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Subject:	Project Titanium Materials
Attachments:	Titanum Workplan 14-Aug-2018.pdf; Titanium Marketing Outline v20180814.pdf

All,

Please find attached a draft workplan and preliminary outline of the investor marketing materials.

Thanks, Michael

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Case Number:	3:18-cv-04865-EMC
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INVESTMENT BANKING DIVISION

Discussion Materials

Project Titanium

Goldman Sachs & Co. LLC

August 2018







Titanium Workstreams

Evaluating Estimated Capital Need and Plan to Optimize Financing

	Workstreams
Existing Capital Structure Impact	 Map out the terms of each instrument (HY, converts, ABL, Tax Equity, Auto Lease facilities) e.g. put rights, form of consideration, conversion to a non-public equity, etc. Identify which instruments roll and which must be taken out (and breakage costs) Comparison of terms in the private market versus public e.g. Lender requirements, pricing etc. Plan for unwind of convert call spread
New Investors: A. Financial, SWF and Individual Investors	 Confirm list of candidate anchor investors – status of discussions to date, agreement on new potential targets Plan for outreach – who makes call (EM, Advisors, other) and sequence and timing of calls Develop scripts for outreach Draft form(s) of CA for engaging various parties Required documentation / confirmation
New Investors: B. Strategic Investors	 Confirm list of candidate anchor investors – status of discussions to date, agreement on new potential targets Anticipate potential strategic demands (factories in less imminent locations, supply agreements for vehicle platforms, other long term tie ups around navigation platforms or mapping, etc) Plan for outreach – who makes call (EM, Advisors, other) and sequence and timing of calls Develop scripts for outreach
Existing Investors	 Analyze public shareholder register in detail - ability to convert shares to illiquid rollover Refined view of % total possible to and likely to convert How do we think about filing periods and ownership around potential vote timing ? Form(s) of CA for engaging various parties Plan for outreach (who, when) Script for outreach Required documentation / confirmation
New Debt	 Debt and debt like instrument options (difference from financial investors vs corporate investors) Structure of potential new debt (rights, demands, exit plan, PIK or other delayed coupon payment ideas, what additional hooks expected to be required to push back coupon, etc) Future re-IPO evaluation in 4-5 years (valuation potential, cash flow expectation, ability to de-lever, conversion of PIK to equity, conversion of debt to equity at stages depending on success, etc)

Potential Next Steps on Demand Prioritization

1) Overall Investor Strategy

- Meeting Buyer Group, Advisors Wednesday Evening
- Latest status of inbound interest
- Discuss sources of capital across categories globally
- Consider public vs. private side processes
- Agreement on prioritization of potential investors: 1) Anchor Targets and 2) Longer Tail

2) New Financial and Strategic Investors Strategy

- Call Buyer Group, Advisors, MT, WLRK [Thursday TBD]
- Alignment on specific sub-workplan:
 - Commercial parameters for strategic investors
- Agreement on who makes calls EM vs Advisors / Points of Contact / Script Workplan

3) Rollover Investors

- Call Buyer Group, Advisors, MT, WLRK [Friday TBD]
- Legal overview of basis of dialogue 'wall-crossing' / NDAs
- Overview of discussions and interest to date
- Discussion of potential process / mechanics of waiver process or shift to illiquid pockets

4) Debt Financing

- Call Buyer Group, Advisors, MT, WLRK [Friday TBD]
- Existing capital structure and potential transaction impact
- Analysis of potential pro forma ratings outcome
- Discussion of structure / terms required by debt investors

Goldman Sachs

Other Titanium Workstreams

Topics That Will Influence Financing Plan and Deal Certainty

Marketing	Marketing materials to field investor interest in financing a transaction
Financial Model	 Agreement on approach to financial model – ground rules around company projections Develop financial model P&L / cash flow projections for purposes of preliminary debt modeling Capex plan Capital plan for ongoing operations and new expansion (ie China)
Rating Agencies	 Ratings implications Communication plan / outreach When to engage, what to share (pre and post deal)
Shareholder Vote	 Voting structure (majority or majority of minority) Strategy for shareholder organizations (ISS / Glass Lewis) Assess activist risk Draft proxy
Regulatory	 Regulatory engagement / risk analysis by party / composition CFIUS
Legal Documentation	 Take-private transaction docs Equity and debt financing documentation
Governance	 Determine private company governance structure for given capital structure Shareholder agreements
HR / Retention & Management Equity	 Determine private company management equity plan Treatment of existing vested/unvested equity
Other	 Overall execution timeline (sequencing of equity and debt etc.) Communications strategy to public and avenue (Twitter, Blog, Formal PR) PR firm?



- EM / Management
- Existing Public Investor Roll
- Private Equity
- SWF
- High Net Worth / PWM Networks / Family Office
- Corporate

STRICTLY CONFIDENTIAL DRAFT: SUBJECT TO REVIEW BY COUNSEL

Titanium Marketing Document Outline: Preliminary Investor Deck

8/14/18

Disclaimer Slide

2.

Transaction Overview

- 1. Situation Overview
 - a. Silver Lake, Goldman Sachs [and Morgan Stanley] are working with Tesla ("Titanium" or "the Company") to assess investor interest in participating in a take-private transaction at \$[420] per share
 - i. Represents a [20]% premium to the unaffected closing price on August 6 a price which was already [16]% above the closing price prior to Q2 earnings on August 1
 - ii. On August [13], the Company's Board of Directors formed a Special Committee to evaluate the potential transaction
 - b. The transaction is expected to be financed with a mix of rollover equity from existing shareholders, including 100% of the Founder and CEO's existing equity ownership in the Company, rollover and re-financed existing debt, and new preferred and common equity
 - c. Pro forma for the transaction, the Company will be de-listed and is expected to no longer trade on a public market exchange → eliminates noise in order to drive faster toward successfully achieving the Company's mission of accelerating the world's transition to sustainable energy
 - d. [Timeline TBD w/ SC input]
 - Overview of Titanium: [Vertically Integrated Consumer & Commercial Technology]
 - a. Setup discussions of both Titanium Motors and Titanium Energy; demonstrate the combined vision
 - b. All-electric vehicles (BEV) that don't compromise on performance, safety and efficiency
 - i. Manufacturing capabilities and footprint
 - ii. ADAS capabilities to achieve self-driving (10x safer than human; enables sharing economy in the future)
 - c. Beautiful solar and storage
- 3. Titanium History
 - a. Timeline of achievements (greatest hits), capture R&D and IP value in portfolio
 - b. Expand to major vehicle segments
 - i. Low-volume Roadster (2008) → Mid-volume Model S (2012) and Model X (2015) → High-volume Model 3 (2017) and Model Y (2019) → Tesla Semi (2019) and Tesla Roadster (2020)
 - c. Key solar and energy storage products and projects (commercial adoption, South Australia example)
- 4. Wow Stats Page
 - a. # of employees / engineers (autonomous, SW, HW, semis), R&D \$s, automation of factories, orders / deposits, customer satisfaction, awards/recognition, cars built / week, retail / service locations, supercharger data (stations, % pop. w/in X miles), cars delivered, miles/km driven, gallons/liters of gasoline saved, etc.
- 5. Mission Statement: Accelerate the world's transition to sustainable energy
 - a. Achieve a zero-emission future faster
 - i. Enable the world to stop relying on fossil fuels and slow climate change
 - ii. Make products accessible and affordable to more and more people (e.g., Model 3) → accelerating the advent of clean transport, clean energy production and storage (transport / energy represents >50% of emissions)
 - b. Build beautiful products that our customers love
 - i. Built the "car of the 21st century" in the Model S: longest range BEV, OTA software updates for continuous improvement, and record 0-60 acceleration time of 2.28 sec.
 - ii. Unique set of energy solutions enabling homeowners, businesses, and utilities to manage renewable energy generation, storage, and consumption
 - c. Make the world safer
 - i. >1.2M killed per year in auto accidents (equivalent of >6 jumbo jets crashing each day) \rightarrow
 - autonomous driving technology has the potential to be 10x safer than humans over time
 - ii. Model X is the safest, quickest and most capable sport utility vehicle in history that holds 5-star safety ratings across every category from the NTSA
 - d. Drive global productivity and economic utility
 - . Most cars are only in use by their owner for 5% to 10% of the day → self-driving car enables your car to make money for you when you aren't using it
 - ii. Gigafactory 1 is designed to reduce battery pack costs below \$100/kWh by 2020 → plans for additional Gigafactories in the works around the world
 - e. ... And this is just the beginning
 - i. Vertically integrated production creates thousands of jobs in local economies
 - ii. Electric cars, batteries, and renewable energy generation and storage already exist independently, but when combined, creates powerful symbiotic ecosystem

- Benefits of Going Private: Eliminating noise in order to drive faster toward successfully achieving the company's mission 6.
 - Remove quarterly "shot clock" and investor "short term-ism" a.
 - b. Eliminate negative sentiment and disinformation from short sellers: impacts customers and employees
 - Limit management / employee distraction of tick-by-tick public market share price C.
 - i. Maintain private company employee equity and liquidity program
 - Free up management time currently spent with public investors and street analysts d. e.
 - Enable investment cycle (may be near-term dilutive) to best position for long-term value creation
 - i. Examples of investment areas could include ADAS technology, semiconductor / component design, factory automation, and new monetization models (e.g., sharing economy and other services)
 - Refocus the business on sustained, long-term free cash flow growth vs. quarterly gross margins
 - f. Private company capital structure increases financial flexibility g.
 - i. Opportunity for SWF preferred equity and more flexible funding of new capital projects
 - Private companies have reduced disclosure requirements -> potential to benefit competitive positioning h.
 - Efficient private company board and governance structure i.
- Preliminary Transaction Structure 7
 - a. Summary transaction structure / scenarios (goal posts)
- 8 Summary Investment Theses
 - a. Class-Leading Battery Electric Vehicle (BEV) Products in Large & Growing TAM
 - High-Value Portfolio of Disruptive Technology Bets b.
 - Vertically Integrated Manufacturing Capabilities C.
 - Ь Untapped International Expansion Opportunities
 - Attractive Direct-to-Consumer Business Model e.
 - Sustainable Consumer & Commercial Energy Platform f.
 - a. Leading Brand & Customer Satisfaction
 - World Class Management Team & Engineering Talent h.

Titanium Investment Theses

- Complex Automotive Ecosystem With Broad Set of Opportunities 9.
 - Everywhere Titanium can expand TAM beyond core auto / add'l profit pools
- 10. Class-Leading Battery Electric Vehicle (BEV) Products in Large & Growing TAM
 - a. Vehicle lineup (current and future announced roadmap) + trucks, shipments, market size, etc
 - b. Shipped more Model 3's in US in July than all competitors in class combined (BMW 3-series, Audi A4,
 - Mercedes C-Class, Lexus IS, Jaguar XE)
 - Redefining the category, therefore existing market irrelevant (use the Ford Model-T / horses analogy)
- 11. High-Value Portfolio of Disruptive Technology Bets: Overview → highlight big TAM
- 12. High-Value Portfolio of Disruptive Technology Bets: ADAS/Autonomous + Sharing Economy
- 13. High-Value Portfolio of Disruptive Technology Bets: BEV Tech and Battery Modules
 - Panasonic Battery Partnership / leading unit costs a.
 - Tesla Model 3 Battery Capacity Shipments In Q3 2018 Will Exceed All Non-Tesla EVs Combined b.
- 14. High-Value Portfolio of Disruptive Technology Bets: Supercharger Network
 - Highlight network effects a.
- 15. High-Value Portfolio of Disruptive Technology Bets: Microprocessor Design for Autonomous/ADAS
- a. Insourcing of NVIDIA margins / market cap
- 16. High-Value Portfolio of Disruptive Technology Bets: Factory Automation
- a. Organic investments in technology augmented by acquisition (Perbix, Grohmann Automation, Riviera Tool)
- 17. Vertically Integrated Manufacturing Capabilities
 - a. Map chart / footprint / headcount / production capacity
 - Call out local job creation (both primary and multiplier effect) b
- 18. Attractive Direct-to-Consumer Business Model
 - a. Control over brand / customer experience \rightarrow brand loyalty
 - b. E-Commerce: Online / digital experience (custom config.)
 - No dealers / retail network / service centers C.
 - Highlight direct attach services opportunity d.
- 19. Sustainable Consumer & Commercial Energy Platform
 - a. Overview of Titanium Energy
 - Case studies and examples b.
- 20. [Why Titanium Energy is Better Together] [complete the picture across Titanium Motors and Titanium Energy]

TE 186-9

- 21. Leading Brand & Customer Satisfaction
 - a. State of the Titanium Brand
 - b. Customer Satisfaction [existing consumer surveys]
- 22. World Class Management Team & Engineering Talent
 - a. Talent across in Technology, Manufacturing, Automotive & Energy
 - Successful entrepreneurs and founders b.

State of the Auto Industry

- 23. Historic Growth: Dramatic growth of sales and the global car parc over the last 50 years
 - a. Charts of annual global vehicle sales and car parc over time
 - b. \rightarrow Massive, growing opportunity
- 24. Mobility In Context: Auto production is a key enabler of economic expansion with demand growing in step with GDP a. Chart showing high correlation of GDP per capita to ownership w/ key stats
 - b. Will show China, India and other emerging economies are well behind US in penetration but will catchup as GDP per capita grows
 - c. \rightarrow Huge demand opportunity as emerging markets mature (not tapped out)
- 25. Snapshot of Today: Diverse product portfolio and supplier ecosystem
 - a. Two Charts:

b.

C.

- i. Annual vehicle sales by i) region, ii) segment, iii) type, iv) powertrain
- ii. OEM market share by region
- → Market context to tee up next slide
- 26. Automotive Value Chain and Profit Pools: Complex value chain has emerged to support that ecosystem with large profit pools at each level; Electrification, autonomy, connectivity and new sharing ownership models will unlock additional TAM
 - a. Simplified diagram of value chain: i) Suppliers (hundreds), ii) OEMs (dozens), iii) Dealers (thousands) → Fragmented value chain w/ implied inefficiencies & delayed time-to-market
 - b. Profit pool at each level of value chain \rightarrow meaningful value trapped in the fragments
 - c. Potential TAM of markets unlocked by new technology innovation (e.g. ride sharing) → Huge TAM expansion for OEMs who have the technology and execution chops
 - *d.* → Traditional OEMs limited to narrow, traditional profit pool vs. Titanium (integrated manufacturing + distribution; unique technology assets to address much larger TAM)
- 27. Cyclical Market: Auto sales historically highly cyclical but new ownership models, enabled by technology, will moderate that correlation in the future
 - a. US SAAR vs. Economic Cycles: Shows tight sales correlation to recessions
 - b. SAAR vs. Miles Driven: Shows miles driven only modestly cyclical → people defer big capital purchases but still need mobility options
 - c. → Legacy OEM valuation weighed down by cyclicality but autonomous ride sharing / shared ownership will moderate volatility and improve multiples for OEMs who can drive model (Car version of Perpetual to subscription transition)
- 28. Competitive Context: Competitive landscape is not static → disruptive innovation, new entrants and poor financial decisions by incumbents have driven a continuous evolution
 - a. 100% bar chart showing long term evolution over time → will show transition of US leadership to Japanese disruption (nimble, advance manufacturing innovation, fuel economy advances) and rise of local china OEMs (room for more)
 - b. Call out / vignette showing evolution of Titanium share vs. select luxury segment → Titanium demonstrating that disruption
 - c. → Opportunity for nimble, technology advanced disrupters to gain real share of market myth that traditional OEMs have birthright to market
- 29. Challenge of Innovation The Past: Industry has faced and overcome challenges along the way with steady but incremental success
 - a. Top Half of Page: Three charts showing progress along three major challenges → demonstrate real progress (achievement largely of mechanical engineering / 1st gen software)
 - i. Reliability: Defect / breakdown rate declining over time
 - ii. Safety: Decline of deaths per mile driven with innovations called out (e.g. ESC)
 - iii. Emissions: Metric of improvement over time (e.g. CO2 or MPG)
 - b. Bottom half of page: Chart with rate of penetration of technologies indexed over time → Makes point that technology adoption traditionally follows classic but slow S-Curve
 - ightarrow Real progress (though more mechanical than software engineering) but comparatively slow
- 30. Challenge of Innovation The Future: Large challenges remain but a wave of new software and storage technology innovations can inflect the pace of progress; Titanium uniquely positioned to enable this transformation
 - a. 4 Charts horizontally showing how new technology is step change vs. current:
 - i. Reliability: Moving parts of ICE vs. EV platform → fundamentally right platform for high uptime autonomous
 - ii. Safety: Comparison of lives saved of Seat belt, Air Bag, ESC and future Autonomous L4/L5 \rightarrow single most important innovation since the seat belt
 - iii. Emissions: Avg Current ICE vs. BEV w/ energy from gas fired plant vs. BEV w/ energy from Renewables → radical improvement at first with zero emissions on horizon
 - iv. Productivity: Vehicle Utilization of privately owned (4%) vs. shared autonomous (50%+) → Incredible opportunity to drive GDP growth through productivity / unlock TAM (Titanium as VMware of Auto)
 - b. → Not gradual evolution but punctuated equilibrium so opportunity for rapid inflection vs. past; Titanium uniquely positioned to enable vs. incumbents
- 31. The Electric Car: BEV technology has reached a turning point

- a. Highlight 1) State of technology, 2) accelerating growth and penetration, 3) narrowing cost curves, 3) inherent advantages vs. ICE (e.g. moving parts), 4) relative scale of Titanium capabilities
 - \rightarrow Technology is rapidly maturing and Titanium is in the lead vs. traditional OEMs
- 32. Autonomy: Autonomous is rapidly becoming a reality and will unlock significant market opportunity
 - Hill highlight 1) state of technology, 2) rollout plans / timing of various OEMs by level showing Titanium at leading edge, 3) Implied economics of individual ownership per mile vs. non-autonomous ride sharing vs. autonomous ride sharing [medium and long term?]
- 33. Valuation Implications: Titanium is a technology leader not a traditional OEM
 - a. Left hand side: Summary of drivers of valuation upside
 - i. Integrated supply chain
 - ii. Direct to consumer sales model
 - iii. Alignment with meg trends (Green, safe, autonomous, shared)
 - iv. Long term revenue model less cyclical than traditional auto
 - v. Technology advantages vs incumbents
 - b. Right hand side: Bar chart w/ arrow going up to the right showing avg multiple (pension adj) progression for i) auto suppliers, ii) traditional mass market OEMs, iii) Premium OEMs, iv) High quality auto suppliers, e.g. Aptiv and v) appropriate tech comp set
 - c. → Titanium is has unique assets / capabilities that distinguish it from low multiple Auto and make it look more like high multiple tech

Financials [management plan]

h

- 34. Assumptions
- a. Specifically, what is excluded (e.g., sharing economy, how many factories / markets / penetration / etc.)
 35. Preliminary Revenue and Contribution Margin: Titanium Auto
- a. # of units x ASP x gross margin
- 36. Preliminary Revenue and Contribution Margin: Titanium Energy
- 37. Preliminary P&L and Cash Flow
- 38. List of Key Investment Areas to Accelerate Growth in Private Company Context
- 39. Existing Balance Sheet Detail
- 40. Overview of Titanium Entergy Financing Arrangements

Transaction Structure

- 41. Transaction Structure Philosophy
- 42. Preliminary Transaction Structure: Sources & Uses
- 43. Preliminary Transaction Structure: Pro Forma Capitalization
- 44. [Term Sheet: Common Equity]
- a. Future liquidity windows?
- 45. [Term Sheet: Senior Preferred Equity]
- 46. [Term Sheet: Junior Convertible Preferred Equity]
- 47. Considerations: Ability to Roll / Refinance Existing Debt
- 48. Governance Framework

Valuation & Returns

- 49. Portfolio of Opportunities
- 50. What You Have to Believe to [3]x Common Equity Over Time
- 51. Core Automotive Valuation
- 52. Measuring Global Brand Success
- 53. Value of Vertically Integrated Consumer Products
 - a. Mobile phone corollary Apple share and profit pool capture
- 54. Autonomous Driving: Sharing Economy & Ridesharing
- 55. Public Market Valuation Perspectives
- 56. Private Market Valuation Perspectives (highlight recent autonomous capital raises Uber, GM Cruise vignettes)
- 57. Netflix Case Study: Another Misunderstood Business Model

Process & Timeline

58. Public-to-Private Process Timeline

Risk Factors

59. Risk Factors...

Appendix

- 60. Public trading peers detail and private company valuations61. GAAP to Non-GAAP financial reconciliation