

November 22, 2010

Tesla Motors Inc.

Update from Mgmt Meetings – Model S on Track

We met with Tesla management last week at the LA Auto Show. Progress on the Model S appears on track and the possibility of additional OEM contracts remains open. Highlights from our meetings:

Model S Alpha build on track. The first body structure made on soft tools is on its way from Detroit to Palo Alto where Tesla engineers will spend the next few weeks assembling the Alpha build – a production-intent drivable prototype to test the driving experience modeled on computers. Tesla plans to exhibit the Model S at the Detroit Auto Show in January 2011.

Target: 100,000 vehicles on the Model S platform, 500,000 vehicles in the NUMMI factory. CEO Elon Musk believes Tesla can add new top hats to the Model S platform to sell 100,000/year of combined body types on the Model S platform. Later plans are to launch a less expensive “Model X” that could sell an additional 400,000/year, growing to fill the capacity of NUMMI. Those volumes are well in excess of what we have modeled in our bull case.

Possible OEM Partnerships. Elon reiterated that discussions are underway with OEMs other than Daimler and Toyota, and that Tesla would only work on powertrain deals that could develop into mass market electric vehicles. Other OEM partnerships would bolster Tesla’s reputation as a leader in battery pack and system design and could be a positive catalyst.

Valuation has run up. TSLA is up 49% in the last month and is approaching our \$35 bull case. So far, Tesla has executed above our base case – we didn’t forecast the equity investment from Panasonic or the \$60 MM from Toyota for the RAV4 – and we don’t have additional powertrain agreements in our model, so there is room for upside to our numbers.

What’s next? The IPO lockup expires December 27, 2010, expanding the free float over 3x.

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Key Ratios and Statistics

Reuters: TSLA.O Bloomberg: TSLA US
Clean Tech / United States of America

Shr price, close (Nov 19, 2010)	\$30.99
Mkt cap, curr (mm)	\$2,892
52-Week Range	\$32.94-14.98

Fiscal Year ending	12/09	12/10e	12/11e	12/12e
ModelWare EPS (\$)	(7.96)	(3.06)	(2.21)	(1.39)
EPS (\$)**	(7.96)	(2.79)	(2.08)	(1.27)
Consensus EPS (\$)\$	(1.59)	(2.31)	(1.92)	(1.25)
EV/rev	3.7	24.5	20.6	5.3
Revenue, net (\$mm)	112	113	150	628
Gross margin (%)	8.5	24.4	23.9	12.6
EBITDA margin (%)	(40.2)	(119.3)	(118.6)	(11.0)
Rev hist grth, y/y (%)	-	1.1	32.9	317.7

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.

** = Based on consensus methodology

e = Morgan Stanley Research estimates

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

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Tesla Motors Inc.

Risk-Reward Snapshot: Tesla Motors (TSLA, \$30.99, Equal-weight)

Risk-Reward View: Continued Volatility Is Likely



Source: FactSet, Morgan Stanley Research

Valuation Methodology: We apply multiples of 12x EV/EBITDA and 2.1x EV/sales to our 2014 bull, bear, and base case forecasts, and discount the equity value at 15%. Our comp group is 80% clean tech and EV value chain and 20% traditional auto companies.

We also use a DCF analysis with an 11.3% WACC, 15% cost of equity, and 4% terminal growth.

Bull Case \$35	2014e sales = \$2.6 billion	The future of the auto industry. Tesla delivers the Model S on time (2Q12) and on budget with performance that rivals gasoline-powered luxury sedans. EV adoption takes off. EBITDA margins are 15-18%. OEM partnerships add powertrain volumes.
	2014e EBITDA = \$516 million	
Base Case \$19	2014e sales = \$1.9 billion	Solid execution and EV demand. Model S deliveries start in 3Q12 and reach 20K per year in 2014. Slower ramp and modest cost overruns result in negative EPS until 2014. EBITDA margins are 7-9%. Powertrain sales a minor contributor.
	2014e EBITDA = \$199 million	
Bear Case \$10	2014e sales = \$472 million	Delays, cost overruns, lower demand. A lot can go wrong in a product launch, especially with new manufacturing. We model a slight delay and lower Model S demand of 5,000 units per year. The company would likely need to raise additional capital to scale production.
	2014e EBITDA = \$(7 million)	

Key Assumptions for Bull, Bear, and Base Cases

Key Assumptions for Bull, Bear, and Base Cases				
		Bear	Base	Bull
Gross Margin	2012	9.9%	12.6%	13.8%
	2013	9.3%	16.1%	23.5%
	2014	16.5%	22.4%	24.5%
EBIT Margin	2012	NM	NM	NM
	2013	NM	NM	13.7%
	2014	NM	5.6%	15.3%
Model S Volumes	2012	2,000	5,500	7,000
	2013	5,000	15,000	20,000
	2014	5,000	20,000	26,000

Source: Morgan Stanley Research

Why Equal-weight?

- The opportunity in electric vehicles is substantial, but so is the challenge of getting the Model S on the road on time and on budget. Our \$19 base case is based on discounted equity-based multiples of EV/sales and EV/EBITDA and a DCF and reflects uncertain demand for electric vehicles (EVs), increasing competition from OEMs, and execution risk.

Key Value Drivers

- **Model S pre-orders** — the best indicator of demand.
- **Additional or larger OEM partnerships** would add scale, top line growth, and offer further proof of Tesla's technology leadership.
- **EV adoption and subsidies.** Competitors' EVs will launch before the Model S. Strong sales and/or higher government support are positive.

Potential Catalysts

- Expansion of Daimler or Toyota plans or new OEM partnerships.
- Model S — final prototype on factory tools.
- Accelerating Model S reservations.

What Could Make Us Overweight

- Higher Model S pre-orders.
- Increased government subsidies.
- Lower risk of Model S delays.
- Additional and/or larger OEM partnerships.
- More attractive valuation.

...or Underweight

- Significant Model S delays.
- Management turnover in manufacturing, engineering, technology, or design.

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Exhibit 1

Base Case Quarterly Assumptions

	2009A				2010E				2011E				2012E				2013E			
	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Volumes																				
Model S	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000	3,500	3,750	3,750	3,750	3,750
Roadster	182	200	324	134	126	141	151	155	150	150	150	150	150	150	100	98	-	-	500	300
Next Gen Vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Vehicles	182	200	324	134	126	141	151	155	150	150	150	150	150	150	2,100	3,598	3,750	3,750	4,250	4,050
Powertrains	-	-	-	-	105	200	240	430	450	650	700	770	800	800	800	800	875	875	875	875
Powertrain ASP (\$)	0.0k	0.0k	0.0k	0.0k	25.9k	24.1k	21.3k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k
Gross Margins																				
Model S	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	8.2%	8.2%	8.4%	13.3%	17.2%	19.5%
Roadster	(9.8%)	7.8%	16.9%	9.6%	17.7%	20.0%	17.0%	22.0%	19.9%	21.8%	23.6%	25.4%	25.4%	25.4%	25.3%	25.3%	0.0%	0.0%	30.4%	29.4%
Powertrain	NM	NM	NM	NM	23.7%	15.0%	18.8%	22.5%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Total	NM	7.8%	16.9%	9.6%	18.5%	22.2%	30.0%	24.8%	22.1%	23.5%	24.4%	25.2%	25.2%	25.2%	11.3%	10.1%	9.7%	14.1%	19.2%	20.6%
Roadster Leasing (as % of Total Vehicles Sold)	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	18.0%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%

Source: Company data, Morgan Stanley Research estimates

Exhibit 2

Base Case Annual Assumptions

	Fiscal Year													
	2007A	2008A	2009A	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Volumes														
Model S	-	-	-	-	-	5,500	15,000	20,000	23,000	26,450	30,000	30,000	30,000	30,000
Roadster	-	-	-	294	300	249	400	400	400	400	400	400	400	400
Next Gen Vehicle	-	-	-	-	-	-	-	-	-	-	25,000	31,250	39,063	48,828
Total Vehicles	-	-	-	294	300	5,749	15,400	20,400	23,400	26,850	55,400	61,650	69,463	79,228
Powertrains	-	-	-	975	2,570	3,200	3,500	3,500	4,200	5,000	5,000	5,000	5,000	5,000
Powertrain ASP (\$)	NM	NM	NM	24.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k	25.0k
Gross Margins														
Model S		NM	NM	NM	NM	8.2%	14.7%	21.4%	22.4%	21.5%	21.1%	21.1%	21.1%	21.1%
Roadster		NM	NM	19.2%	22.7%	25.4%	28.0%	40.2%	38.7%	38.6%	32.3%	40.9%	32.3%	32.3%
Next Gen Vehicle		NM	NM	NM	NM	NM	NM	15.0%	15.0%	15.0%	16.0%	17.0%	18.0%	19.0%
Powertrain		NM	NM	20.3%	24.0%	24.0%	24.0%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%
Total														
Roadster Leasing (as % of Total Vehicles Sold)				12.6%	22.5%	22.5%	22.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Morgan Stanley Research estimates

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Exhibit 3

Base Case Quarterly Income Statement

	2009A				2010E				2011E				2012E				2013E			
\$ millions	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Total Revenues	20.9	26.9	45.5	18.6	20.8	28.4	31.2	32.7	31.5	37.7	39.5	41.8	42.9	43.1	207.5	334.9	339.7	349.5	398.2	382.2
Cost of Revenue	22.9	24.8	37.8	16.8	17.0	22.1	21.9	24.6	24.5	28.9	29.8	31.3	32.1	32.3	184.1	301.0	306.8	300.4	321.7	303.4
Gross Profit	(2.0)	2.1	7.7	1.8	3.9	6.3	9.4	8.1	7.0	8.8	9.6	10.5	10.8	10.9	23.4	33.9	32.8	49.1	76.5	78.8
Gross Profit Margin	NM	7.8%	16.9%	9.6%	18.5%	22.2%	30.0%	24.8%	22.1%	23.5%	24.4%	25.2%	25.2%	25.2%	11.3%	10.1%	9.7%	14.1%	19.2%	20.6%
Expenses																				
Research and Development	7.9	1.9	1.3	8.1	13.3	14.9	25.4	37.0	37.5	37.5	37.5	37.5	22.3	22.3	22.3	22.3	20.0	15.0	15.0	10.0
Sales and Marketing	-	-	-	-	6.0	7.0	9.0	9.0	11.0	11.0	11.0	11.0	15.3	15.3	15.3	15.3	27.8	27.8	27.8	27.8
General and Administrative	6.6	8.2	10.7	16.6	7.2	9.7	8.9	8.0	8.3	8.3	8.3	8.3	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Stock-based Compensation	-	-	-	-	3.4	6.1	3.8	5.0	3.9	3.9	3.9	3.9	4.0	4.0	4.0	4.0	4.6	4.2	4.2	3.8
Total Expenses	14.5	10.2	12.0	24.7	29.9	37.7	47.2	59.0	60.7	60.7	60.7	60.7	50.3	50.3	50.3	50.3	61.1	55.7	55.7	50.3
Operating (Loss) Income	(16.6)	(8.1)	(4.3)	(22.9)	(26.0)	(31.4)	(37.8)	(50.9)	(53.7)	(51.8)	(51.1)	(50.2)	(39.5)	(39.4)	(26.9)	(16.4)	(28.3)	(6.6)	20.8	28.5
Operating Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	5.2%	7.5%
EBITDA (excl. SBC)	(16.6)	(8.1)	0.7	(21.0)	(20.5)	(22.8)	(30.9)	(42.5)	(45.4)	(41.4)	(39.0)	(36.8)	(24.2)	(22.0)	(8.7)	1.8	(9.8)	12.4	40.4	48.6
EBITDA Margin	NM	NM	1.6%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.5%	NM	3.6%	10.2%	12.7%
Interest Expense, net	(1.4)	(1.1)	0.0	0.0	(0.2)	(0.4)	(0.3)	(0.4)	(0.4)	(1.1)	(1.8)	(2.5)	(3.2)	(3.7)	(4.1)	(4.5)	(4.5)	(4.5)	(4.5)	(4.4)
Other Income (Expense), net	2.0	(1.7)	(0.6)	(1.1)	(3.2)	(6.7)	3.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Income (Expense)	0.6	(2.8)	(0.5)	(1.1)	(3.4)	(7.1)	3.0	(0.4)	(0.4)	(1.1)	(1.8)	(2.5)	(3.2)	(3.7)	(4.1)	(4.5)	(4.5)	(4.5)	(4.5)	(4.4)
Pre-tax Income	(16.0)	(10.9)	(4.8)	(24.0)	(29.4)	(38.5)	(34.9)	(51.3)	(54.2)	(53.0)	(52.9)	(52.7)	(42.6)	(43.2)	(30.9)	(20.9)	(32.8)	(11.1)	16.3	24.1
Pre-tax margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	4.1%	6.3%
Taxes, GAAP	0.0	0.0	(0.2)	0.2	0.1	0.0	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Impact of One-Time Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes, Recurring	0.0	0.0	(0.2)	0.2	0.1	0.0	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Effective Tax Rate	(0.0%)	(0.1%)	4.5%	(1.0%)	(0.4%)	(0.0%)	(0.2%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Recurring Net Income	(16.0)	(10.9)	(4.6)	(24.2)	(29.5)	(38.5)	(34.9)	(51.3)	(54.2)	(53.0)	(52.9)	(52.7)	(42.6)	(43.2)	(30.9)	(20.9)	(32.8)	(11.1)	16.3	24.1
Recurring NI Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	4.1%	6.3%
Cumulative Effect of Accounting Change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
One-Time Charges/Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	(16.0)	(10.9)	(4.6)	(24.2)	(29.5)	(38.5)	(34.9)	(51.3)	(54.2)	(53.0)	(52.9)	(52.7)	(42.6)	(43.2)	(30.9)	(20.9)	(32.8)	(11.1)	16.3	24.1
GAAP EPS																				
Adjusted EPS																				

Source: Company data, Morgan Stanley Research estimates

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Exhibit 4

Base Case Annual Income Statement

\$ millions	Fiscal Year														
	2007A	2008A	2009A	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	
Total Revenues	0.1	14.7	111.9	113.2	150.5	628.5	1,469.5	1,915.3	2,204.0	2,482.9	3,817.7	4,067.4	4,344.3	4,744.7	
Cost of Revenue	0.0	15.9	102.4	85.6	114.5	549.5	1,232.3	1,486.9	1,694.1	1,930.6	3,054.6	3,241.0	3,464.9	3,773.2	
Gross Profit	0.1	(1.1)	9.5	27.6	35.9	79.0	237.2	428.4	509.9	552.3	763.1	826.4	879.4	971.5	
Gross Profit Margin	87.7%	NM	8.5%	24.4%	23.9%	12.6%	16.1%	22.4%	23.1%	22.2%	20.0%	20.3%	20.2%	20.5%	
Expenses															
Research and Development	62.7	53.6	19.3	90.6	150.0	89.0	60.0	80.0	85.6	91.6	98.0	104.9	112.2	120.1	
Sales and Marketing	-	-	-	31.0	44.0	61.0	111.0	134.1	154.3	173.8	267.2	284.7	304.1	332.1	
General and Administrative	17.1	23.4	42.2	33.8	33.0	35.0	35.0	71.8	77.1	86.9	133.6	122.0	130.3	142.3	
Stock-based Compensation	0.2	0.4	-	18.3	15.8	16.1	16.7	19.9	19.3	18.5	22.1	18.6	16.9	18.4	
Total Expenses	80.0	77.4	61.4	173.7	242.8	201.1	222.7	305.8	336.4	370.8	521.0	530.2	563.5	612.9	
Operating (Loss) Income	(79.9)	(78.5)	(51.9)	(146.1)	(206.8)	(122.1)	14.5	122.6	173.5	181.5	242.1	296.2	315.9	358.6	
Operating Margin	NM	NM	NM	NM	NM	NM	1.0%	6.4%	7.9%	7.3%	6.3%	7.3%	7.3%	7.6%	
EBITDA (excl. SBC)	(76.8)	(73.9)	(45.0)	(116.7)	(162.6)	(53.1)	91.6	198.8	266.0	291.0	364.3	445.5	462.9	518.3	
EBITDA Margin	NM	NM	NM	NM	NM	NM	6.2%	10.4%	12.1%	11.7%	9.5%	11.0%	10.7%	10.9%	
Interest Expense, net	1.7	(3.2)	(2.4)	(1.3)	(5.9)	(15.5)	(17.9)	(15.3)	(7.8)	0.8	1.6	2.6	3.9	5.2	
Other Income (Expense), net	0.1	(1.0)	(1.4)	(6.7)	-	-	-	-	-	-	-	-	-	-	
Total Other Income (Expense)	1.9	(4.2)	(3.8)	(8.0)	(5.9)	(15.5)	(17.9)	(15.3)	(7.8)	0.8	1.6	2.6	3.9	5.2	
Pre-tax Income	(78.0)	(82.7)	(55.7)	(154.1)	(212.8)	(137.6)	(3.4)	107.3	165.7	182.3	243.7	298.8	319.8	363.8	
Pre-tax margin	NM	NM	NM	NM	NM	NM	NM	5.6%	7.5%	7.3%	6.4%	7.3%	7.4%	7.7%	
Taxes, GAAP	0.1	0.1	0.0	0.2	-	-	-	-	-	-	-	55.0	76.7	87.3	
Tax Impact of One-Time Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Taxes, Recurring	0.1	0.1	0.0	0.2	-	-	-	-	-	-	-	55.0	76.7	87.3	
Effective Tax Rate	(0.1%)	(0.1%)	(0.0%)	(0.1%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	18.4%	24.0%	24.0%	
Recurring Net Income	(78.2)	(82.8)	(55.7)	(154.3)	(212.8)	(137.6)	(3.4)	107.3	165.7	182.3	243.7	243.8	243.0	276.5	
Recurring NI Margin	NM	NM	NM	NM	NM	NM	NM	5.6%	7.5%	7.3%	6.4%	6.0%	5.6%	5.8%	
Cumulative Effect of Accounting Change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
One-Time Charges/Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Income	(78.2)	(82.8)	(55.7)	(154.3)	(212.8)	(137.6)	(3.4)	107.3	165.7	182.3	243.7	243.8	243.0	276.5	
GAAP EPS				(\$3.06)	(\$2.21)	(\$1.39)	(\$0.03)	\$0.92	\$1.39	\$1.49	\$1.95	\$1.90	\$1.85	\$2.06	
Adjusted EPS				(\$2.79)	(\$2.08)	(\$1.27)	\$0.09	\$1.05	\$1.51	\$1.61	\$2.08	\$2.01	\$1.95	\$2.16	

Source: Company data, Morgan Stanley Research estimates

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Tesla Motors Inc.

Exhibit 5

Base Case Annual Balance Sheet

\$ millions	Fiscal Year													
	2007A	2008A	2009A	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Current Assets														
Cash and cash equivalents	17.2	9.3	69.6	101.3	100.0	54.4	100.0	100.0	147.8	442.3	803.7	1,272.2	1,752.8	2,299.4
Accounts receivable, net	0.1	3.3	3.5	1.8	12.4	12.2	13.8	13.3	16.1	19.1	18.9	18.8	18.5	18.4
Inventories, net	2.1	16.7	23.2	32.1	37.4	359.9	362.8	448.1	510.6	580.2	920.6	976.7	1,044.2	1,134.0
Prepaid expenses and other current assets	2.9	2.2	4.2	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Current Assets	22.3	31.4	100.6	140.2	154.8	431.6	481.5	566.4	679.5	1,046.7	1,748.2	2,272.8	2,820.6	3,456.8
Property, Plant and Equipment, net	12.0	18.8	23.5	49.9	161.8	194.9	190.5	270.6	346.4	420.7	498.4	547.2	594.1	643.8
Restricted cash	0.3	1.2	3.6	145.6	145.6	145.6	145.6	145.6	145.6	145.6	145.6	145.6	145.6	145.6
Other assets	0.3	0.3	2.8	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1
Total Assets	34.8	51.7	130.4	366.4	508.8	827.6	878.2	1,032.1	1,212.3	1,645.2	2,424.4	2,985.7	3,580.3	4,266.4
Current Liabilities														
Accounts payable	5.4	14.2	15.1	24.1	30.6	294.5	296.8	366.6	417.7	474.7	753.2	799.2	854.4	927.8
Accrued liabilities	8.5	11.1	14.5	9.0	10.4	16.8	58.2	113.3	167.2	220.7	312.3	396.6	477.5	561.2
Deferred development compensation	-	10.2	0.2	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	4.1	1.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Capital lease obligations, current portion	0.1	0.3	0.3	-	-	-	-	-	-	-	-	-	-	-
Refundable reservation payments	37.3	48.0	26.0	29.5	33.9	11.9	-	-	-	-	-	-	-	-
Total Current Liabilities	51.3	87.9	57.5	63.5	76.0	324.2	356.0	480.9	585.9	696.4	1,066.5	1,196.8	1,332.9	1,490.1
Convertible preferred stock warrant liability	0.2	2.1	1.7	-	-	-	-	-	-	-	-	-	-	-
Capital lease obligations, less current portion	0.0	0.9	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Convertible notes payable	-	54.5	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue, less current portion	-	-	1.2	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	-	4.8	3.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total Convertible Preferred Stock	101.2	101.2	319.2	-	-	-	-	-	-	-	-	-	-	-
DOE Loan	-	-	-	62.0	333.3	465.0	398.8	212.9	-	-	-	-	-	-
Total Long-Term Liabilities	101.4	163.5	326.5	64.8	336.1	467.9	401.6	215.8	2.9	2.9	2.9	2.9	2.9	2.9
Total Liabilities	152.7	251.4	383.9	128.4	412.1	792.0	757.6	696.7	588.8	699.2	1,069.3	1,199.6	1,335.7	1,492.9
Stockholders' Equity														
Common stock	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	4.3	5.2	7.1	634.1	705.5	782.0	870.4	977.8	1,100.4	1,240.5	1,405.8	1,593.0	1,808.5	2,060.8
Retained Earnings	(122.1)	(204.9)	(260.7)	(396.0)	(608.8)	(746.4)	(749.8)	(642.5)	(476.8)	(294.5)	(50.7)	193.1	436.1	712.6
Accumulated other comprehensive loss, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total stockholders' equity	(117.8)	(199.7)	(253.5)	238.1	96.7	35.6	120.6	335.4	623.6	946.0	1,355.0	1,786.0	2,244.6	2,773.4
Total Liabilities and Stockholders' Equity	34.8	51.7	130.4	366.4	508.8	827.6	878.2	1,032.1	1,212.3	1,645.2	2,424.4	2,985.7	3,580.3	4,266.4

Source: Company data, Morgan Stanley Research estimates

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Tesla Motors Inc.

Exhibit 6

Base Case Cash Flow Statement

\$ millions	Fiscal Year													
	2007A	2008A	2009A	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Operating Activities:														
Net Income	(78.2)	(82.8)	(55.7)	(154.3)	(212.8)	(137.6)	(3.4)	107.3	165.7	182.3	243.7	243.8	243.0	276.5
Depreciation and Amortization	2.9	4.2	6.9	11.1	28.4	52.9	60.4	56.3	73.1	91.0	100.1	130.7	130.2	141.3
Change in fair value of convertible preferred stock warrant liability	(0.0)	2.8	1.1	8.7	-	-	-	-	-	-	-	-	-	-
Gain on extinguishment of convertible notes and warrants	-	(1.2)	(1.5)	-	-	-	-	-	-	-	-	-	-	-
Stock compensation expense	0.2	0.4	1.4	18.3	15.8	16.1	16.7	19.9	19.3	18.5	22.1	18.6	16.9	18.4
Loss on abandonment of fixed assets	2.4	-	0.4	-	-	-	-	-	-	-	-	-	-	-
Inventory write-downs	-	-	1.4	0.4	-	-	-	-	-	-	-	-	-	-
Interest on convertible notes	-	3.7	2.7	-	-	-	-	-	-	-	-	-	-	-
Changes in Current Assets and Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, net	(0.1)	(3.3)	(0.2)	1.7	(10.7)	0.3	(1.6)	0.5	(2.9)	(3.0)	0.2	0.1	0.3	0.1
Inventories	(2.1)	(14.5)	(7.9)	(9.2)	(5.3)	(322.6)	(2.8)	(85.3)	(62.4)	(69.7)	(340.4)	(56.2)	(67.5)	(89.8)
Prepaid expenses and other current assets	(1.9)	0.8	(2.0)	0.9	-	-	-	-	-	-	-	-	-	-
Other assets	(0.1)	0.0	(0.4)	(17.2)	-	-	-	-	-	-	-	-	-	-
Accounts payable	0.5	8.8	0.9	4.4	6.5	263.9	2.3	69.8	51.1	57.0	278.5	46.0	55.2	73.5
Accrued liabilities	7.6	2.6	3.4	(3.8)	1.5	6.3	41.4	55.1	53.9	53.5	91.6	84.3	80.9	83.7
Other long-term liabilities	-	1.2	2.2	(1.5)	-	-	-	-	-	-	-	-	-	-
Deferred development compensation	-	10.2	(10.0)	(0.2)	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	4.1	(1.5)	(1.6)	-	-	-	-	-	-	-	-	-	-
Refundable reservation payments	15.2	10.7	(22.0)	3.4	4.5	(22.0)	(11.9)	-	-	-	-	-	-	-
Changes in Current Assets and Liabilities	19.2	20.5	(37.5)	(23.1)	(3.5)	(74.1)	27.4	40.1	39.7	37.9	29.9	74.2	68.9	67.5
Net Cash Flow from Operating Activities	(53.5)	(52.4)	(80.8)	(138.9)	(172.1)	(142.7)	101.1	223.6	297.8	329.7	395.9	467.3	459.0	503.7
Investing activities:														
Purchases of property and equipment excluding capital leases	(9.8)	(9.6)	(11.9)	(89.9)	(136.5)	(78.8)	(42.0)	(125.3)	(140.2)	(156.7)	(177.7)	(167.4)	(177.1)	(191.1)
Decrease (increase) in restricted cash	0.0	(1.0)	(2.4)	(96.1)	-	-	-	-	-	-	-	-	-	-
Net cash used in investing activities	(9.8)	(10.6)	(14.2)	(195.1)	(156.1)	(95.0)	(61.0)	(125.3)	(140.2)	(156.7)	(177.7)	(167.4)	(177.1)	(191.1)
Financing activities:														
Proceeds from issuance of convertible preferred stock, net of issuance	44.9	-	131.8	-	-	-	-	-	-	-	-	-	-	-
Proceeds from DOE Loan	-	-	-	62.0	271.3	131.7	(66.2)	(185.8)	(212.9)	-	-	-	-	-
Principal payments on capital leases and other debt	-	(0.2)	(0.3)	(0.2)	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of convertible notes and warrants	-	54.8	25.5	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Issuance of Common Stock	-	0.0	-	273.8	-	-	-	-	-	-	-	-	-	-
Proceeds from exercise of stock options	0.1	0.5	0.5	35.0	55.6	60.4	71.7	87.6	103.2	121.5	143.2	168.6	198.6	234.0
Deferred common stock and loan facility issuance costs	-	-	(2.0)	(3.5)	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash (used in) provided by financing activities	45.0	55.1	155.4	367.1	326.9	192.1	5.5	(98.3)	(109.7)	121.5	143.2	168.6	198.6	234.0
Effect of Exchange Rate Changes	-	-	-	(1.3)	-	-	-	-	-	-	-	-	-	-
Cash Restatement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Change in Cash and Cash Equivalents	(18.2)	(7.9)	60.4	31.7	(1.3)	(45.6)	45.6	(0.0)	47.8	294.5	361.4	468.5	480.6	546.6
Cash and cash equivalents at beginning of the year	35.4	17.2	9.3	69.6	101.3	100.0	54.4	100.0	100.0	147.8	442.3	803.7	1,272.2	1,752.8
Cash and cash equivalents at end of year	17.2	9.3	69.6	101.3	100.0	54.4	100.0	100.0	147.8	442.3	803.7	1,272.2	1,752.8	2,299.4

Source: Company data, Morgan Stanley Research estimates

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Tesla Motors Inc.



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(as of October 31, 2010)

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Tesla Motors Inc.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1122	40%	413	44%	37%
Equal-weight/Hold	1158	41%	411	43%	35%
Not-Rated/Hold	121	4%	22	2%	18%
Underweight/Sell	393	14%	103	11%	26%
Total	2,794		949		

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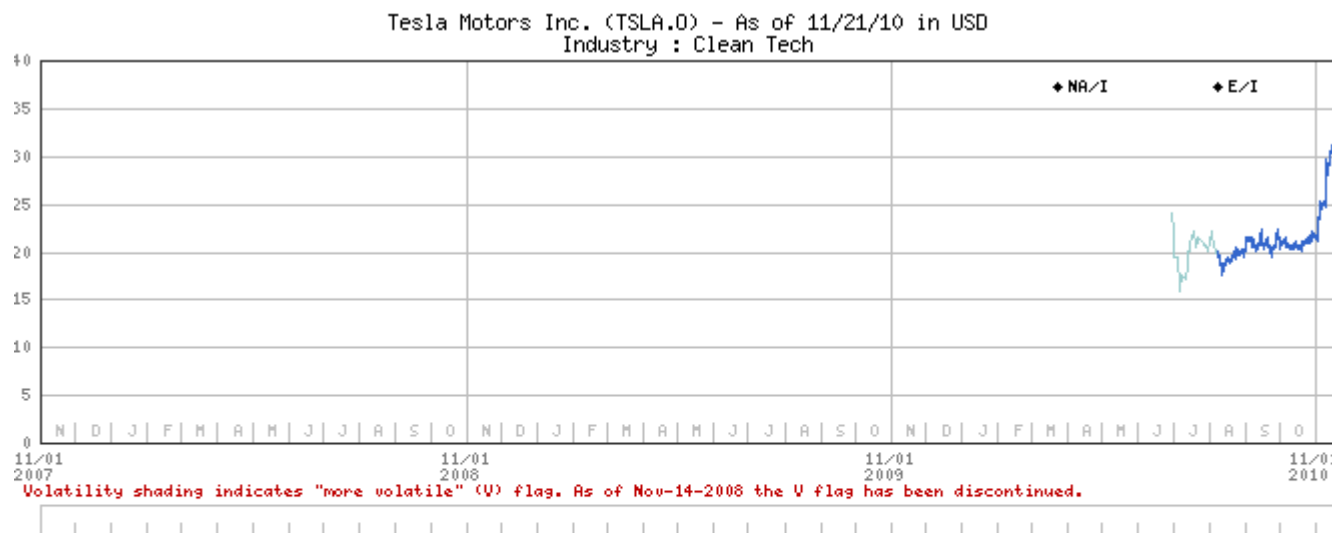
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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



Stock Rating History: 3/24/10 : NA/I; 8/9/10 : E/I

Price Target History: 8/9/10 : NA

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)
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Tesla Motors Inc.

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November 22, 2010

Tesla Motors Inc.

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Industry Coverage: Clean Tech

Company (Ticker)	Rating (as of)	Price* (11/19/2010)
Joshua Paradise, CFA		
A123 Systems Inc. (AONE.O)	E (11/10/2010)	\$8.91
Cree, Inc. (CREE.O)	E (10/20/2010)	\$58.34
Energy Conversion Devices, Inc (ENER.O)	E (11/10/2010)	\$4.87
Tesla Motors Inc. (TSLA.O)	E (08/09/2010)	\$30.99
Smittipon Srethapramote		
Amyris Inc. (AMRS.O)	O (11/08/2010)	\$19.34
Evergreen Solar Inc (ESLR.O)	E (03/24/2010)	\$.84
First Solar Inc. (FSLR.O)	O (03/24/2010)	\$126.75
SunPower Corporation (SPWRA.O)	E (10/08/2010)	\$12.31

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.