

October 4, 2010

Tesla Motors Inc.

Roadster Recall: One Small Bump on a Long Road

What's New? On Friday evening Tesla announced a minor recall of 439 Roadsters to fix an electrical problem on a voltage system that powers headlamps, taillights, turn signals and hazard lights. The fix is simple: it takes approximately 1 hour for a Tesla mechanic to install a protective sleeve over the electrical cable. We estimate that the repair, even if Tesla travels to a customer's home or office, will cost less than \$300 per vehicle. Tesla reserves ~\$3,000 per vehicle, so the warranty reserve should be sufficient to cover all associated repairs.

No direct impact to earnings, but could slow momentum. Even if Tesla took a charge of \$1,000 per vehicle, the direct impact on EPS should be less than \$0.01 per share because the number of vehicles affected (and the total number of vehicles sold to date) is so low. However, Tesla has established itself as a brand leader and the recall could tarnish the brand and temporarily slow Roadster sales. We forecast 150 Roadster sales per quarter globally; with absolute sales volumes so low, assessing the impact of the recall on customers' buying decisions is difficult.

Recalls are a fact of life in the auto industry. The National Highway Traffic Safety Administration (NHTSA) reports over 500 recalls so far in 2010, including top tier brands such as Rolls-Royce, Bentley, and Ferrari.

What's Next? Tesla has not confirmed the date for 3Q earnings. On the call, we'll be looking for updates on three key measures: (1) Model S reservations (which were 2,600 as of June 30), (2) Roadster sales, (3) the timeline to Model S launch, set for mid-2012. Mercedes-Benz also announced that they will begin production of 500 units of the A-class E-Cell with Tesla's 36kWh battery pack – as planned. Mercedes-Benz plans to market the vehicles in Germany, France, and the Netherlands in early 2011.

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Key Ratios and Statistics

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

Shr price, close (Oct 1, 2010)	\$20.60
Mkt cap, curr (mm)	\$1,920
52-Week Range	\$30.42-14.98

Fiscal Year ending	12/09	12/10e	12/11e	12/12e
ModelWare EPS (\$)	(7.96)	(3.25)	(2.25)	(1.41)
EPS (\$)**	(7.96)	(2.99)	(2.13)	(1.30)
Consensus EPS (\$)\$	(1.59)	(2.23)	(1.95)	(1.24)
P/E	NM	NM	NM	NM
EV/EBITDA	NM	NM	NM	NM
EV/rev	3.7	2.8	4.1	1.4
Revenue, net (\$mm)	112	105	153	629
Gross margin (%)	8.5	18.8	21.6	12.0
EBITDA margin (%)	(40.2)	(136.3)	(126.7)	(14.1)
Rev hist grth, y/y (%)	-	(6.3)	45.6	311.7
Rev grth, 5-year CAGR (%)	75.7e	83.1	74.0	43.0

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

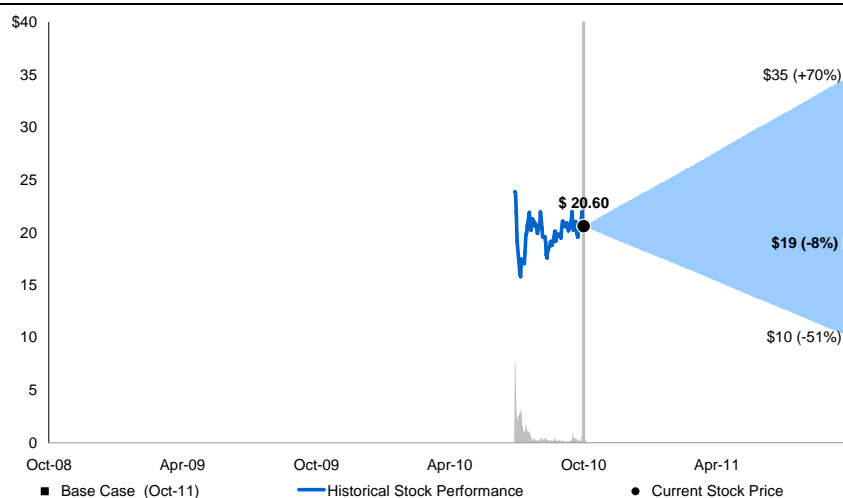
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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

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Risk-Reward Snapshot: Tesla Motors (TSLA, \$20.60, 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 2014e EBITDA = \$463 million	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.
Base Case \$19	2014e sales = \$1.9 billion 2014e EBITDA = \$161 million	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.
Bear Case \$10	2014e sales = \$461 million 2014e EBITDA = \$(26 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.

Key Assumptions for Bull, Bear, and Base Cases

		Bear	Base	Bull
Gross Margin	2012	9.9%	12.0%	13.8%
	2013	9.3%	15.0%	23.5%
	2014	16.5%	20.7%	24.5%
EBIT Margin	2012	NM	NM	NM
	2013	NM	NM	13.7%
	2014	NM	4.7%	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 estimates

Why Equal-weight?

- The opportunity in electric vehicles is enormous, but so is the challenge of getting the Model S on the road on time and on budget. At \$20.60, we think the stock fairly reflects the upside and downside potential. 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	145	150	150	150	150	150	150	150	100	98	-	-	500	300
Next Gen Vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Vehicles	182	200	324	134	126	141	145	150	150	150	150	150	150	150	2,100	3,598	3,750	3,750	4,250	4,050
Powertrains	-	-	-	-	105	200	240	340	450	650	700	770	800	800	800	800	875	875	875	875
Powertrain ASP (\$)	0.0k	0.0k	0.0k	0.0k	25.9k	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	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%	12.2%	15.5%	17.8%
Roadster	(9.8%)	7.8%	16.9%	9.6%	17.7%	16.2%	16.4%	16.4%	17.7%	19.7%	21.6%	23.5%	23.5%	23.5%	23.4%	23.4%	0.0%	0.0%	30.9%	30.4%
Powertrain	NM	NM	NM	NM	23.7%	15.0%	18.8%	18.8%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%
Total	NM	7.8%	16.9%	9.6%	18.5%	22.2%	17.1%	17.2%	19.7%	21.1%	22.1%	22.9%	22.9%	22.9%	10.9%	9.9%	9.5%	12.9%	17.8%	19.1%
Roadster Leasing (as % of Total Vehicles Sold)	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

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

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	-	-	-	289	300	249	400	400	400	400	400	400	400	400
Next Gen Vehicle	-	-	-	-	-	-	-	-	-	-	25,000	31,250	39,063	48,828
Total Vehicles	-	-	-	289	300	5,749	15,400	20,400	23,400	26,850	55,400	61,650	69,463	79,228
Powertrains	-	-	-	885	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	25.1k	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%	13.5%	19.7%	20.8%	19.9%	19.5%	19.5%	19.5%	19.5%
Roadster		NM	NM	16.7%	20.6%	23.4%	29.3%	37.0%	36.0%	36.0%	31.6%	37.8%	31.6%	31.6%
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	18.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%
Total														
Roadster Leasing (as % of Total Vehicles Sold)				7.5%	15.0%	15.0%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

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Exhibit 3

Base Case Quarterly Income Statement

\$ millions	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
Total Revenues	20.9	26.9	45.5	18.6	20.8	28.4	26.0	29.7	32.2	38.3	40.0	42.2	43.3	43.4	207.4	334.8	338.8	344.8	393.1	375.3
Cost of Revenue	22.9	24.8	37.8	16.8	17.0	22.1	21.6	24.6	25.9	30.3	31.2	32.5	33.4	33.5	184.9	301.8	306.7	300.2	323.1	303.5
Gross Profit	(2.0)	2.1	7.7	1.8	3.9	6.3	4.4	5.1	6.3	8.1	8.8	9.7	9.9	10.0	22.5	33.0	32.2	44.5	69.9	71.8
Gross Profit Margin	NM	7.8%	16.9%	9.6%	18.5%	22.2%	17.1%	17.2%	19.7%	21.1%	22.1%	22.9%	22.9%	22.9%	10.9%	9.9%	9.5%	12.9%	17.8%	19.1%
Expenses																				
Research and Development	7.9	1.9	1.3	8.1	13.3	14.9	25.0	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	9.0	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	3.0	5.0	3.9	3.9	3.9	3.9	3.5	3.5	3.5	3.5	4.6	4.2	4.2	3.8
Total Expenses	14.5	10.2	12.0	24.7	29.9	37.7	46.0	59.0	60.7	60.7	60.7	60.7	49.7	49.7	49.7	49.7	61.1	55.7	55.7	50.3
Operating (Loss) Income	(16.6)	(8.1)	(4.3)	(22.9)	(26.0)	(31.4)	(41.6)	(53.9)	(54.4)	(52.6)	(51.9)	(51.0)	(39.8)	(39.8)	(27.2)	(16.7)	(28.9)	(11.1)	14.3	21.5
Operating Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	3.6%	5.7%
EBITDA (excl. SBC)	(16.6)	(8.1)	0.7	(21.0)	(20.5)	(22.8)	(36.3)	(46.0)	(47.7)	(44.7)	(43.6)	(41.8)	(29.0)	(27.7)	(14.5)	(3.8)	(14.9)	4.9	29.9	37.3
EBITDA Margin	NM	NM	1.6%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	1.4%	7.6%	10.0%
Interest Expense, net	(1.4)	(1.1)	0.0	0.0	(0.2)	(0.4)	(0.4)	(0.6)	(0.9)	(0.9)	(1.3)	(2.0)	(2.7)	(3.3)	(3.6)	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)
Other Income (Expense), net	2.0	(1.7)	(0.6)	(1.1)	(3.2)	(6.7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Income (Expense)	0.6	(2.8)	(0.5)	(1.1)	(3.4)	(7.1)	(0.4)	(0.6)	(0.9)	(0.9)	(1.3)	(2.0)	(2.7)	(3.3)	(3.6)	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)
Pre-tax Income	(16.0)	(10.9)	(4.8)	(24.0)	(29.4)	(38.5)	(42.0)	(54.4)	(55.2)	(53.5)	(53.2)	(53.0)	(42.5)	(43.0)	(30.8)	(20.9)	(33.1)	(15.3)	10.1	17.3
Pre-tax margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	2.6%	4.6%
Taxes, GAAP	0.0	0.0	(0.2)	0.2	0.1	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Impact of One-Time Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes, Recurring	0.0	0.0	(0.2)	0.2	0.1	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effective Tax Rate	(0.0%)	(0.1%)	4.5%	(1.0%)	(0.4%)	(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%	0.0%	0.0%
Recurring Net Income	(16.0)	(10.9)	(4.6)	(24.2)	(29.5)	(38.5)	(42.0)	(54.4)	(55.2)	(53.5)	(53.2)	(53.0)	(42.5)	(43.0)	(30.8)	(20.9)	(33.1)	(15.3)	10.1	17.3
Recurring NI Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	2.6%	4.6%
Cumulative Effect of Accounting Change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
One-Time Charges/Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	(16.0)	(10.9)	(4.6)	(24.2)	(29.5)	(38.5)	(42.0)	(54.4)	(55.2)	(53.5)	(53.2)	(53.0)	(42.5)	(43.0)	(30.8)	(20.9)	(33.1)	(15.3)	10.1	17.3
GAAP EPS									(\$0.45)	(\$0.58)	(\$0.56)	(\$0.55)	(\$0.44)	(\$0.44)	(\$0.31)	(\$0.21)	(\$0.33)	(\$0.15)	\$0.09	\$0.15
Adjusted EPS									(\$0.43)	(\$0.54)	(\$0.52)	(\$0.52)	(\$0.41)	(\$0.41)	(\$0.29)	(\$0.19)	(\$0.30)	(\$0.12)	\$0.12	\$0.18

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

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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	104.9	152.8	628.9	1,452.0	1,876.1	2,160.2	2,434.1	3,766.5	4,012.2	4,293.1	4,693.5
Cost of Revenue	0.0	15.9	102.4	85.2	119.8	553.5	1,233.5	1,487.4	1,694.7	1,931.2	3,055.3	3,241.6	3,465.5	3,773.8
Gross Profit	0.1	(1.1)	9.5	19.7	32.9	75.4	218.4	388.7	465.5	502.9	711.3	770.6	827.5	919.6
Gross Profit Margin	87.7%	NM	8.5%	18.8%	21.6%	12.0%	15.0%	20.7%	21.6%	20.7%	18.9%	19.2%	19.3%	19.6%
Expenses														
Research and Development	62.7	53.6	19.3	90.1	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	131.3	151.2	170.4	263.7	280.9	300.5	328.5
General and Administrative	17.1	23.4	42.2	33.9	33.0	35.0	35.0	70.4	75.6	85.2	131.8	120.4	128.8	140.8
Stock-based Compensation	0.2	0.4	-	17.5	15.8	13.9	16.7	19.6	19.1	18.3	21.9	18.4	16.7	18.2
Total Expenses	80.0	77.4	61.4	172.5	242.8	198.9	222.7	301.3	331.5	365.4	515.4	524.4	558.3	607.6
Operating (Loss) Income	(79.9)	(78.5)	(51.9)	(152.8)	(209.8)	(123.5)	(4.3)	87.5	134.1	137.5	195.9	246.1	269.3	312.0
Operating Margin	NM	NM	NM	NM	NM	NM	NM	4.7%	6.2%	5.6%	5.2%	6.1%	6.3%	6.6%
EBITDA (excl. SBC)	(76.8)	(73.9)	(45.0)	(125.5)	(177.7)	(75.0)	57.3	160.6	216.8	231.7	301.1	371.4	394.4	449.7
EBITDA Margin	NM	NM	NM	NM	NM	NM	3.9%	8.6%	10.0%	9.5%	8.0%	9.3%	9.2%	9.6%
Interest Expense, net	1.7	(3.2)	(2.4)	(1.6)	(5.1)	(13.7)	(16.8)	(15.0)	(9.1)	(0.7)	0.8	1.7	2.9	4.1
Other Income (Expense), net	0.1	(1.0)	(1.4)	(10.0)	-	-	-	-	-	-	-	-	-	-
Total Other Income (Expense)	1.9	(4.2)	(3.8)	(11.5)	(5.1)	(13.7)	(16.8)	(15.0)	(9.1)	(0.7)	0.8	1.7	2.9	4.1
Pre-tax Income	(78.0)	(82.7)	(55.7)	(164.3)	(214.9)	(137.2)	(21.1)	72.5	125.0	136.8	196.7	247.8	272.2	316.0
Pre-tax margin	NM	NM	NM	NM	NM	NM	NM	3.9%	5.8%	5.6%	5.2%	6.2%	6.3%	6.7%
Taxes, GAAP	0.1	0.1	0.0	0.1	-	-	-	-	-	-	-	-	60.6	75.9
Tax Impact of One-Time Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes, Recurring	0.1	0.1	0.0	0.1	-	-	-	-	-	-	-	-	60.6	75.9
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%	0.0%	22.3%	24.0%
Recurring Net Income	(78.2)	(82.8)	(55.7)	(164.5)	(214.9)	(137.2)	(21.1)	72.5	125.0	136.8	196.7	247.8	211.6	240.2
Recurring NI Margin	NM	NM	NM	NM	NM	NM	NM	3.9%	5.8%	5.6%	5.2%	6.2%	4.9%	5.1%
Cumulative Effect of Accounting Change	-	-	-	-	-	-	-	-	-	-	-	-	-	-
One-Time Charges/Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	(78.2)	(82.8)	(55.7)	(164.5)	(214.9)	(137.2)	(21.1)	72.5	125.0	136.8	196.7	247.8	211.6	240.2
GAAP EPS				(\$3.25)	(\$2.25)	(\$1.41)	(\$0.20)	\$0.63	\$1.06	\$1.14	\$1.60	\$1.96	\$1.64	\$1.81
Adjusted EPS				(\$2.99)	(\$2.13)	(\$1.30)	(\$0.08)	\$0.76	\$1.19	\$1.25	\$1.73	\$2.07	\$1.73	\$1.92

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

October 4, 2010

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	216.5	100.0	58.2	100.0	100.0	100.0	306.3	601.0	1,046.2	1,469.3	1,952.7
Accounts receivable, net	0.1	3.3	3.5	1.6	12.6	12.2	13.5	13.0	15.8	18.7	18.6	18.5	18.3	18.2
Inventories, net	2.1	16.7	23.2	32.1	38.9	360.8	362.8	448.3	510.7	580.4	920.8	976.9	1,044.4	1,134.2
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	255.2	156.5	436.2	481.4	566.2	631.5	910.4	1,545.4	2,046.7	2,537.1	3,110.1
Property, Plant and Equipment, net	12.0	18.8	23.5	82.9	215.8	270.6	280.2	349.9	424.2	502.8	595.1	653.7	720.6	790.4
Restricted cash	0.3	1.2	3.6	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Other assets	0.3	0.3	2.8	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4
Total Assets	34.8	51.7	130.4	362.9	397.1	731.6	786.4	940.9	1,080.5	1,438.0	2,165.3	2,725.1	3,282.4	3,925.4
Current Liabilities														
Accounts payable	5.4	14.2	15.1	24.1	31.8	295.2	296.9	366.8	417.9	474.9	753.3	799.3	854.5	928.0
Accrued liabilities	8.5	11.1	14.5	8.9	10.4	16.8	57.8	111.6	164.3	216.6	307.2	390.5	470.7	553.7
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	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Refundable reservation payments	37.3	48.0	26.0	28.8	32.5	10.8	-	-	-	-	-	-	-	-
Total Current Liabilities	51.3	87.9	57.5	63.0	76.1	324.1	356.0	479.6	583.4	692.8	1,061.8	1,191.1	1,326.5	1,483.0
Convertible preferred stock warrant liability	0.2	2.1	1.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7
Capital lease obligations, less current portion	0.0	0.9	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Convertible notes payable	-	54.5	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue, less current portion	-	-	1.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
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	-	-	-	102.4	273.0	423.8	381.1	234.4	25.5	-	-	-	-	-
Total Long-Term Liabilities	101.4	163.5	326.5	123.9	294.5	445.3	402.6	255.8	47.0	21.5	21.5	21.5	21.5	21.5
Total Liabilities	152.7	251.4	383.9	186.9	370.6	769.4	758.6	735.5	630.4	714.2	1,083.3	1,212.6	1,347.9	1,504.4
Stockholders' Equity														
Common stock	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	4.3	5.2	7.1	582.2	647.7	720.6	807.3	912.3	1,032.1	1,169.0	1,330.5	1,513.3	1,723.6	1,969.9
Retained Earnings	(122.1)	(204.9)	(260.7)	(406.2)	(621.1)	(758.4)	(779.4)	(706.9)	(582.0)	(445.2)	(248.5)	(0.7)	210.9	451.1
Accumulated other comprehensive loss, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total stockholders' equity	(117.8)	(199.7)	(253.5)	176.0	26.5	(37.8)	27.8	205.4	450.1	723.8	1,082.0	1,512.6	1,934.5	2,420.9
Total Liabilities and Stockholders' Equity	34.8	51.7	130.4	362.9	397.1	731.6	786.4	940.9	1,080.5	1,438.0	2,165.3	2,725.1	3,282.4	3,925.4

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

October 4, 2010

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)	(164.5)	(214.9)	(137.2)	(21.1)	72.5	125.0	136.8	196.7	247.8	211.6	240.2
Depreciation and Amortization	2.9	4.2	6.9	9.8	16.3	34.6	44.8	53.6	63.7	76.0	83.3	106.9	108.4	119.4
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	17.5	15.8	13.9	16.7	19.6	19.1	18.3	21.9	18.4	16.7	18.2
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)	1.9	(11.0)	0.4	(1.3)	0.5	(2.8)	(2.9)	0.1	0.1	0.2	0.1
Inventories	(2.1)	(14.5)	(7.9)	(9.2)	(6.8)	(321.9)	(2.0)	(85.4)	(62.5)	(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)	(0.5)	-	-	-	-	-	-	-	-	-	-
Accounts payable	0.5	8.8	0.9	4.4	7.8	263.4	1.7	69.9	51.1	57.0	278.5	46.0	55.2	73.5
Accrued liabilities	7.6	2.6	3.4	(4.0)	1.6	6.3	41.0	53.8	52.7	52.3	90.6	83.3	80.2	83.0
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)	0.5	-	-	-	-	-	-	-	-	-	-
Refundable reservation payments	15.2	10.7	(22.0)	2.7	3.8	(21.7)	(10.8)	-	-	-	-	-	-	-
Changes in Current Assets and Liabilities	19.2	20.5	(37.5)	(4.9)	(4.7)	(73.5)	28.5	38.8	38.5	36.8	28.8	73.2	68.1	66.8
Net Cash Flow from Operating Activities	(53.5)	(52.4)	(80.8)	(133.1)	(187.5)	(162.2)	69.0	184.4	246.2	267.8	330.7	446.2	404.8	444.7
Investing activities:														
Purchases of property and equipment excluding capital leases	(9.8)	(9.6)	(11.9)	(72.6)	(149.2)	(89.3)	(54.5)	(123.2)	(138.0)	(154.5)	(175.7)	(165.4)	(175.3)	(189.3)
Decrease (increase) in restricted cash	0.0	(1.0)	(2.4)	(1.8)	-	-	-	-	-	-	-	-	-	-
Net cash used in investing activities	(9.8)	(10.6)	(14.2)	(74.4)	(149.2)	(89.3)	(54.5)	(123.2)	(138.0)	(154.5)	(175.7)	(165.4)	(175.3)	(189.3)
Financing activities:														
Proceeds from issuance of convertible preferred stock, net of issuance	44.9	-	131.8	-	-	-	-	-	-	-	-	-	-	-
Proceeds from DOE Loan	-	-	-	102.4	170.6	150.8	(42.7)	(146.7)	(208.9)	(25.5)	-	-	-	-
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	-	243.8	-	-	-	-	-	-	-	-	-	-
Proceeds from exercise of stock options	0.1	0.5	0.5	11.7	49.7	59.0	70.0	85.5	100.7	118.6	139.6	164.4	193.6	228.0
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	354.3	220.3	209.8	27.3	(61.3)	(108.2)	93.1	139.6	164.4	193.6	228.0
Effect of Exchange Rate Changes														
Cash Restatement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Change in Cash and Cash Equivalents	(18.2)	(7.9)	60.4	146.8	(116.5)	(41.8)	41.8	-	(0.0)	206.3	294.7	445.2	423.2	483.4
Cash and cash equivalents at beginning of the year	35.4	17.2	9.3	69.6	216.5	100.0	58.2	100.0	100.0	100.0	306.3	601.0	1,046.2	1,469.3
Cash and cash equivalents at end of year	17.2	9.3	69.6	216.5	100.0	58.2	100.0	100.0	100.0	306.3	601.0	1,046.2	1,469.3	1,952.7

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

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Tesla Motors Inc.



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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1115	42%	394	43%	35%
Equal-weight/Hold	1146	43%	413	45%	36%
Not-Rated/Hold	14	1%	4	0%	29%
Underweight/Sell	381	14%	99	11%	26%
Total	2,656		910		

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Tesla Motors Inc.

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Industry Coverage: Clean Tech

Company (Ticker)	Rating (as of)	Price* (10/01/2010)
Joshua Paradise		
Cree, Inc. (CREE.O)	O (08/25/2010)	\$53.49
Energy Conversion Devices, Inc (ENER.O)	U (03/24/2010)	\$5.08
Tesla Motors Inc. (TSLA.O)	E (08/09/2010)	\$20.6
Smittipon Srethapramote		
Evergreen Solar Inc (ESLR.O)	E (03/24/2010)	\$.75
First Solar Inc. (FSLR.O)	O (03/24/2010)	\$147.23

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* Historical prices are not split adjusted.