

# Tesla Motors Inc

**S&P Capital IQ  
Recommendation**
**SELL** ★ ★ ★ ★ ★

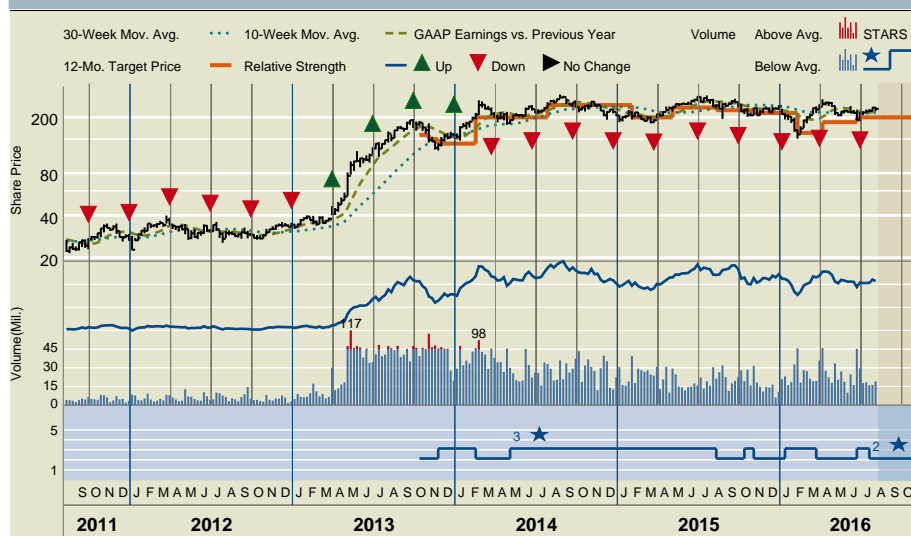
**S&P Capital IQ Equity Analyst E. Levy-CFA**
**Price**
**\$230.03** (as of Aug 05, 2016 4:00 PM ET)

**12-Mo. Target Price**
**\$200.00**
**Report Currency**
**USD**
**GICS Sector** Consumer Discretionary  
**Sub-Industry** Automobile Manufacturers

**Summary** Tesla designs, develops, manufactures and sells high-performance fully electric vehicles and advanced electric vehicle powertrain components.

**Key Stock Statistics** (Source S&P Capital IQ, Vickers, company reports)

52-Wk Range	<b>\$271.57– 141.05</b>	S&P Oper. EPS 2016E	<b>0.40</b>	Market Capitalization(B)	<b>\$28.929</b>	Beta	<b>0.62</b>
Trailing 12-Month EPS	<b>\$-8.45</b>	S&P Oper. EPS 2017E	<b>2.90</b>	Yield (%)	<b>Nil</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>30</b>
Trailing 12-Month P/E	<b>NM</b>	P/E on S&P Oper. EPS 2016E	<b>NM</b>	Dividend Rate/Share	<b>Nil</b>	S&P Quality Ranking	<b>NR</b>
\$10K Invested 5 Yrs Ago	<b>\$94,897</b>	Common Shares Outstg. (M)	<b>125.8</b>	Institutional Ownership (%)	<b>74</b>		

**Price Performance**


Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **E. Levy-CFA** on Aug 04, 2016 12:46 PM, when the stock traded at **\$225.24**.

**Highlights**

- After total revenues advanced 27% in 2015, we forecast Tesla's total revenues to accelerate to 57% growth in 2016. Model X contributions started in the 2015 fourth-quarter, with a mass volume vehicle planned for sale in late 2016. The company's plan for 60% new vehicles sales volume growth in 2016 should support our revenue view. Foreign currency rates should partly penalize 2016 revenues. The Model 3 is scheduled to start production and deliveries in late 2017. We forecast 37% higher revenues in 2017.
- Margins may fluctuate among quarters, but we see long-term improvement overall due to manufacturing cost reductions and more efficiencies from higher Model S production. Certain costs should rise as the company expands internationally as it invests in technology and infrastructure for the upcoming Model 3. The strong dollar should hurt margins from international sales.
- We view the proposed purchase of Solar City (SCTY 24 Hold) negatively, as we consider it a near term distraction and a cash flow drain. We also believe the new master plan will require dilutive funding to meet expanded objectives.

**Investment Rationale/Risk**

- Tesla's story of innovative electric vehicles with industry-leading all-electric driving range and strong safety reviews is attractive. Also, its unique business model and technological leadership give it a margin advantage over peers.
- Risks to our opinion and target price include faster-than-expected sales growth in the U.S. and international markets, and more- or faster-than-expected cost-saving efficiencies. Warranty and service costs could be less than expected, and technological improvement could come faster than forecasted, and lead to more-than-expected consumer acceptance. The proposed purchase of Solar City could be a drain on company resources, if completed.
- Our 12-month target of \$200 is 69X 2017's EPS estimate and 30X 2018's \$6.75 estimate, a premium valuation to other automotive peers. Also, this multiple reflects our estimate of a three-year compound annual growth rate of about 185%, from a 2014 base, and potential benefits from its non-automotive, battery business. Tesla should be evaluated as a growth company, rather than a typical automobile manufacturer, because of the rapid expansion in sales and profits that we project over the next few years.

**Analyst's Risk Assessment**

LOW	MEDIUM	HIGH
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Our risk assessment reflects the highly competitive nature of the auto industry, as well execution risk for the company, partly offset by potential dramatic volume growth we expect for the company.

**Revenue/Earnings Data**

Revenue (Million \$)					
	1Q	2Q	3Q	4Q	Year
2016	1,147	1,270	--	--	--
2015	939.9	955.0	936.8	1,214	4,046
2014	620.5	769.4	851.8	956.7	3,198
2013	561.8	405.1	431.4	615.2	2,013
2012	30.17	26.65	50.10	306.3	413.3
2011	49.03	58.17	57.67	39.38	204.2

**Earnings Per Share (\$)**

	2016	2015	2014	2013	2012	2011
	-2.13	-1.45	-1.78	-0.32	-1.05	-0.62
	-2.09	-1.45	-0.60	-0.13	-0.79	-0.78
	E0.34	E0.97	E0.40	E0.40	E0.40	E0.40
	-2.22	-1.45	-1.78	-2.44	-6.93	-2.36
	-0.40	-0.50	-0.60	-0.86	-2.36	-0.62
	0.10	-0.26	-0.32	-0.13	-0.62	-3.69
	-0.86	-1.00	-1.05	-0.79	-3.69	-2.53
	-0.51	-0.60	-0.62	-0.78	-2.53	

Fiscal year ended Dec. 31. Next earnings report expected: Early August. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

No cash dividends have been paid.

Past performance is not an indication of future performance and should not be relied upon as such.

**Please read the Required Disclosures and Analyst Certification on the last page of this report.**

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# Tesla Motors Inc

## Business Summary August 04, 2016

**CORPORATE OVERVIEW.** Tesla Motor Inc. designs, develops, manufactures and sells high-performance fully electric vehicles and advanced electric vehicle powertrain components. The company believes its vehicles, electric vehicle engineering expertise and operational structure are quite different from those of traditional automotive manufacturers.

The company was the first to commercially produce a federally compliant electric vehicle, the Tesla Roadster, which achieves a market-leading range on a single charge combined with what it considers an attractive design, driving performance and zero tailpipe emissions. The company adapted the platform of its second vehicle, the model S sedan, to develop its Model X SUV. On March 31, 2016, the company introduced and began accepting deposits on orders for its mass market, \$35,000 (base price) Model 3 sedan expected to start delivery in late 2017.

In addition, Tesla provides services for the development of full electric powertrain systems and components, and sells electric powertrain components to other automotive manufacturers.

Tesla sells and services its vehicles through a company-owned sales and service network in North America, Europe and Asia. Its stores do not carry large inventories. Most customers choose to customize their vehicles.

**CORPORATE STRATEGY.** The company designed its Model S with an adaptable platform and common electric powertrain so that it can leverage to create future electric vehicle models. Its strategy also includes using commercially available battery cells that will let it leverage improvements in cell chemistries and quickly bring to market vehicles with different driving range options.

The company is building a Supercharger network in the U.S. and internationally to help ameliorate consumer concern about the limited driving range of all-electric vehicles.

**MARKET PROFILE.** Our fundamental outlook for the automobile manufacturers industry is positive. We see U.S. automotive demand trending higher on a year-over-year basis. While we expect to see uneven geographic progress, we look for global demand to rise in 2016.

We estimate a 1.0% increase in U.S. light vehicle sales to 17.6 million units in 2016, as well as gains in most other regions. Rising prosperity in emerging markets, led by China, should drive global demand growth. We expect European demand to be higher in 2016. We think higher volume in the U.S. and abroad will help corporate profits and cash flows. Positive factors we see in the U.S. include pent-up demand and improved access to consumer credit. The average vehicle is now more than 11 years old, an industry record.

**FINANCIAL TRENDS.** The company excludes one-time and non-cash items, and the effect of lease accounting, in its non-GAAP earnings. GAAP accounting accrues revenues and costs for lease sales and any related profits over time, rather than at the time of sale. The company's non-GAAP reporting recognizes these items at the time of sale. Cash flow is not impacted by the accounting differences. The company also adds back stock compensation costs included in cost of goods sold, selling, general and administrative expenses, and research and development expense. While we exclude the impact of lease accounting from our earnings estimates, we do not adjust for recurring stock compensation.

The company is building a "Gigafactory" to supply its battery needs.

We estimate adjusted EPS of \$0.40 in 2016, compared to an adjusted loss per share of \$2.30 in 2015 and EPS of \$0.14 in 2014.

## Corporate Information

### Investor Contact

J. Evanston

### Office

3500 Deer Creek Road, Palo Alto, CA 94304.

### Telephone

650-681-5000.

### Fax

650-681-5101.

### Website

<http://www.tesla.com>

### Officers

#### Chrmn & CEO

E.R. Musk

#### General Counsel

T.A. Maron

#### CFO

J.S. Wheeler

#### CTO

J.B. Straubel

### Board Members

B. W. Buss

R. M. Denholm

I. M. Ehrenpreis

A. J. Gracias

S. T. Jurvetson

E. R. Musk

K. Musk

### Domicile

Delaware

### Founded

2003

### Employees

13,058

### Stockholders

769

# Tesla Motors Inc

## Quantitative Evaluations

<b>S&amp;P Capital IQ Fair Value Rank</b>	1-	1	2	3	4	5
		LOWEST				HIGHEST
		Based on S&P Capital IQ's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).				

<b>Fair Value Calculation</b>	<b>\$140.50</b>	Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that TSLA is overvalued by \$89.53 or 38.9%.
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<b>Investability Quotient Percentile</b>	69
	LOWEST = 1 HIGHEST = 100
	TSLA scored higher than 69% of all companies for which an S&P Capital IQ Report is available.

<b>Volatility</b>	LOW AVERAGE HIGH
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<b>Technical Evaluation</b>	<b>BULLISH</b>	Since July, 2016, the technical indicators for TSLA have been BULLISH.
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<b>Insider Activity</b>	UNFAVORABLE NEUTRAL FAVORABLE
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## Expanded Ratio Analysis

	2015	2014	2013	2012
Price/Sales	7.60	8.66	8.92	8.80
Price/EBITDA	NM	NM	NM	NM
Price/Pretax Income	NM	NM	NM	NM
P/E Ratio	NM	NM	NM	NM
Avg. Diluted Shares Outstg (M)	128.2	124.5	119.4	107.3

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	26.50	NM	NM	NA
Net Income	NM	NM	NM	NM

## Ratio Analysis (Annual Avg.)

Net Margin (%)	NM	NM	NM	NM
% LT Debt to Capitalization	53.64	51.29	55.73	NA
Return on Equity (%)	NM	NM	NM	NA

For further clarification on the terms used in this report, please visit [www.spcapitaliq.com/stockreportguide](http://www.spcapitaliq.com/stockreportguide)

## Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tangible Book Value	8.29	7.25	5.31	0.97	2.00	2.03	NM	NA	NA	NA
Cash Flow	-3.64	-0.50	0.27	-3.42	-2.37	-2.83	-6.95	-11.84	-21.85	-9.98
Earnings	-6.93	-2.36	-0.62	-3.69	-2.53	-3.04	-0.70	-12.46	-22.69	-10.18
S&P Capital IQ Core Earnings	NA	NA	NA	-3.69	-2.53	-1.66	-0.60	-0.89	NA	NA
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	NA	NA	NA	NA
Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	NA	NA	NA	NA
Prices:High	286.65	291.42	194.50	39.95	35.00	36.42	NA	NA	NA	NA
Prices:Low	181.40	136.67	32.11	22.64	21.11	14.98	NA	NA	NA	NA
P/E Ratio:High	NM	NM	NM	NM	NM	NM	NA	NA	NA	NA
P/E Ratio:Low	NM	NM	NM	NM	NM	NM	NA	NA	NA	NA

## Income Statement Analysis (Million \$)

Revenue	4,046	3,198	2,013	413	204	117	112	14.7	0.07	NA
Operating Income	-294	45.2	44.8	-365	-235	-137	-45.0	-74.4	-77.0	-29.8
Depreciation	423	232	106	28.8	16.9	10.6	6.94	4.16	2.89	0.62
Interest Expense	119	101	32.9	0.25	0.04	0.99	2.53	3.75	NA	0.42
Pretax Income	-876	-285	-71.4	-396	-254	-154	-55.7	-82.7	-78.1	-29.9
Effective Tax Rate	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Net Income	-889	-294	-74.0	-396	-254	-154	-55.7	-82.8	-78.2	-30.0
S&P Capital IQ Core Earnings	NA	NA	NA	-396	-254	-154	-55.7	-82.8	NA	NA

## Balance Sheet & Other Financial Data (Million \$)

Cash	1,197	1,906	846	202	280	99.6	69.6	9.28	17.2	NA
Current Assets	2,792	3,199	1,266	525	373	236	101	31.4	22.3	NA
Total Assets	8,092	5,849	2,417	1,114	713	386	130	51.7	34.8	NA
Current Liabilities	2,858	2,165	675	539	180	80.7	57.5	87.9	51.3	NA
Long Term Debt	2,023	1,807	586	401	276	71.8	NA	54.5	NA	NA
Common Equity	1,089	912	667	125	224	207	-254	-200	-118	NA
Total Capital	3,772	3,378	1,253	577	500	279	67.4	-41.9	-16.5	NA
Capital Expenditures	1,635	970	264	239	198	40.2	11.9	9.63	9.80	6.51
Cash Flow	-466	-62.1	32.1	-367	-237	-144	-48.8	-78.6	-75.3	-29.3
Current Ratio	1.0	1.5	1.9	1.0	2.1	2.9	1.8	0.4	0.4	NA
% Long Term Debt of Capitalization	53.6	53.5	46.8	69.6	55.2	25.8	Nil	NM	NM	Nil
% Net Income of Revenue	NM	NM	NM	NM	NM	NM	NM	NM	NM	NA
% Return on Assets	NM	NM	NM	NM	NM	NM	NM	NM	NA	NA
% Return on Equity	NM	NM	NM	NM	NM	NM	NM	NM	NA	NA

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

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**Tesla Motors Inc****Sub-Industry Outlook**

Our fundamental outlook for the automobile manufacturers sub-industry for the next 12 months is positive. In 2016, we see U.S. automotive demand trending higher year-over-year. While we expect to see uneven geographic progress, we look for global demand to rise again. Also, despite the risks we perceive, we forecast steady improvement overall. Europe has pressured General Motors and Ford in the troubled region, but the companies have shown progress, and we see higher industry sales volume there after years of declines. Russia and parts of South America still look likely to be challenged areas, with declines, and the strong dollar is hurting profit and sales translation.

We estimate 2016 U.S. light vehicle sales will rise 1.0% to a cyclical peak of 17.6 million, before a softening in 2017. We expect gains in most other regions too. Rising prosperity in emerging markets, led by China (even as growth there slows), should drive global demand growth, and European demand should rise, partly offset by declines in some emerging markets. We think higher volume in the U.S. and abroad will help corporate profits and cash flows. Recall costs, should be reduced, enhancing profits, although currency swings impact companies' profitability. European difficulties should be partly offsetting factors. Positive factors we see in the U.S. include widely available access to consumer credit, rising consumer confidence and employment, a strong stock market and lower gas prices. The average vehicle is now about 11.5 years old, an industry record.

We think lower gasoline prices and economic growth will support expansion in the highly profitable light truck segment. Also, new and refreshed pickup trucks, now for sale, combined with improved construction, housing and contractor activity should boost overall truck sales. Luxury

vehicle sales in the U.S., which were also restrained by economic weakness, should show improvement, in our view, as wealthy consumers become more confident. Luxury sales should be strong in China.

We believe GM's and Chrysler's respective bankruptcy filings allowed the automakers to shed billions of dollars in liabilities and lower their operating costs. Overall, we believe this makes the companies more cost competitive and focused, but they still face competitive challenges. Chrysler has merged with Fiat SpA of Italy, as Fiat Chrysler Automotive NV.

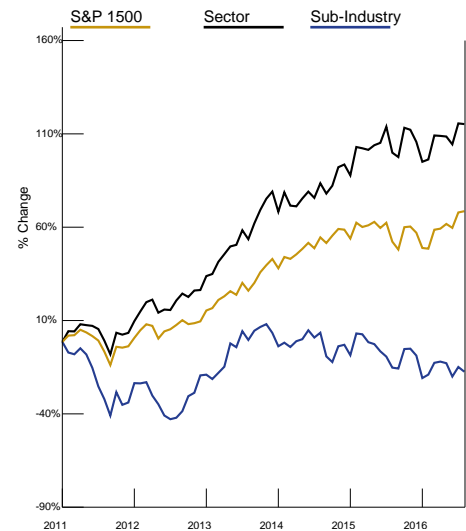
Year to date through June 10, the S&P Automobile Manufacturers Index was 8.8% lower, versus a 3.0% increase for S&P 1500 Index. In 2015, the sub-industry index was down 5.9%, compared to a 1.0% decline for the S&P 1500.

--Efraim Levy, CFA

**Industry Performance**

**GICS Sector: Consumer Discretionary**  
**Sub-Industry: Automobile Manufacturers**

Based on S&P 1500 Indexes  
Five-Year market price performance through Aug 6, 2016



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Past performance is not an indication of future performance and should not be relied upon as such.

**Sub-Industry : Automobile Manufacturers Peer Group\*: Automakers**

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Tesla Motors</b>	<b>TSLA</b>	<b>28,929</b>	<b>230.03</b>	<b>271.57/141.05</b>	<b>0.62</b>	<b>Nil</b>	<b>NM</b>	<b>140.50</b>	<b>NR</b>	<b>69</b>	<b>NM</b>	<b>53.6</b>
Daimler AG	DDAIF	72,495	67.75	92.90/56.56	1.69	Nil	8	86.00	NR	26	5.8	51.8
Ford Motor	F	48,029	12.19	15.84/10.44	1.53	4.9	6	12.90	B	92	4.9	NA
Fuji Heavy Ind ADS	FUJHY	28,808	73.83	84.85/61.09	0.76	3.0	8	NA	NR	59	13.5	6.2
General Motors	GM	47,930	30.80	36.88/24.62	1.72	4.9	4	33.30	NR	35	6.4	15.2
Honda Motor ADS	HMC	52,194	28.96	35.67/24.03	1.01	2.4	18	43.90	NR	39	2.8	27.0
Nissan Motor Co ADS	NSANY	39,147	19.23	21.92/16.50	0.92	3.2	9	26.90	NR	24	4.5	4.8
Toyota Motor ADS	TM	176,124	115.96	131.43/97.80	0.62	2.8	10	129.90	NR	64	8.6	2.2
Volkswagen ADS	VLKAY	73,076	29.16	42.83/22.71	1.68	0.1	NM	NA	NR	22	NM	NA

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

# Tesla Motors Inc

## S&P Capital IQ Analyst Research Notes and other Company News

### August 3, 2016

04:59 pm ET ... S&P GLOBAL REITERATES SELL OPINION ON SHARES OF TESLA MOTORS (TSLA 225.79\*\*): Adjusted Q2 loss per share of \$1.06 vs. a loss of \$0.57 is wider than the Capital IQ consensus loss estimate of \$0.65. Q2 non-GAAP revenue is \$1.56 billion, versus the \$1.65 billion estimate. The shortfalls were despite advanced knowledge that Q2 vehicle deliveries would miss objectives. While TSLA is likely now on track to meet original second half deliveries plans, recent news regarding CEO Elon's Musk's Master Plan update and the planned purchase of SolarCity (SCTY 24 \*\*\*) cause us to question how long until, if ever, TSLA reaches sustainable non-GAAP profitability. /E. Levy-CFA

### August 1, 2016

10:04 am ET ... S&P GLOBAL REITERATES SELL OPINION ON SHARES OF TESLA MOTORS (TSLA 234.79\*\*): We still question TSLA's merger pact even as it reduces the price it plans to pay for SolarCity (SCTY 26 \*\*\*). Shareholder approval appears more likely. We look from a TSLA valuation perspective, even as we also see potential benefits from a technological viewpoint. We think the deal helps SCTY more than TSLA. We see benefits from a combined solar/storage offering and manufacturing efficiencies, but remain concerned about cash flow and capital needs. We expect negative free cash at both companies and would expect TSLA to need capital market funding if the merger closes. /E. Levy-CFA

### August 1, 2016

09:21 am ET ... S&P GLOBAL MAINTAINS HOLD OPINION ON SHARES OF SOLARCITY CORP. (SCTY 26.70\*\*\*): We raise our 12-month target price to \$26 from \$21, reflecting Tesla's (TSLA 235 \*\*) intent to acquire SCTY for 0.11 shares of TSLA for each SCTY share (implies \$25.83 per share based on prior close). The deal is seen closing in Q4 and includes a 45-day go-shop period. We think a deal helps reduce SCTY's cost per watt and provides greater access to financing. We see benefits from a combined solar/storage offering and manufacturing efficiencies. We think getting shareholder approval is more likely. Separately, SCTY reduces '16 installation guidance to .9-1.1GW from 1-1.1GW. /A. Zino-CFA

### July 27, 2016

02:42 pm ET ... S&P GLOBAL REITERATES HOLD OPINION ON MOBILEYE N.V. (MBLY 47.36\*\*\*): We increase our 12-month target by \$10 to \$55, on a 1.4X forward P/E-to-growth (PEG) ratio, in line with peers. We trim our '16 EPS estimate by \$0.01 to \$0.68 and '17's by \$0.05 to \$1.01. MBLY posts Q2 EPS of \$0.17 vs. \$0.10, above Capital IQ consensus by \$0.02. Sales rose 58%, led by EyeQ chip volume (up 45%). We think recent weakness from the conclusion of relations with Tesla (TSLA 229 \*\*) are overdone, as projected revenue was expected to be only 2% by '19. While encouraged by further likely autonomous partnerships, we remain sidelined until further visibility surfaces. /D. Holt

### July 21, 2016

01:34 pm ET ... S&P GLOBAL CUTS VIEW ON SHARES OF TESLA TO SELL FROM HOLD (TSLA 221.75\*\*): We lower our '16 EPS estimate by \$0.30 to \$0.40 and '17's by \$0.70 to \$2.90, as we reduce our revenue expectations. We keep our \$200 12-month target price of 30X '18's \$6.75, on rapid expected growth. Separately, while we think Tesla's new master plan may build a long-term technological monument, we think it will create a short-term cash flow sink hole. Musk's new plan changes the investment thesis from an automotive technology leader heading to the mass market with self-driven sustainable profitability, to a company that will continue to dilute value for existing shareholders. /E. Levy-CFA

### June 23, 2016

02:38 pm ET ... S&P GLOBAL RAISES VIEW ON SHARES OF TESLA TO HOLD FROM SELL (TSLA 195.10\*\*\*): We raise our 12-month target by \$15 to \$200. With TSLA below our target, we elevate our opinion to hold. We increase our '18 EPS estimate by \$1.00 to \$6.75, and cut '16's in half to \$0.70. Our target equates to a multiple of 30X our '18 EPS projection, and 56X our unchanged 2017 EPS estimate of \$3.60, reflecting our expectation for rapid automotive profit growth. Our estimates due not include the possible buy of Solar City (SCTY 22 \*\*\*), a transaction we view negatively. We see a possible withdrawal of the offer, which we think would boost the volatile and risky shares. /E. Levy-CFA

### June 22, 2016

09:24 am ET ... S&P GLOBAL REITERATES SELL OPINION ON SHARES OF TESLA MOTORS (TSLA 219.61\*\*): Our first impression of TSLA's planned offer to buy Solar City (SCTY 21 \*\*\*) is negative. While there are potential operational

synergies from the combination, we see increasing risk to TSLA's valuation and cash flow, including our doubts about SCTY's achieving targeted break even cash flow exiting the calendar year. We think benefits can be made with arms length transactions versus merger. We believe the transaction distracts from TSLA's cash flow burn, will require dilutive capital raising by TSLA, and would eliminate TSLA as a pure-play electric vehicle investment. /E. Levy-CFA

### June 22, 2016

09:21 am ET ... S&P GLOBAL MAINTAINS HOLD OPINION ON SHARES OF SOLARCITY CORP. (SCTY 21.19\*\*\*): Tesla (TSLA 220 \*\*) offers to acquire SCTY for stock (0.122 to 0.131 shares of TSLA for each SCTY share). The mid-point of the offer implies a premium of about 31% to SCTY's prior closing price. TSLA's board has approved the deal, but approvals are required from SCTY's board and both companies' shareholders. We think approval from TSLA shareholders (excluding Elon Musk) could be a major obstacle, as we see concerns about SCTY's high-risk business profile. We also see corporate governance issues (Musk owns 22% and 21% of SCTY and TSLA). We do see potential revenue synergies. /A. Zino-CFA

### May 18, 2016

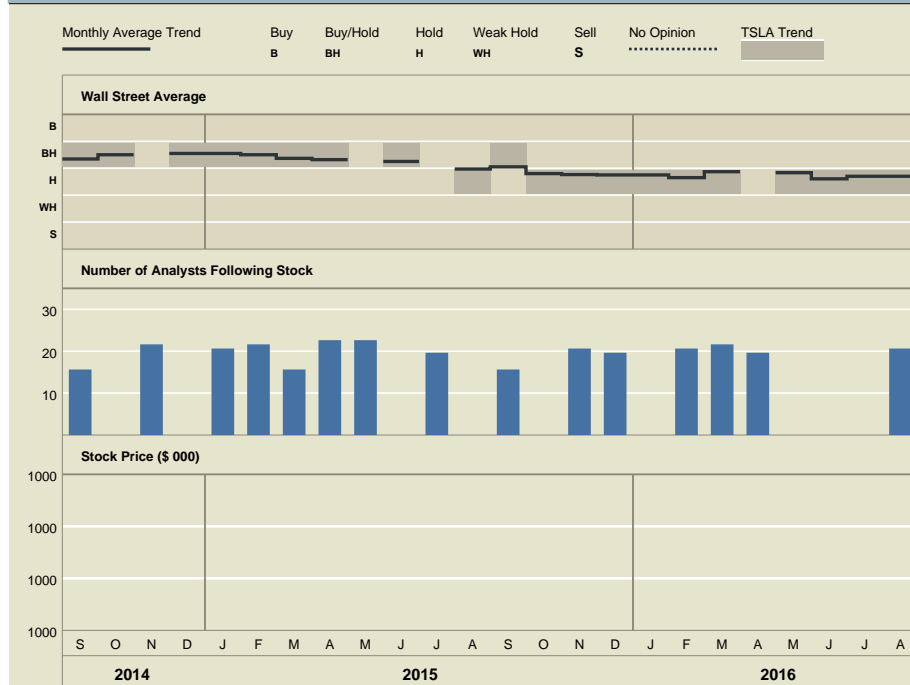
05:08 pm ET ... S&P GLOBAL KEEPS SELL OPINION ON SHARES OF TESLA MOTORS (TSLA 211.17\*\*): TSLA announces a 9.6 million stock offering, assuming underwriters exercise their option to purchase additional shares. We expected a TSLA offering after it recently indicated needing more funding to finance the accelerated mass production of its Model 3 car. However, expected company net proceeds of \$1.7 billion, is less than the \$2 billion range that we estimated might be raised. We think the offering will result in about 10% dilution for existing shareholders. While CEO Elon Musk is also selling some shares, TSLA attributes it to funding stock option exercise tax obligations. /E. Levy-CFA

### May 16, 2016

Peter Hochholdinger to is joining Tesla Motors to lead production. Peter Hochholdinger will be responsible for increasing and improving production of Tesla's Model S sedan and Model X SUV. He will also develop the production plan for the company's lower-cost Model 3 sedan, which goes on sale in 2017. Hochholdinger spent 22 years at Audi.

# Tesla Motors Inc

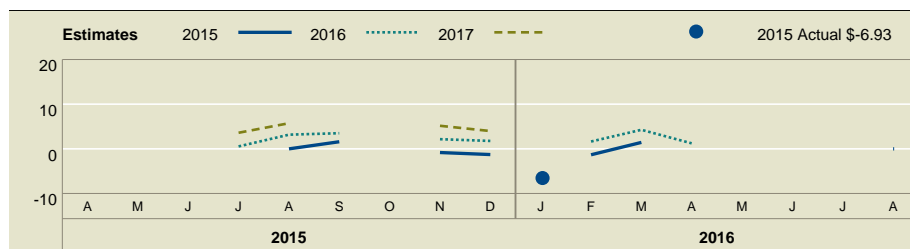
## Analysts' Recommendations



Of the total 20 companies following TSLA, 20 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	4	20	4	5
Buy/Hold	3	15	3	4
Hold	7	35	8	3
Weak Hold	4	20	3	4
Sell	2	10	2	2
No Opinion	0	0	0	0
<b>Total</b>	<b>20</b>	<b>100</b>	<b>20</b>	<b>18</b>

## Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2017	1.94	3.83	-0.99	16	NM
2016	-0.84	0.40	-1.88	15	NM
<b>2017 vs. 2016</b>	<b>▲ 331%</b>	<b>▲ 857%</b>	<b>▲ 47%</b>	<b>▲ 7%</b>	<b>NA</b>
Q3'17	0.34	0.89	-0.16	6	NM
Q3'16	0.12	0.60	-0.46	14	NM
<b>Q3'17 vs. Q3'16</b>	<b>▲ 183%</b>	<b>▲ 48%</b>	<b>▲ 65%</b>	<b>▼ -57%</b>	<b>NA</b>

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

## Wall Street Consensus Opinion

**HOLD**

## Companies Offering Coverage

Argus Research Company  
 Barclays  
 Berenberg  
 BofA Merrill Lynch  
 CLSA  
 Consumer Edge Research, LLC  
 Dougherty & Company  
 FBN Securities, Inc.  
 Goldman Sachs  
 Haitong Bank S.A.  
 Haitong Securities Co., Ltd.  
 JP Morgan  
 Morgan Stanley  
 Morningstar Inc.  
 Oppenheimer & Co. Inc.  
 Pacific Crest Securities-KBCM  
 Piper Jaffray Companies  
 RBC Capital Markets  
 Robert W. Baird & Co.  
 UBS Investment Bank

## Wall Street Consensus vs. Performance

For fiscal year 2016, analysts estimate that TSLA will earn US\$ -0.84. For the 2nd quarter of fiscal year 2016, TSLA announced earnings per share of US\$ -2.09, representing 249% of the total annual estimate. For fiscal year 2017, analysts estimate that TSLA's earnings per share will grow by 331% to US\$ 1.94.



# Tesla Motors Inc

## Glossary

### S&P Capital IQ STARS

Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

### S&P Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

### S&P Capital IQ EPS Estimates

S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

### S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

### S&P Capital IQ 12-Month Target Price

The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

### S&P Capital IQ Equity Research

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### Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate  
CAPEX - Capital Expenditures  
CY - Calendar Year  
DCF - Discounted Cash Flow  
DDM - Dividend Discount Model

EBIT - Earnings Before Interest and Taxes  
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization  
EPS - Earnings Per Share  
EV - Enterprise Value  
FCF - Free Cash Flow  
FFO - Funds From Operations  
FY - Fiscal Year  
P/E - Price/Earnings  
P/NAV - Price to Net Asset Value  
PEG Ratio - P/E-to-Growth Ratio  
PV - Present Value  
R&D - Research & Development  
ROCE - Return on Capital Employed  
ROE - Return on Equity  
ROI - Return on Investment  
ROIC - Return on Invested Capital  
ROA - Return on Assets  
SG&A - Selling, General & Administrative Expenses  
SOTP - Sum-of-The-Parts  
WACC - Weighted Average Cost of Capital

### Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

### S&P Capital IQ Qualitative Risk Assessment

Reflects an S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

### STARS Ranking system and definition:

#### ★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★☆ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★☆☆ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

#### ★★★☆☆ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

#### ★★★☆☆ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

### Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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### STARS Stock Reports and Quantitative Stock Reports:

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### STARS Stock Reports:

#### S&P Capital IQ Global STARS Distribution as of June 30, 2016

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Buy	24.6%	17.8%	30.0%	23.7%
Hold	48.0%	57.8%	45.0%	49.6%
Sell	27.4%	24.4%	25.0%	26.7%
Total	100%	100%	100%	100%

### Quantitative Stock Reports:

The rankings for Quantitative reports have a fixed distribution based on relative weightings as described in the Glossary section of the report.

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