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COMPANY ALERT

Tesla Motors

Inclusion of CEO and Daimler in TSLA offering a positive

Company Update

Hold

Reuters:TSLA.OQ Exchange:NMS Ticker:TSLA

Price (USD)	28.98
Price target	24.00
52-week range	35.47 - 15.80
Market Cap (USD)	2,907.3
Shares outstanding (m)	100.3
Free float (%)	100
Volume (25 May 2011)	1,580,712
S&P 500 INDEX	1,320.47

FYE 12/31	2010A	2011E	2012E
1Q EPS	-	-	-
2Q EPS	-	-	-
3Q EPS	-	-	-
4Q EPS	-	-	-
FY EPS (USD)	-2.55	-1.93	-0.96
P/E (x)	-	-	-

* Includes the impact of FAS123R requiring the expensing of stock options.

Tesla Motors filed an S-1 yesterday, announcing a 5.3MM share public offering and a concurrent private placement to Daimler (644.5k shares) and CEO Elon Musk (1.5MM shares). Assuming exercise of the 795k share green-shoe, total proceeds would be \$239MM at yesterday's close. On current diluted shares of approx 104MM, the offering represents 8% dilution. TSLA has mentioned the potential for an approximate \$100MM raise on its last two conference calls, so the offering should not be a surprise. The inclusion of CEO Musk (current 26% holder) and Daimler (current 7.2% holder) was unexpected, and we see this as a significant sign of confidence in the outlook. Our current forecast (prior to this offering) had cash levels getting relatively low by the time the Model S launches in mid-2012, so we see a proactive offering as a positive from a risk standpoint, as well as potentially enabling an acceleration of future product launches. For example, Tesla is projecting the Model X (a crossover vehicle off the Model S platform) to begin production in 4Q13, one year earlier than we had originally modeled. Proforma for this offering, we estimate enterprise value of \$3.45 bn, including equity value of \$3.26 bn (~112.5MM proforma diluted shares at yesterday's close) and 2012YE net debt of \$185MM (fully drawn DOE loan of \$465MM less \$281MM of cash). This is 10.8x / 8.1x our 2013 / 2014 EBITDA estimates of \$319MM / \$424MM. On a P/E basis (with earnings adjusted for a normalized 25% tax rate), the equity is trading at 17.5x / 12.5x 2013 / 2014 net income. We maintain our Hold rating and \$24 price target for TSLA.

Dan Galves

Associate Analyst
 (+1) 212 250-3738
 dan.galves@db.com

Rod Lache

Research Analyst
 (+1) 212 250-5551
 rod.lache@db.com

Mike Levin

Research Associate
 (+1) 212 250-5317
 michael.levin@db.com

Deutsche Bank Securities Inc.

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