	-43.3%	-26.1%	-56.3%
Interest income	0	0	0	0	0	0	0	0	0	0	0	1
Rate		0.14%	0.2%	0.2%	0.2%	0.2%	0.1%	0.5%	0.5%	0.5%	0.5%	0.4%
Interest expense	3	1	-	1	2	2	5	2	3	3	3	11
Rate		1.4%	3.0%	3.0%	3.0%	3.0%	1.8%	3.0%	3.0%	3.0%	3.0%	2.5%
Other income (expense), net	(1.4)	(6.6)	(1.5)	-	-	-	(1.5)	-	-	-	-	-
Pretax Profit	(56)	(154)	(49)	(49)	(53)	(52)	(204)	(63)	(69)	(58)	(50)	(240)
Pretax Margin	-49.8%	-132.0%	-99.5%	-106.9%	-119.0%	-116.1%	-110.9%	-127.3%	-153.3%	-53.2%	-33.8%	-68.3%
Provision for income taxes	0	0	0	-	-	-	0	-	-	-	-	-
Effective Tax Rate	0.0%	-0.1%	-0.3%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Ongoing Net Income	(56)	(154)	(49)	(49)	(53)	(52)	(204)	(63)	(69)	(58)	(50)	(240)
Extraordinary gains (charges)												
Reported Net Income	(56)	(154)	(49)	(49)	(53)	(52)	(204)	(63)	(69)	(58)	(50)	(240)
Basic Weighted Average Shares	7	51	95	96	96	100	97	104	105	105	106	105
Diluted Weighted Average Shares	7	51	95	96	96	100	97	104	105	105	106	105
Basic EPS		(3.04)	(0.51)	(0.51)	(0.55)	(0.52)	(2.10)	(0.61)	(0.66)	(0.55)	(0.47)	(2.28)
Diluted EPS Reported		(3.04)	(0.51)	(0.51)	(0.55)	(0.52)	(2.10)	(0.61)	(0.66)	(0.55)	(0.47)	(2.28)
Diluted EPS (GAAP)	(7.94)	(3.04)	(0.51)	(0.51)	(0.55)	(0.52)	(2.10)	(0.61)	(0.66)	(0.55)	(0.47)	(2.28)
Diluted EPS (Non-GAAP excl. Stock Comp)	(7.73)	(2.63)	(0.45)	(0.44)	(0.47)	(0.45)	(1.83)	(0.53)	(0.58)	(0.47)	(0.40)	(1.98)

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

May 10, 2011
Tesla Motors Inc.

Exhibit 14

Tesla: Consolidated Quarterly Balance Sheet, 2009-2012e

Balance Sheet	FY 2009	FY 2010	1Q11P	2Q11E	3Q11E	4Q11E	FY 2011E	1Q12E	2Q12E	3Q12E	4Q12E	FY 2012E
Cash & Cash Equivalents	70	100	101	75	48	153	153	117	112	128	157	157
Restricted Cash - Current	-	74	43	21	-	-	-	-	-	-	-	-
Account Receivable	3	7	20	13	12	12	12	14	12	30	41	41
Inventory	23	45	51	37	37	37	37	42	36	101	137	137
Prepaid expenses and other current assets	4	11	12	12	12	12	12	12	12	12	12	12
Total Current Assets	101	236	227	158	110	215	215	185	173	271	346	346
Operating lease vehicles, net	-	8	9	9	9	9	9	9	9	9	9	9
Property and equipment, net	24	115	143	195	249	302	302	333	341	333	325	325
Restricted cash	4	5	5	5	5	5	5	5	5	5	5	5
Other assets	3	23	23	23	23	23	23	23	23	23	23	23
Total Assets	130	386	407	390	397	554	554	554	551	641	709	709
Accounts payable	15	29	55	36	36	36	36	38	36	92	124	124
Accrued liabilities	15	21	14	13	13	13	13	17	16	40	54	54
Deferred development compensation	0	-	7	-	-	-	-	-	-	-	-	-
Deferred revenue	1	5	-	-	-	-	-	-	-	-	-	-
Capital lease obligations, current portion	0	0	-	-	-	-	-	-	-	-	-	-
Reservation payments	26	31	39	42	44	47	47	57	67	77	87	87
Total Current Liabilities	57	86	116	91	93	96	96	112	120	209	266	266
Common stock warrant liability	-	6	8	8	8	8	8	8	8	8	8	8
Convertible preferred stock warrant liability	2	-	-	-	-	-	-	-	-	-	-	-
Capital lease obligations, less current portion	1	0	1	1	1	1	1	1	1	1	1	1
Deferred revenue, less current portion	1	3	-	-	-	-	-	-	-	-	-	-
Long-term debt	-	72	102	152	202	252	252	292	342	392	445	445
Other long-term liabilities	3	12	13	13	13	13	13	13	13	13	13	13
Total Liabilities	65	179	240	265	317	370	370	426	484	623	733	733
Total convertible preferred stock	319	-	-	-	-	-	-	-	-	-	-	-
Common Stock	0	0	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	7	622	632	638	645	802	802	809	817	825	833	833
Accumulated deficit	(261)	(415)	(464)	(513)	(566)	(618)	(618)	(681)	(750)	(808)	(858)	(858)
Total stockholders' equity (deficit)	(254)	207	168	125	79	184	184	129	67	18	(24)	(24)
Total Liabilities and Equity	130	386	407	390	397	554	554	554	551	641	709	709
check	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt	-	72	102	152	202	252	252	292	342	392	445	445
Net Debt (Cash)	(70)	(28)	2	78	154	99	99	175	231	264	288	288
Net Debt/EBITDA		0.2 x	(0.0 x)	(0.5 x)	(0.8 x)	(0.6 x)	(0.6 x)	(1.0 x)	(1.2 x)	(1.4 x)	(1.7 x)	(1.7 x)

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

May 10, 2011
Tesla Motors Inc.

Exhibit 15

Tesla: Consolidated Quarterly Cash Flow Statement, 2009-2012e

Cash Flow	FY 2009	FY 2010	1Q11P	2Q11E	3Q11E	4Q11E	FY 2011E	1Q12E	2Q12E	3Q12E	4Q12E	FY 2012E
Cash flows from operating activities												
Net Income (Loss)	(56)	(154)	(49)	(49)	(53)	(52)	(203)	(63)	(69)	(58)	(50)	(240)
Depreciation and amortization	7	11	4	4	5	7	20	11	12	19	18	61
Change in fair value of warrant liabilities	1	5	-	-	-	-	-	-	-	-	-	-
Gain on cvt notes and warrants	(1)	-	-	-	-	-	-	-	-	-	-	-
Stock-based compensation	1	21	6	7	7	7	26	8	8	8	8	32
Inventory write-downs	0	1	-	-	-	-	-	-	-	-	-	-
Interest on convertible notes	1	-	-	-	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities	3	(11)	(4)	(3)	3	3	(2)	10	14	8	10	42
Accounts receivable	(0)	(3)	(14)	8	1	(0)	(6)	(1)	1	(17)	(11)	(28)
Inventory	(8)	(20)	(6)	14	(0)	(0)	8	(4)	5	(64)	(36)	(99)
Prepaid expenses and other current assets	(2)	(5)	(1)	-	-	-	(1)	-	-	-	-	-
Operating lease assets	-	(8)	(1)	-	-	-	(1)	-	-	-	-	-
Other assets	(0)	(0)	(0)	-	-	-	(0)	-	-	-	-	-
Accounts payable	1	(0)	26	(19)	0	0	7	2	(2)	55	33	88
Accrued liabilities	3	13	(6)	(1)	0	0	(8)	4	(1)	24	14	41
Deferred development compensation	(10)	(0)	7	(7)	-	-	-	-	-	-	-	-
Deferred revenue	(1)	5	(7)	-	-	-	(7)	-	-	-	-	-
Reservation payments	(22)	5	3	3	2	3	11	10	10	10	10	40
Other long-term liabilities	2	4	(4)	-	-	-	(4)	-	-	-	-	-
Net cash used in operating activities	(81)	(128)	(43)	(42)	(38)	(35)	(159)	(34)	(34)	(23)	(13)	(105)
Cash flows from investing activities												
Acquisition of Fremont and related assets	-	(65)	-	-	-	-	-	-	-	-	-	-
Purchases of PP&E excl capital leases	(12)	(40)	(20)	(55)	(60)	(60)	(195)	(42)	(21)	(11)	(11)	(84)
Increase in restricted cash in DOE account	-	(74)	31	21	21	-	74	-	-	-	-	-
Increase in other restricted cash	(2)	(1)	(0)	-	-	-	(0)	-	-	-	-	-
Net cash used in investing activities	(14)	(180)	10	(34)	(39)	(60)	(122)	(42)	(21)	(11)	(11)	(84)
Cash flows from financing activities												
Proceeds from issuance of common stock	-	269	-	-	-	150	150	-	-	-	-	-
Proceeds from issuance of cvt preferred	132	-	-	-	-	-	-	-	-	-	-	-
Principal paid on capital leases and other debt	(0)	(0)	-	-	-	-	-	-	-	-	-	-
Proceeds from long-term debt	-	72	34	50	50	50	184	40	50	50	53	193
Proceeds from cvt notes and warrants	25	-	-	-	-	-	-	-	-	-	-	-
Proceeds from exercise of stock options	0	1	-	-	-	-	-	-	-	-	-	-
Common stock and loan facility issuance costs	(2)	(4)	-	-	-	-	-	-	-	-	-	-
Net cash provided by financing activities	155	338	34	50	50	200	334	40	50	50	53	193
Net increase in cash and cash equivalents	60	30	1	(26)	(26)	105	54	(36)	(5)	16	29	4
Cash and equivalents at beginning of period	9	70	100	101	75	48	100	153	117	112	128	153
Cash and cash equivalents at end of period	70	100	101	75	48	153	153	117	112	128	157	157
FCF	(93)	(168)	(64)	(97)	(98)	(95)	(354)	(76)	(55)	(34)	(24)	(189)
Drivers	FY 2009	FY 2010	1Q11P	2Q11E	3Q11E	4Q11E	FY 2011E	1Q12E	2Q12E	3Q12E	4Q12E	FY 2012E
Depreciation/PP&E		45%	10%	10%	11%	12%	17%	15%	15%	22%	22%	20%
Depreciation/Sales		9.1%	7.2%	7.8%	12.1%	16.7%	10.8%	22.8%	27.8%	17.3%	12.3%	17.3%
Capex/Sales		34.4%	41.8%	119.5%	135.8%	133.5%	106.1%	84.6%	46.8%	9.7%	7.1%	23.9%
Days Receivables		21	38	25	25	25	24	25	25	25	25	42
Days Payables		123	162	120	120	120	115	100	100	100	100	171
Inventory Days' Supply		192	150	125	125	125	120	110	100	110	110	188
Accrued Liabilities		24%	12%	12%	12%	12%	11%	12%	12%	12%	12%	21%
EBIT	-53	-153	-49	-48	-51	-50	-198	-61	-66	-55	-47	-229
EBITDA	-46	-143	-45	-45	-46	-43	-178	-50	-54	-36	-29	-169
LTM												
EBITDA		-143	-161	-170	-184	-178	-178	-183	-192	-183	-169	-169

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

May 10, 2011

Tesla Motors Inc.

Exhibit 16

Tesla: Annual Revenue Driver Analysis, 2009-2025e

Revenues	FY 2009	FY 2010	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2025E
Unit Volume													
Roadster	840	567	570	340	86	800	1,200	1,320	1,386	1,455	1,426	1,141	1,598
Growth		-32.5%	0.5%	-40.4%	-74.7%	830.2%	50.0%	10.0%	5.0%	5.0%	-2.0%	-20.0%	5.0%
Model S	-	-	-	2,000	15,000	18,000	20,700	23,805	26,186	23,567	22,389	21,269	27,626
Growth					650.0%	20.0%	15.0%	15.0%	10.0%	-10.0%	-5.0%	-5.0%	5.0%
Model X	-	-	-	-	-	10,000	15,000	20,000	25,000	30,000	36,000	41,400	54,739
Growth						NM	50.0%	33.3%	25.0%	20.0%	20.0%	15.0%	3.0%
Gen 3	-	-	-	-	-	-	-	-	30,000	50,000	100,000	150,000	370,000
Growth									NM	66.7%	100.0%	50.0%	12.1%
Powertrain	-	975	1,850	2,900	3,480	4,176	5,429	8,143	12,215	18,322	21,987	26,384	42,492
Growth			89.7%	56.8%	20.0%	20.0%	30.0%	50.0%	50.0%	50.0%	20.0%	20.0%	10.0%
Total Units	840	1,542	2,420	5,240	18,566	32,976	42,329	53,268	94,786	123,344	181,801	240,194	496,454
Revenue/Unit (\$000s)													
Roadster	133,251	133,437	137,164	134,872	137,570	103,177	105,241	107,345	109,492	111,682	113,916	116,194	128,288
Growth		0.1%	2.8%	-1.7%	2.0%	-25.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Model S	-	-	-	89,000	80,100	72,090	64,881	66,179	66,840	67,509	68,184	68,866	72,379
Growth					-10.0%	-10.0%	-10.0%	2.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Model X	-	-	-	-	-	80,100	76,095	72,090	64,881	66,179	66,840	67,509	70,952
Growth							-5.0%	-5.3%	-10.0%	2.0%	1.0%	1.0%	1.0%
Gen 3	-	-	-	-	-	-	-	-	30,000	30,600	31,212	31,836	32,473
Growth										2.0%	2.0%	2.0%	2.0%
Powertrain	-	21,968	24,654	23,282	18,625	13,038	10,430	10,535	10,640	10,746	10,854	10,962	11,521
Growth			12.2%	-5.6%	-20.0%	-30.0%	-20.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Revenue/Unit	133,265	62,956	51,154	55,606	68,843	67,795	63,016	60,912	48,045	44,313	41,007	39,372	37,451
Revenues													
Roadster	112	76	78	46	12	83	126	142	152	163	162	133	205
Growth		-32.4%	3.3%	-41.3%	-74.2%	597.7%	53.0%	12.2%	7.1%	7.1%	0.0%	-18.4%	7.1%
Model S	-	-	-	178	1,202	1,298	1,343	1,575	1,750	1,591	1,527	1,465	2,000
Growth					575.0%	8.0%	3.5%	17.3%	11.1%	-9.1%	-4.0%	-4.1%	6.1%
Model X	-	-	-	-	-	801	1,141	1,442	1,622	1,985	2,406	2,795	3,884
Growth							42.5%	26.3%	12.5%	22.4%	21.2%	16.2%	4.0%
Gen 3	-	-	-	-	-	-	-	-	900	1,530	3,121	4,775	12,015
Growth										70.0%	104.0%	53.0%	14.4%
Powertrain	-	21	46	68	65	54	57	86	130	197	239	289	490
Growth			112.9%	48.0%	-4.0%	-16.0%	4.0%	51.5%	51.5%	51.5%	21.2%	21.2%	11.1%
Total Automotive Revenues	112	97	124	291	1,278	2,236	2,667	3,245	4,554	5,466	7,455	9,457	18,593
Growth		-13.3%	27.5%	135.4%	338.7%	74.9%	19.3%	21.6%	40.4%	20.0%	36.4%	26.9%	11.0%
Developmental Services Sales	-	20	60	60	63	66	69	73	77	80	84	89	113
Growth			207.1%	-0.7%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Total Tesla Revenue	112	117	184	351	1,341	2,302	2,737	3,318	4,631	5,546	7,540	9,545	18,706
Growth		4.3%	57.8%	90.8%	281.7%	71.6%	18.9%	21.2%	39.6%	19.8%	35.9%	26.6%	10.9%

Source: Company data, Morgan Stanley Research

May 10, 2011
Tesla Motors Inc.

Exhibit 17

Tesla: Annual Operating Profit Bridge Analysis, 2009-2025e

	FY 2009	FY 2010E	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2025E
Beginning of period OP			-147	-198	-229	-56	93	220	276	270	414	794	2,584
Volume			20	54	223	260	163	177	646	349	657	605	439
Mix			-9	7	74	-10	-61	-34	-366	-138	-180	-118	27
Pricing			0	0	2	13	12	14	0	23	28	38	-84
Productivity/Structural Costs			18	0	0	40	69	55	33	88	55	128	-135
R&D Delta			-71	-4	-8	-47	-17	-36	-43	-36	-17	-6	-73
SG&A Delta			-20	-44	-42	-63	-48	-57	-133	-86	-102	-161	-147
Commodity Costs			-6	-5	-4	0	0	0	0	0	0	0	0
Launch Costs			0	-37	-35	-40	23	-27	-100	-23	0	0	0
Depreciation Creep			-9	-41	-37	-4	-14	-35	-45	-32	-60	-22	-55
Other			25	39	0	0	0	0	0	0	0	0	0
End of period OP	-52	-147	-198	-229	-56	93	220	276	270	414	794	1,259	2,555
Inputs:													
Units	840	1,542	2,420	5,240	18,566	32,976	42,329	53,268	94,786	123,344	181,801	240,194	496,454
Revenues	112	117	184	351	1,341	2,302	2,737	3,318	4,631	5,546	7,540	9,545	18,706
Revenue/Unit	133,265	62,956	51,154	55,606	68,843	67,795	63,016	60,912	48,045	44,313	41,007	39,372	37,451
Period-over-Period Unit Volume Change (%)			57%	117%	254%	78%	28%	26%	78%	30%	47%	32%	10%
Variable Margin on Volume (%)			30%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Mix Impact per Unit (\$)			(3,540)	1,335	3,971	(315)	(1,434)	(631)	(3,860)	(1,120)	(992)	(491)	54
YoY price change (%)			0%	0%	0.5%	1.0%	0.5%	0.5%	0.0%	0.5%	0.5%	0.5%	-0.5%
Productivity/Structural Costs/Sales (%)			15%	0%	0%	3%	3%	2%	1%	2%	1%	2%	-1%
R&D (\$)		-74	-71	-4	-8	-47	-17	-36	-43	-36	-17	-6	-73
SG&A (\$)		-42	-20	-44	-42	-63	-48	-57	-133	-86	-102	-161	-147
Commodity Impact per Unit (\$)			-2,375	-1,000	-200	-	-	-	-	-	-	-	-
Launch Cost/Sales (%)			0%	-20%	-10%	-3%	1%	-1%	-3%	-1%	0%	0%	0%
OP Margin (%)		-126%	-108%	-65%	-4%	4%	8%	8%	6%	7%	11%	13%	14%
Variable OP Margin (%)			-76%	-19%	17%	16%	29%	10%	-1%	16%	19%	23%	-2%

Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates.

May 10, 2011
Tesla Motors Inc.

Exhibit 18

Tesla: Consolidated Annual Income Statement, 2009-2025e

Income Statement	FY 2009	FY 2010	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2025E
Revenues													
Automotive	112	97	124	291	1,278	2,236	2,667	3,245	4,554	5,466	7,455	9,457	18,593
Growth		-13.3%	27.5%	135.4%	338.7%	74.9%	19.3%	21.6%	40.4%	20.0%	36.4%	26.9%	11.0%
Development services	-	20	60	60	63	66	69	73	77	80	84	89	113
Growth			207.1%	-0.7%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Total Revenues	112	117	184	351	1,341	2,302	2,737	3,318	4,631	5,546	7,540	9,545	18,706
Growth		4%	57.8%	90.8%	281.7%	72%	19%	21%	40%	20%	36%	27%	11%
Total Cost of Revenues	102	86	114	265	1,031	1,732	1,976	2,407	3,551	4,200	5,694	7,068	13,911
Growth													
Total Gross Profit	10	31	70	87	310	569	761	910	1,079	1,346	1,846	2,477	4,795
Gross Margin	8.5%	26.3%	38.0%	24.6%	23.1%	24.7%	27.8%	27.4%	23.3%	24.3%	24.5%	25.9%	25.6%
Research and Development	19	93	164	168	176	224	240	276	319	355	373	378	744
R&D/Sales	17.2%	79.7%	89.1%	47.8%	13.2%	10.0%	9.0%	8.5%	7.0%	6.5%	5.0%	4.0%	4.0%
SG&A	42	85	104	148	190	253	301	358	491	577	679	840	1,496
SG&A/Sales	37.7%	72.4%	56.6%	42.1%	14.2%	11.0%	11.0%	10.8%	10.6%	10.4%	9.0%	8.8%	8.0%
Stock-based Compensation	1	21	26	32	33	38	38	38	49	47	53	49	67
% of Operating Expense	2.3%	11.9%	9.8%	10.0%	9.0%	8.0%	7.0%	6.0%	6.0%	5.0%	5.0%	4.0%	3.0%
Operating Profit (GAAP)	(52)	(147)	(198)	(229)	(56)	93	220	276	270	414	794	1,259	2,555
Operating Margin	-46.4%	-125.8%	-107.7%	-65.3%	-4.2%	4.0%	8.0%	8.3%	5.8%	7.5%	10.5%	13.2%	13.7%
Operating Profit (Non-GAAP excl. Stock Comp)	(50)	(126)	(172)	(198)	(24)	131	258	314	318	461	847	1,307	2,622
Operating Margin	-45.1%	-107.7%	-93.5%	-56.3%	-1.8%	5.7%	9.4%	9.5%	6.9%	8.3%	11.2%	13.7%	14.0%
Interest income	0	0	0	1	1	2	3	5	5	14	29	51	242
Rate		0.14%	0.1%	0.4%	0.8%	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Interest expense	3	1	5	11	14	14	18	12	(2)	(0)	(0)	(0)	(0)
Rate		1.4%	1.8%	2.5%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Other income (expense), net	(1.4)	(6.6)	(1.5)	-	-	-	-	-	-	-	-	-	-
Pretax Profit	(56)	(154)	(204)	(240)	(69)	81	205	269	277	428	824	1,309	2,798
Pretax Margin	-49.8%	-132.0%	-110.9%	-68.3%	-5.1%	3.5%	7.5%	8.1%	6.0%	7.7%	10.9%	13.7%	15.0%
Provision for income taxes	0	0	0	-	-	5	12	19	23	55	180	307	671
Effective Tax Rate	0.0%	-0.1%	-0.1%	0.0%	0.0%	6.0%	6.0%	7.2%	8.4%	12.9%	21.9%	23.5%	24.0%
Ongoing Net Income	(56)	(154)	(204)	(240)	(69)	76	193	250	253	373	644	1,002	2,126
Extraordinary gains (charges)													
Reported Net Income	(56)	(154)	(204)	(240)	(69)	76	193	250	253	373	644	1,002	2,126
Basic Weighted Average Shares	7	51	97	105	108	111	114	116	119	122	125	128	145
Diluted Weighted Average Shares	7	51	97	105	108	125	128	131	134	137	141	144	162
Basic EPS		(3.04)	(2.10)	(2.28)	(0.64)	0.69	1.70	2.14	2.12	3.05	5.14	7.82	14.71
Diluted EPS Reported		(3.04)	(2.10)	(2.28)	(0.64)	0.61	1.51	1.91	1.89	2.72	4.58	6.96	13.11
Diluted EPS (GAAP)	(7.94)	(3.04)	(2.10)	(2.28)	(0.64)	0.61	1.51	1.91	1.89	2.72	4.58	6.96	13.11
Diluted EPS (Non-GAAP excl. Stock Comp)	(7.73)	(2.63)	(1.83)	(1.98)	(0.33)	0.90	1.79	2.18	2.22	3.01	4.87	7.22	13.42

Source: Company data, Morgan Stanley Research

May 10, 2011
Tesla Motors Inc.

Exhibit 19

Tesla: Consolidated Annual Balance Sheet, 2009-2025e

Balance Sheet	FY 2009	FY 2010	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2025E
Cash & Cash Equivalents	70	100	153	157	156	226	226	226	226	703	1,467	2,525	12,113
Restricted Cash - Current	-	74	-	-	-	-	-	-	-	-	-	-	-
Account Receivable	3	7	12	41	55	57	67	82	114	137	186	235	436
Inventory	23	45	37	137	212	332	325	396	584	690	936	1,162	2,287
Prepaid expenses and other current assets	4	11	12	12	12	12	12	12	12	12	12	12	12
Total Current Assets	101	236	215	346	435	627	630	715	936	1,543	2,601	3,934	14,847
Operating lease vehicles, net	-	8	9	9	9	9	9	9	9	9	9	9	9
Property and equipment, net	24	115	302	325	362	445	603	784	912	961	1,035	1,154	2,024
Restricted cash	4	5	5	5	5	5	5	5	5	5	5	5	5
Other assets	3	23	23	23	23	23	23	23	23	23	23	23	23
Total Assets	130	386	554	709	834	1,108	1,270	1,536	1,885	2,541	3,673	5,125	16,908
Accounts payable	15	29	36	124	226	356	379	462	681	806	1,092	1,356	2,668
Accrued liabilities	15	21	13	54	113	173	198	241	355	420	569	707	1,391
Deferred development compensation	0	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	1	5	-	-	-	-	-	-	-	-	-	-	-
Capital lease obligations, current portion	0	0	-	-	-	-	-	-	-	-	-	-	-
Reservation payments	26	31	47	87	72	42	17	-	-	-	-	-	-
Total Current Liabilities	57	86	96	266	412	572	594	702	1,036	1,226	1,661	2,062	4,059
Common stock warrant liability	-	6	8	8	8	8	8	8	8	8	8	8	8
Convertible preferred stock warrant liability	2	-	-	-	-	-	-	-	-	-	-	-	-
Capital lease obligations, less current portion	1	0	1	1	1	1	1	1	1	1	1	1	1
Deferred revenue, less current portion	1	3	-	-	-	-	-	-	-	-	-	-	-
Long-term debt	-	72	252	445	461	461	370	240	(47)	(0)	(0)	(0)	(0)
Other long-term liabilities	3	12	13	13	13	13	13	13	13	13	13	13	13
Total Liabilities	65	179	370	733	894	1,054	985	963	1,010	1,247	1,683	2,084	4,080
Total convertible preferred stock	319	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock	0	0	0	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	7	622	802	833	866	905	942	981	1,029	1,076	1,128	1,177	1,484
Accumulated deficit	(261)	(415)	(618)	(858)	(927)	(850)	(658)	(408)	(155)	218	862	1,864	11,343
Total stockholders' equity (deficit)	(254)	207	184	(24)	(60)	54	285	573	875	1,294	1,990	3,041	12,828
Total Liabilities and Equity	130	386	554	709	834	1,108	1,270	1,536	1,885	2,541	3,673	5,125	16,908
check	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt	-	72	252	445	461	461	370	240	(47)	(0)	(0)	(0)	(0)
Net Debt (Cash)	(70)	(28)	99	288	305	236	144	14	(273)	(703)	(1,467)	(2,525)	(12,113)
Net Debt/EBITDA		0.2 x	(0.6 x)	(1.7 x)	7.4 x	1.2 x	0.4 x	0.0 x	(0.6 x)	(1.1 x)	(1.4 x)	(1.6 x)	(3.9 x)

Source: Company data, Morgan Stanley Research

May 10, 2011
Tesla Motors Inc.

Exhibit 20

Tesla: Consolidated Annual Cash Flow Statement, 2009-2025e

Cash Flow	FY 2009	FY 2010	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2025E
Cash flows from operating activities													
Net Income (Loss)	(56)	(154)	(203)	(240)	(69)	76	193	250	253	373	644	1,002	2,126
Depreciation and amortization	7	11	20	61	98	101	116	151	196	228	288	310	547
Change in fair value of warrant liabilities	1	5	-	-	-	-	-	-	-	-	-	-	-
Gain on cvt notes and warrants	(1)	-	-	-	-	-	-	-	-	-	-	-	-
Stock-based compensation	1	21	26	32	33	38	38	38	49	47	53	49	67
Inventory write-downs	0	1	-	-	-	-	-	-	-	-	-	-	-
Interest on convertible notes	1	-	-	-	-	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities	3	(11)	(2)	42	56	38	19	23	113	60	141	126	190
Accounts receivable	(0)	(3)	(6)	(28)	(14)	(2)	(11)	(14)	(32)	(23)	(49)	(49)	(20)
Inventory	(8)	(20)	8	(99)	(75)	(120)	7	(71)	(188)	(107)	(246)	(226)	(271)
Prepaid expenses and other current assets	(2)	(5)	(1)	-	-	-	-	-	-	-	-	-	-
Operating lease assets	-	(8)	(1)	-	-	-	-	-	-	-	-	-	-
Other assets	(0)	(0)	(0)	-	-	-	-	-	-	-	-	-	-
Accounts payable	1	(0)	7	88	102	130	23	83	219	124	286	264	316
Accrued liabilities	3	13	(8)	41	59	60	24	43	114	65	149	137	165
Deferred development compensation	(10)	(0)	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	(1)	5	(7)	-	-	-	-	-	-	-	-	-	-
Reservation payments	(22)	5	11	40	(15)	(30)	(25)	(17)	-	-	-	-	-
Other long-term liabilities	2	4	(4)	-	-	-	-	-	-	-	-	-	-
Net cash used in operating activities	(81)	(128)	(159)	(105)	118	253	365	462	611	708	1,126	1,487	2,930
Cash flows from investing activities													
Acquisition of Fremont and related assets	-	(65)	-	-	-	-	-	-	-	-	-	-	-
Purchases of PP&E excl capital leases	(12)	(40)	(195)	(84)	(134)	(184)	(274)	(332)	(324)	(277)	(362)	(430)	(748)
Increase in restricted cash in DOE account	-	(74)	74	-	-	-	-	-	-	-	-	-	-
Increase in other restricted cash	(2)	(1)	(0)	-	-	-	-	-	-	-	-	-	-
Net cash used in investing activities	(14)	(180)	(122)	(84)	(134)	(184)	(274)	(332)	(324)	(277)	(362)	(430)	(748)
Cash flows from financing activities													
Proceeds from issuance of common stock	-	269	150	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of cvt preferred	132	-	-	-	-	-	-	-	-	-	-	-	-
Principal paid on capital leases and other debt	(0)	(0)	-	-	-	-	-	-	-	-	-	-	-
Proceeds from long-term debt	-	72	184	193	16	-	(92)	(130)	(287)	47	-	-	-
Proceeds from cvt notes and warrants	25	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from exercise of stock options	0	1	-	-	-	-	-	-	-	-	-	-	-
Common stock and loan facility issuance costs	(2)	(4)	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by financing activities	155	338	334	193	16	-	(92)	(130)	(287)	47	-	-	-
Net increase in cash and cash equivalents	60	30	54	4	(1)	69	0	0	0	478	764	1,058	2,182
Cash and equivalents at beginning of period	9	70	100	153	157	156	226	226	226	226	703	1,467	9,930
Cash and cash equivalents at end of period	70	100	153	157	156	226	226	226	226	703	1,467	2,525	12,113
FCF	(93)	(168)	(354)	(189)	(17)	69	92	130	287	430	764	1,058	2,182
Drivers	FY 2009	FY 2010	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2025E
Depreciation/PP&E		45%	17%	20%	30%	28%	26%	25%	25%	25%	30%	30%	30%
Depreciation/Sales		9.1%	10.8%	17.3%	7.3%	4.4%	4.2%	4.5%	4.2%	4.1%	3.8%	3.3%	2.9%
Capex/Sales		34.4%	106.1%	23.9%	10.0%	8.0%	10.0%	10.0%	7.0%	5.0%	4.8%	4.5%	4.0%
Days Receivables		21	24	42	15	9	9	9	9	9	9	9	9
Days Payables		123	115	171	80	75	70	70	70	70	70	70	70
Inventory Days' Supply		192	120	188	75	70	60	60	60	60	60	60	60
Accrued Liabilities		24%	11%	21%	11%	10%	10%	10%	10%	10%	10%	10%	10%
EBIT	-53	-153	-198	-229	-56	93	220	276	270	414	794	1,259	2,555
EBITDA	-46	-143	-178	-169	41	194	336	427	466	642	1,083	1,569	3,102
LTM													
EBITDA		-143	-178	-169	41	194	336	427	466	642	1,083	1,569	3,102

Source: Company data, Morgan Stanley Research

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Tesla Motors Inc.



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(as of April 30, 2011)

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May 10, 2011
Tesla Motors Inc.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1172	41%	470	48%	40%
Equal-weight/Hold	1158	41%	386	39%	33%
Not-Rated/Hold	114	4%	20	2%	18%
Underweight/Sell	384	14%	102	10%	27%
Total	2,828		978		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Analyst Industry Views

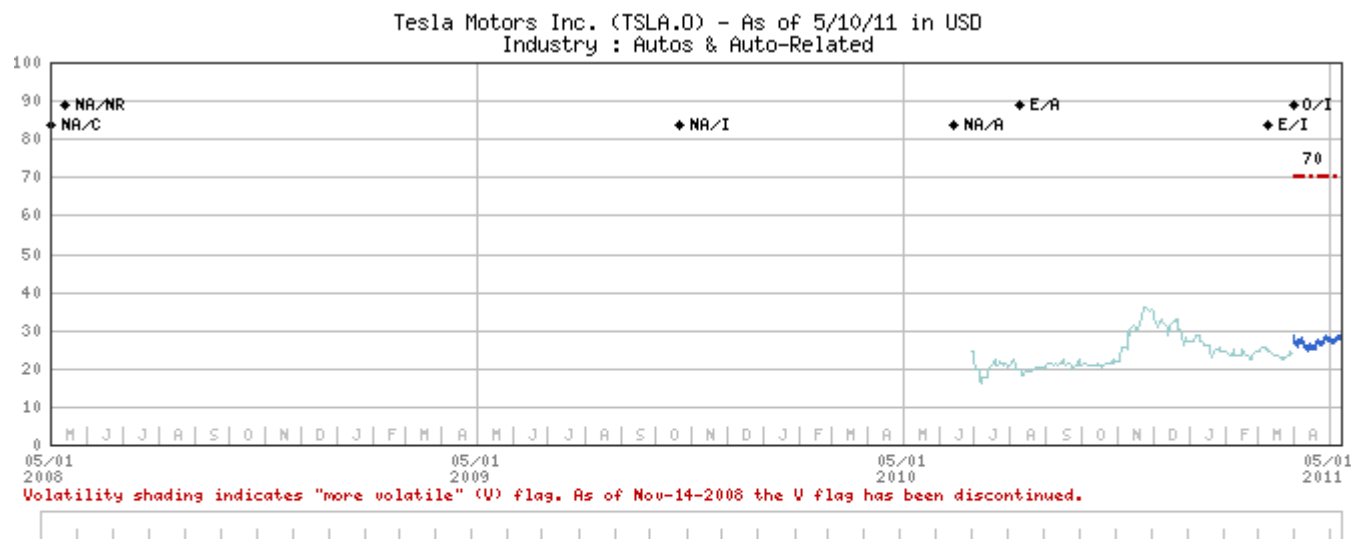
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

Stock Price, Price Target and Rating History (See Rating Definitions)



Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as + Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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May 10, 2011

Tesla Motors Inc.

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Industry Coverage: Autos & Auto-Related

Company (Ticker)	Rating (as of)	Price* (05/09/2011)
Adam Jonas, CFA		
Ford Motor Company (F.N)	O (10/04/2010)	\$15.08
General Motors Company (GM.N)	O (12/28/2010)	\$31.39
Tesla Motors Inc. (TSLA.O)	O (03/31/2011)	\$27.91
Ravi Shanker		
AutoNation Inc. (AN.N)	U (03/10/2011)	\$34.07
BorgWarner Inc. (BWA.N)	O (10/22/2009)	\$77.05
Cooper Tire & Rubber Company (CTB.N)	O (03/16/2010)	\$25.64
Goodyear Tire & Rubber Company (GT.N)	O (03/10/2011)	\$18.23
Group 1 Automotive, Inc (GPI.N)	U (10/22/2009)	\$41.15
Johnson Controls, Inc. (JCI.N)	O (06/14/2010)	\$39.74
Lear Corporation (LEA.N)	U (09/23/2010)	\$51.55
Magna International Inc. (MGA.N)	U (03/10/2011)	\$52.39
Meritor Inc (MTOR.N)	O (09/23/2010)	\$17.22
Penske Automotive Group, Inc (PAG.N)	U (10/22/2009)	\$21.77
TRW Automotive Holdings Corp. (TRW.N)	O (09/10/2010)	\$57.64
Tenneco Inc. (TEN.N)	U (09/23/2010)	\$43.22

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* Historical prices are not split adjusted.