

Titanium Take Private Discussion Materials

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 Date: Fri, 10 Aug 2018 08:08:53 -0700
 Attachments: Take Private Discussion Materials (10-Aug-2018).pdf (566.78 kB)

All,

Please find attached the final draft of the take private discussion materials for this morning's meeting.

Sending to print imminently, unless any final comments.

Thanks,
 Jess

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Jess Bell-Allen
 Investment Banking Division

UNITED STATES DISTRICT COURT	
NORTHERN DISTRICT OF CALIFORNIA	
Case Number:	3:18-cv-04865-EMC
PLTF / DEFT Exhibit No.	254
Date Admitted:	
By:	
Angella Meuleman, Deputy Clerk	



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Discussion Materials

Project Titanium

Goldman Sachs & Co. LLC

August 10, 2018

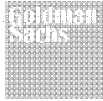
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Potential Objectives and Key Considerations

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Objectives	Considerations
1 Limit distraction to employees from volatility in share price	■ Financing the Transaction
2 Limit impact of quarterly earnings cycle on operational decisions	■ Future Financing Implications <ul style="list-style-type: none">— May require refinancing or retirement of existing debt— May lead to increased cost or more limited capacity of margin-related loans— Inability to use public equity as currency results in reduced flexibility for M&A
3 Limit incentives for short sellers to attack Company	■ Governance / Regulatory <ul style="list-style-type: none">— Process for any contemplated transaction— Take-private transactions frequently subject to significant litigation and disclosure requirements
4 Improve strategic flexibility	■ Reporting <ul style="list-style-type: none">— May have ongoing reporting / public filing requirements as a private or de-listed company— Enabling non-accredited retail investors to maintain stake in New Titanium will likely require continuation of quarterly reporting, or greatly complicate potential solutions to avoid triggering reporting requirement
5 Provide existing shareholders a choice in participation	■ Price <ul style="list-style-type: none">— Traditional take-private valuation will be evaluated against the Company's long-term standalone plan— Appraisal rights offer opportunity for court to recalculate the value of the Company years after transaction closes

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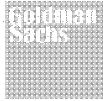


Overview of Selected Alternatives

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	Alternative 1: Full Take-Private	Alternative 2: Full Take-Private w/ SPV	Alternative 3: Tender Offer + De-Listing of Shares
Overview			
Description			
Public Reporting Requirements			
	<ul style="list-style-type: none"> ■ Acquire all outstanding public equity of Titanium for \$[420]/share ■ T. Rowe, Fidelity, Baillie Gifford, Tencent, and Saudi PIF all roll significant portions of equity <ul style="list-style-type: none"> — T. Rowe, Fidelity, and Baillie Gifford have sufficient illiquid asset capacity ■ No other investors (including retail) roll their equity into New Titanium 	<ul style="list-style-type: none"> ■ Same as Alternative 1 <i>plus all existing investors have an opportunity to participate</i> ■ Other Existing Investor's shares are rolled into a Special Purpose Vehicle (SPV) <ul style="list-style-type: none"> — If > 40% of assets of SPV are investment securities, will be considered a Registered Investment Company — If >2,000 investors, regulated as a public Company — May be able to avoid this classification through non-conventional approaches 	<ul style="list-style-type: none"> ■ Launch Tender Offer (TO) for Titanium shares at \$[420]/share ■ Upon completion of TO, Titanium shareholders vote on a proposal to de-list the company from NASDAQ <ul style="list-style-type: none"> — New Titanium equity would be tradeable over the counter (OTC) or on pink sheets
	<ul style="list-style-type: none"> ■ No ongoing reporting unless there is publically traded debt 	<ul style="list-style-type: none"> ■ If access vehicle is considered a Registered Investment Company¹, must file quarterly statements 	<ul style="list-style-type: none"> ■ Must file quarterly statements

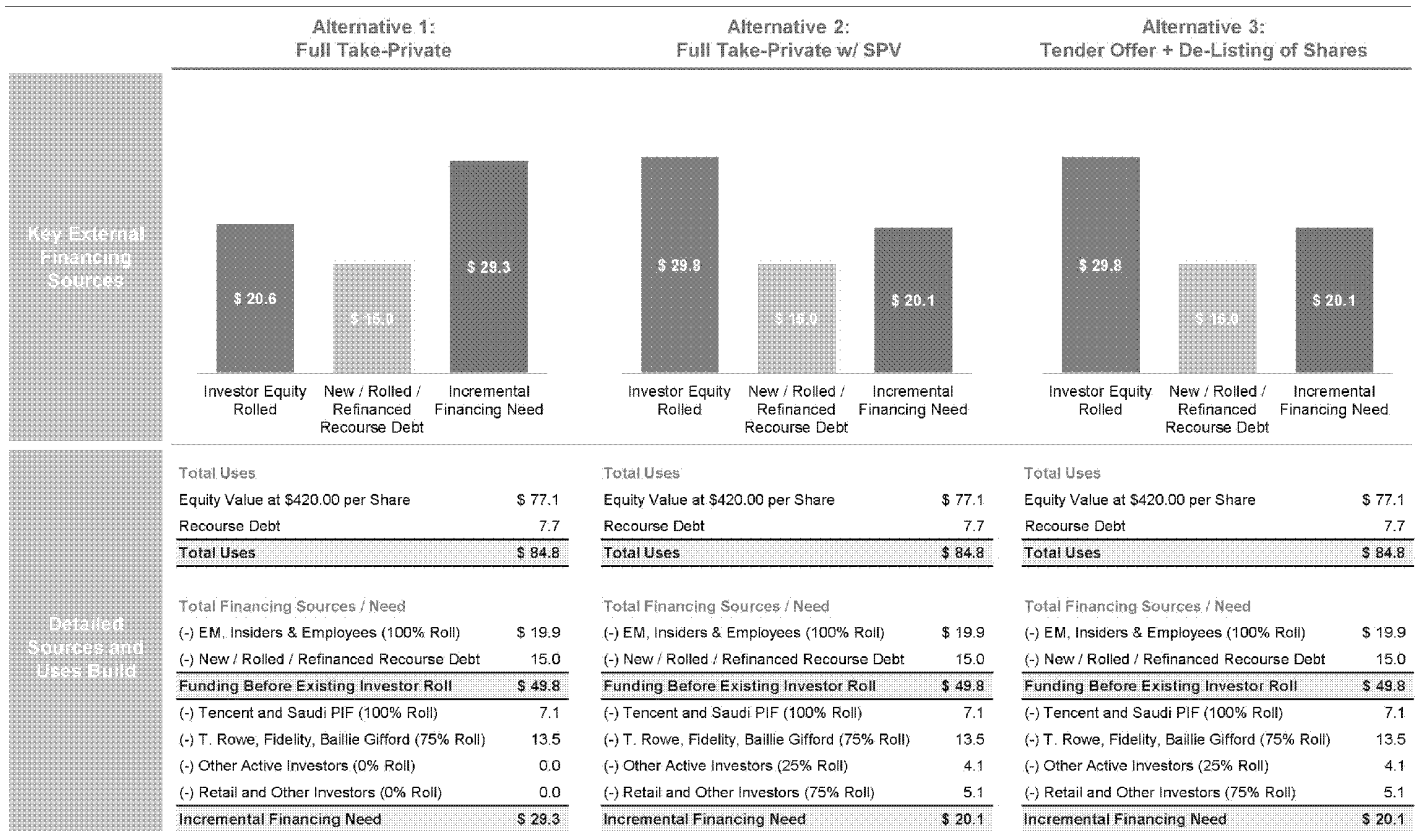
¹ Per 1940 Investment Company Act.



Overview of Selected Alternatives

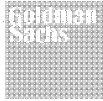
Key Funding Sources (\$ in billions)

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Source: Thomson, Company filings

Note: Assumes non-recourse debt remains outstanding; does not include the impact of debt take-out. Debt sizing of \$15bn assumes Titanium achieves \$2bn of run-rate EBITDA.

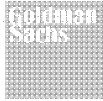


High Level Process Comparison

Selected Alternatives

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	Alternative 1: Full Take-Private and Alternative 2: Full Take-Private w/ SPV	Alternative 3: Tender Offer + De-Listing of Shares
Board Process	<ul style="list-style-type: none">■ Approach from Buyer■ Board meeting to appoint Special Committee<ul style="list-style-type: none">— Public announcement■ Special Committee meetings (appoint advisors, discuss valuation, process)■ Negotiation■ Agreement / recommendation to Board■ Shareholder vote	<ul style="list-style-type: none">■ Board meeting to approve share repurchase authorization (if self-tender) and shareholder de-listing proposal<ul style="list-style-type: none">— Approve tender premium and terms■ Tender offer (20 business days from launch to close)■ Shareholder vote
Roles and Advisors	<ul style="list-style-type: none">■ Each party will have own Legal and Financial advisor■ Special Committee■ Company / Board■ Buyer Consortium■ [Strategic Lender(s)]	<ul style="list-style-type: none">■ Company / Board<ul style="list-style-type: none">— Financial advisor and Dealer Manager (tender offer)— Legal advisor
Potential Process Next Steps	<ul style="list-style-type: none">■ Company prepares/reviews status quo financial plan (e.g. 3-5 years)■ Analysis of strategic and financial alternatives for Company<ul style="list-style-type: none">— Special Committee valuation analysis of status quo plan■ Analysis of SPV implementations which may potentially avoid disclosure requirements■ Formalization of Buyer proposal	<ul style="list-style-type: none">■ Analysis of potential charter amendment(s) related to lending or transfer of securities<ul style="list-style-type: none">— De-listed shares may still be shorted while traded over-the-counter; restrictions on lending and transfer may significantly limit this activity■ Tender premium analysis



Private Investment Policies for Top Titanium Funds

(\$ in millions)

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Many of the top funds holding Titanium's stock have significant capacity to hold additional illiquid assets. However, the value of these funds' current Titanium holdings is large relative to the total amount of non-traded Level 3 assets held by these funds

Fund	Titanium Position			Total Assets	Restrictions on Illiquid Investments	Max Illiquid Assets	Level 3 Assets ²
	% O/S	Shares	Value ¹				
T. Rowe Price Growth Stock Fund	2.08 %	3,538,742	\$ 1,486	\$ 53,107	Less than 15% of assets	\$ 7,966	\$ 692
Vanguard Total Stock Market Index Fund	1.88 %	3,186,567	1,338	698,175	N/A	–	N/A
American Funds New Perspective Fund	1.54 %	2,618,000	1,100	75,981	15% or less of assets	11,397	N/A
JNL/American Funds Growth Fund	1.07 %	1,813,000	761	22,769	15% or less of assets	3,415	N/A
Fidelity Blue Chip Growth Fund	1.04 %	1,767,591	742	24,840	10% or less of assets	2,484	495
Vanguard Extended Market Index Fund	1.04 %	1,764,641	741	66,098	N/A	–	N/A
Fidelity Growth Company Fund	1.01 %	1,715,645	721	43,166	10% or less of assets	4,317	1,333
Scottish Mortgage Investment Trust PLC	1.01 %	1,711,070	719	8,141	25% or less of assets	2,035	1,409
Harbor Capital Appreciation Fund	0.99 %	1,686,075	708	30,593	15% or less of assets	4,589	N/A
Fidelity Contrafund	0.93 %	1,584,682	666	123,853	10% or less of assets	12,385	1,591

■ After excluding investors that are not permitted to hold illiquid investments (e.g. Vanguard), the remaining eight funds hold \$6.9bn of Titanium stock

■ Of this amount, \$4.3bn is held by funds which have existing "Level 3" illiquid assets

¹ Value at \$420 per share offer price.

² Level 3 assets based on latest quarterly filings

Additional Materials

5

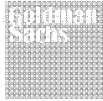
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Other Potential Partners

Strategic Investors, SWF and High Net Worth Individuals (HNWI)

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Strategic		HNWI and Family Offices	
Alibaba	<ul style="list-style-type: none"> Interest in autonomous vehicles Internet car 	Paul Allen (Vulcan)	<ul style="list-style-type: none"> Sponsored SmartCity Challenge with USDOT
Alphabet	<ul style="list-style-type: none"> Interest in autonomous vehicles Existing relationship with management team 	Michael Bloomberg (Willett)	<ul style="list-style-type: none"> Bloomberg Aspen Initiative on Cities and Autonomous Vehicles
Apple	<ul style="list-style-type: none"> Interest in autonomous vehicles and prior work on Project "Titan" 	Larry Ellison	<ul style="list-style-type: none"> Existing relationship with management team
Baidu	<ul style="list-style-type: none"> Developing autonomous vehicle platform 	Bill Gates	<ul style="list-style-type: none"> Focus on climate change and cost of energy
Fosun	<ul style="list-style-type: none"> Largest private sector conglomerate Existing Titanium vehicle financing partnership¹ 	Iconiq	<ul style="list-style-type: none"> Current investor in Titanium
Tencent	<ul style="list-style-type: none"> Investment in NIO and HERE 	Larry Page and/or Sergey Brin	<ul style="list-style-type: none"> Existing relationship with management team
Softbank	<ul style="list-style-type: none"> Focused on disruptive innovators Interest in AI, autonomous vehicles, and clean energy 	Laurene Powell Jobs	<ul style="list-style-type: none"> Founder of Emerson Collective, which advocates for environmental conservation
		Jack Ma (Blue Pool)	<ul style="list-style-type: none"> Interest in autonomous vehicles
		Michael Dell / Silver Lake	<ul style="list-style-type: none"> Prior take-privates Prior investments in SolarCity

Sovereign Wealth Funds

ADIA, CIC, GIC, Mubadala, Norges, QIA, SAFE, Temasek

¹ Titanium launches 'zero down payment' and 'zero interest rate' financing programs in China via partnership with Fosun.



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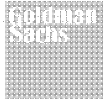
Appendix A: Additional Materials

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Top Shareholders

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- Top shareholders have seen significant value accretion relative to their cost basis
- T.Rowe, Fidelity, Baillie Gifford, and Tencent own ~25% of shares outstanding
- These investors have track records of owning stakes in private companies

Name	Investor Type	Active in Privates	Estimated Current Cost Basis	Latest Position		Q2'17 Pos. Shares (mm)
				Shares (mm)	% Out ¹	
EM ²	Insider		\$ 57.89	33.6	19.7 %	33.5
T. Rowe Price Associates	Active	✓	279.16	15.6	9.2	5.6
Fidelity Management & Research Company	Active	✓	163.49	14.0	8.2	21.0
Baillie Gifford & Co.	Active	✓	188.93	13.2	7.7	13.4
Tencent Holdings	Strategic	✓	256.01	8.3	4.9	8.2
The Vanguard Group	Index		165.34	7.1	4.2	6.2
Capital World Investors	Active	✓	250.98	4.4	2.6	3.0
BlackRock Institutional Trust Company	Index		137.45	4.4	2.6	4.0
Jennison Associates	Active	✓	200.44	3.2	1.9	3.0
CTC myCFO	Active		193.82	3.2	1.9	3.2
Capital International Investors	Active	✓	274.76	2.6	1.5	1.4
State Street Global Advisors (US)	Index		149.16	2.5	1.5	2.4
Baron Capital Management	Active		222.46	1.7	1.0	1.6
Invesco PowerShares Capital Management	Index		183.19	1.4	0.8	1.3
Susquehanna International Group	Active	✓	332.08	1.3	0.7	0.2
PRIMECAP Management Company	Active		61.81	1.1	0.6	1.2
Geode Capital Management	Index		171.05	1.0	0.6	1.0
Fidelity Management & Research (Hong Kong)	Active		263.76	0.9	0.5	1.0
Deutsche Asset Management Americas	Active		295.92	0.8	0.5	0.3
Allianz Global Investors U.S.	Active		242.80	0.8	0.5	0.6
Norges Bank Investment Management (NBIM)	Active	✓	245.59	0.8	0.5	0.6
Nuveen	Active		213.46	0.8	0.5	1.1
Mitsubishi UFJ Trust and Banking Corporation	Active		164.44	0.7	0.4	0.8
Northern Trust Investments	Index		143.54	0.7	0.4	0.6
BNY Mellon Asset Management North America	Index		262.09	0.6	0.4	0.3
Top 25 Shareholders				124.7	73.1 %	115.5

Source: Thomson

Note: Not pro forma for Saudi PIF investment.

¹ Based on 170.6mm total basic shares outstanding.

² Represents basic share ownership. Excludes options.

Additional Materials

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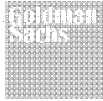
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Titanium Cap Table

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	30-Jun-2018	Coupon	Maturity
Cash and Cash Equivalents	\$ 2,236		
Recourse Debt			
ABL (PF \$1,925mm Capacity)	1,598	L+100	Jun-2020
Total Titanium Secured Recourse Debt	\$ 1,598		
2025 Senior Unsecured Notes	1,800	5.30%	2025
Total Titanium Recourse Debt	\$ 3,398		
2019 Convertible Notes	920	0.25%	Mar-2019
2021 Convertible Notes	1,380	1.25%	Mar-2021
2022 Convertible Notes	978	2.38%	Mar-2022
Total Titanium Recourse Debt (incl. Converts)	\$ 6,676		
Other Solar Recourse Debt	113	Various	Various
Solar Convertible Notes	899	Various	Various
Total Recourse Debt	\$ 7,687		
Non-Recourse Debt			
Titanium Non-Recourse Debt	\$ 1,028	Various	Various
Solar Aggregation Facilities and Project Debt	2,199	Various	Various
Total Debt	\$ 10,914		
Net Debt	8,677		

Source: Company Filings

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9

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