

## Tesla Motors

### Deal Size Not Surprising; Daimler Signals Confidence in Tesla - ALERT

**Tesla yesterday filed to do a follow-on equity offering that seems likely to raise about low-\$200MM in proceeds.** The deal size is largely in line with our expectations (perhaps not as big as some may have worried). It is encouraging to see CEO Musk and Daimler buy in the offering (Daimler's goal was to not be diluted). Offering proceeds will be used primarily to accelerate the commercial launch of Model X vehicle (crossover variant of Model S), which is now expected to have customer deliveries in 4Q:13, about 1.5 years after deliveries start for the Model S, also largely in line with JPM expectations.

- **Offering details:** TSLA is planning to sell 7.4MM shares, including private placements to the CEO and Daimler, and a potential overallotment to underwriters. 5.3MM shares will be directly sold to the public, and underwriters will have an option to buy an additional 0.795MM shares. The CEO, Elon Musk, will purchase 1.5MM shares in a private placement (largely repurchasing the shares he sold initially during the IPO) – his current 29.1% stake in TSLA is likely to be diluted only modestly (to ~28.5%). Daimler's investment arm, Blackstar Investco LLC, will maintain its ownership stake (7.8%) in the company by purchasing an additional 0.577MM shares (0.6MM shares including overallotment). Daimler's choice to not be diluted is a healthy vote of confidence in Tesla's prospects and in the two companies' commercial ties. On the other hand, Toyota (with 3%+ stake in TSLA) and Panasonic (~1.5% stake) chose to not buy additional shares as part of this offering (as a result, their respective stakes will be slightly diluted), but they are also not selling any of their existing shares.
- **Size of the offering not very surprising:** 7.4MM shares sold at yesterday's close would hypothetically raise about ~\$215MM gross, expected to be used to fund Model X development and likely some production shift capacity expansion. At a high level, the deal size would seem to reaffirm that the Model X's engineering/development cost is expected to be considerably less than the Model S's (~\$150MM vs. ~\$500MM), due to platform/powertrain sharing, and that the Model S is not incurring any material cost over-runs.

## Overweight

TSLA, TSLA US

Price: \$28.98

25 May 2011

### Automobile Manufacture

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Please click below for our last note discussing likelihood of equity offering:

[Tesla Motors: 1Q Revenue and Margin Upside; Model S Bookings Grow; Equity Deal Likely](#)

See page 2 for analyst certification and important disclosures.

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### Tesla Motors (TSLA) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
09-Aug-10	OW	19.60	25.00
10-Nov-10	OW	29.36	30.00
05-May-11	OW	26.69	35.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
Initiated coverage Aug 09, 2010. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
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"Other Disclosures" last revised January 8, 2011.

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North America Equity Research  
26 May 2011

J.P.Morgan