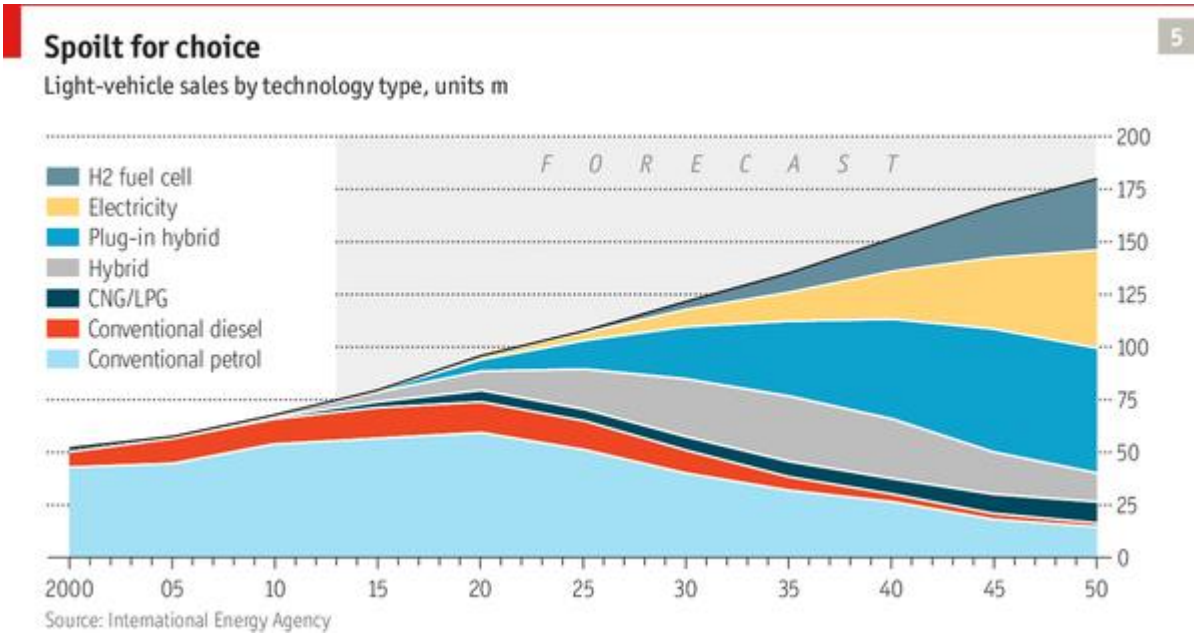
Tesla Motors, Inc.[1]

[1] Case prepared by Prof. Ravi Sarathy, D'Amore-McKim School of Business, Northeastern University, for use in classroom discussion, and based on public sources of information, and is not intended to portray effective or ineffective management. Draft, Jan. 2016.

Tesla Motors, a new entrant into the century-old automotive industry, designs, manufactures and sells electric vehicles (EV), and also sells electric vehicle components- powertrain components - to other auto firms, including Toyota (RAV4 EV) and Mercedes-Benz (A and B-class EVs). It has also partnered in a joint-venture with Panasonic to set up a "Gigafactory", with an investment of $5 billion- intended to become the world's largest lithium-ion battery manufacturer, for use in Tesla's EVs, and for sale to other EV manufacturers, as well as for use in energy storage applications.

Tesla's view is that cars have depended on internal combustion engines (ICE) for over a century and cause significant dependence on imported oil, subject vehicle owners to volatile fuel prices, and are a significant contributor to carbon emissions and pollution. Tesla hopes to achieve a technological revolution with its innovative electric powertrain technology.[2] Other alternatives to traditional ICE include hybrids that use batteries as a complement to ICE, diesel fuel vehicles, natural gas powered vehicles, plug-in hybrids, and newer alternatives such as hydrogen fuel-cell vehicles. Fig. 1 below summarizes long-term market forecasts for these competing choices.

Fig. 1: Market forecasts for ICE and alternative fuel vehicles .

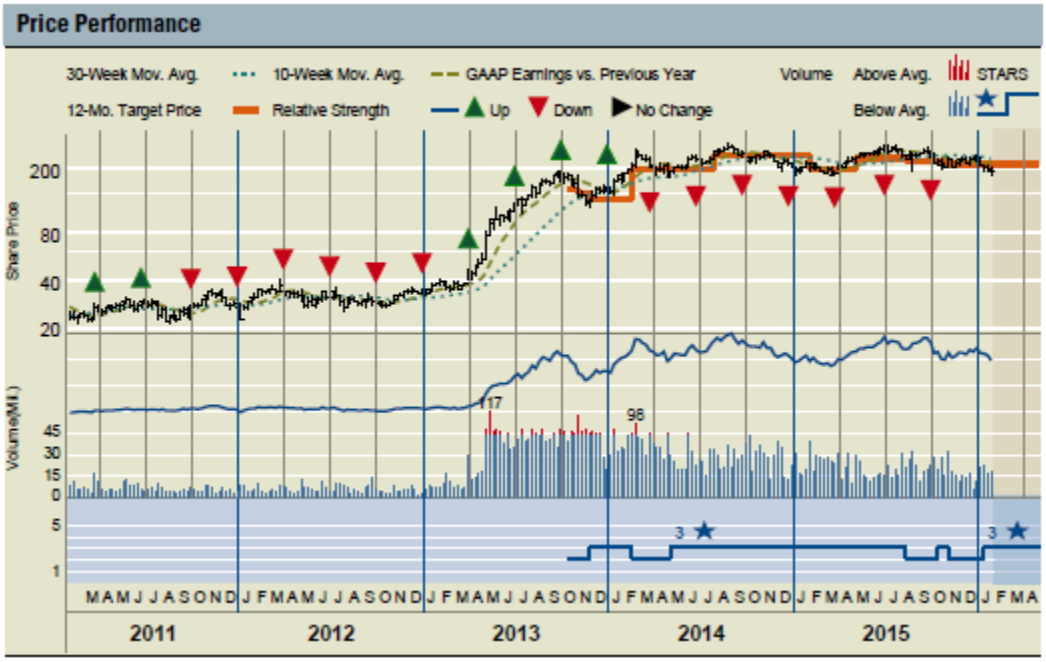


Source: Propulsion systems - The great powertrain race, **Economist,** April 20th, 2013

[2] EVs were available in the US over a 100 years ago, e.g. the 1908 Electric Phaeton, Ex. 11, priced at $2000-2600, and praised by Thomas Edison as the most suitable car for his battery. It was able to cover the 1500 miles from Boston to New York to Chicago, without any repairs or replacements, "a great feat for any car at this time:. See http://larzanderson.org/about/history/the-collection/1908-bailey-electric/ accessed Feb. 4th, 2015.

Tesla spent an estimated $650 million, over two years, to develop its first EV, the Tesla Roadster, which served as the pilot product for the later introduction to market of its first major EV, the Tesla S. Tesla went public in June 2010, raising $200 million, with an IPO price of $17 per share. Subsequent equity and debt issues raised $230 million (May 2011), $1.5 billion (May 2013) and $2.3 billion (1st Quarter 2014). **Exhibit 1** summarizes Tesla's stock price performance for 2011-15.

Ex. 1, Tesla Stock Price Chart, 2011-2015.



Source: S&P Stock Report Jan. 30, 2016

Tesla's Co-Founder and CEO Elon Musk had earlier co-founded and sold *PayPal* to eBay, and had also launched and headed a private space launch vehicle venture, *SpaceX* (Space Exploration Technologies) and was the Chairman of *SolarCity*, which competes in the solar power systems industry[3].

Tesla's product development.

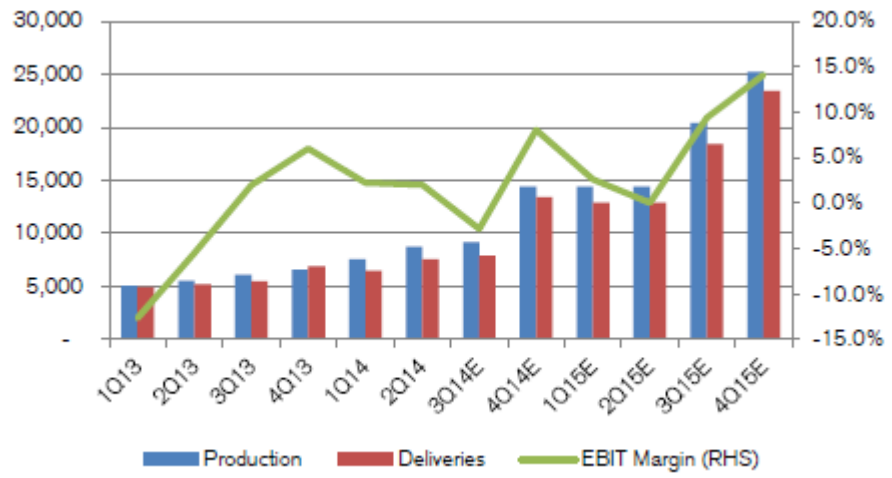
Tesla was the first auto firm to produce a US federally-compliant EV, the Tesla Roadster, whose unique features included zero emissions, superior performance, eye-catching design, and industry-best extended range- the distance the EV could travel between battery recharge. The Roadster sold for over $100,000, after a US alternative energy vehicle tax credit. The Roadster led to the Model S sedan, with Tesla having announced plans to use the same platform to extend the product line and introduce to market the Model X crossover SUV; longer-term, Tesla plans to launch a mass-market EVs - the Model 3 priced more affordably so as to compete with mass-market sedans.

[3] For Elon Musk's views, listen to podcast: http://spectrum.ieee.org/ns/radio/mp3/0609musk.mp3

Tesla approached the initial Roadster design with the intent to make the design scalable, to lead to efficient manufacturing, and to serve as a platform for further product development. The Model S has some unique features, such as an all-aluminum chassis to lower the car's weight (and thus extend driving range for the same size battery), and the battery pack served as the platform on which the chassis rested, leading to a low center of gravity. There is also no need for transmission gearing in an EV. With the battery pack on the floor, and motor and gearbox in line with the rear axle, the Model S is spacious, with a third row with rear facing child seats permitting seating 5 adults and 2 children, while offering 31.6 cubic feet of cargo space, compared to the BMW 5 – 14 cf. and the Cadillac XTS- 18 cf. Software, customizable and upgradeable, controlled the motor, battery, traction and stability control and diagnostics, real-time traffic based navigation, and an Autopilot system, including lane departure warning and speed limit alert. Tesla has indicated that software upgrades could lead to a point where the Tesla could drive itself, possibly positioning it for a possible future of driverless cars.

Tesla averaged production of around 5000 EVs a quarter at the beginning of 2013, rising to nearly 8000 units a quarter by the end of 3rd quarter 2014, producing around 35,000 cars in 2014, and with an accumulated production of around 50,000 cars by the end of 2014. Tesla's goal was to reach production of 25000 cars per quarter by the 4th quarter of 2015, with the increased volume helping lower costs through scale economies and the spreading of fixed cost over a larger number of units, with a target of achieving EBIT margins of 15% by the end of 2015. (See **Exhibit 2**)

Ex. 2, Tesla- Actual and Planned production & deliveries, and EBIT margin%.

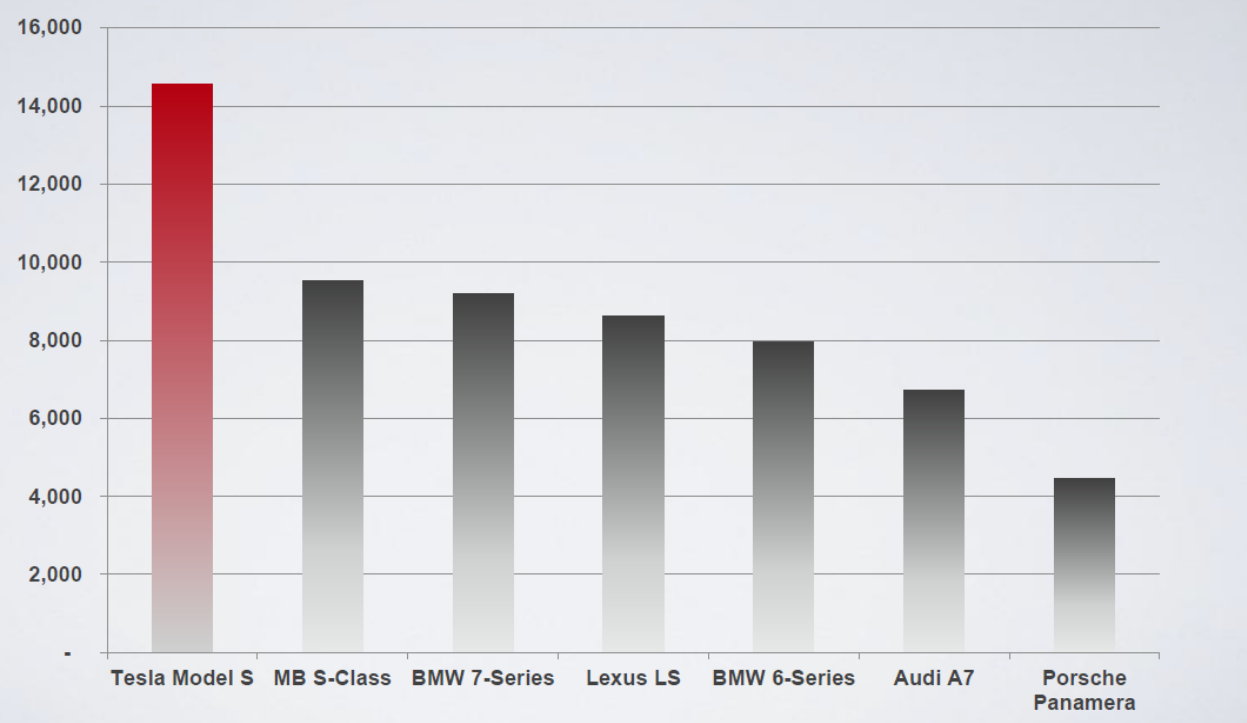


Source: Credit Suisse "Tesla - not a Fair Fight", Aug. 2014.

The Model S was introduced to market in June 2012, as a 4 door, 5 passenger premium sedan, winning the Motor Trend Car of the Year for 2013, receiving a 5-star NHTSA (National Highway Traffic Safety Administration) rating, as well as a 5-star Euro NCAP (New Car Assessment Program) rating. Tesla also received the highest score in the auto industry, of 99 out of 100 in a consumer satisfaction survey, conducted by Consumer Reports in Nov. 2013. Tesla's Model S, priced starting at $70,000, competes

with cars such as the Mercedes Benz S-class, the BMW 7-series and the Porsche Panamera, and within this premium auto market segment, had a 2-3% US market share and a 1% market global share. Tesla had sold over 25000 Model S vehicles by Dec. 31, 2013. **Exhibit 3** summarizes Tesla's sales relative to other comparable premium auto offerings.

Exhibit 3, Tesla Unit sales compared to competitors, through 3rd Qtr., 2013.

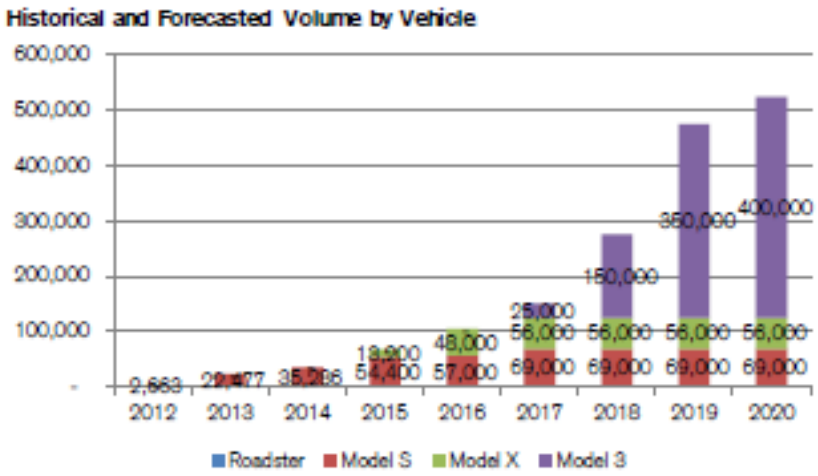


Source: Tesla Investor Presentation, Jan. 2014

In 2014, Tesla added a Dual Motor electric drive to the Model S, to create an all-wheel drive vehicle, allowing for independent torque adjustment to the front and rear wheels, improving traction control and providing redundancy. Performance with the dual motor version provides the fastest acceleration among production cars, with a 0 to 60 mph time of 3.2 seconds, equivalent to the McLaren F1.

Future Tesla models include the Model X crossover SUV, which would have considerable extra storage, as there is no engine in front, and deeper trunk space as there is no exhaust system. In the longer term, Tesla plans to launch a sedan priced in the $35 - 40,000 range, the Model 3, addressed to the mass market and aimed squarely at the ICE vehicle market segment. Achieving this lower target price would depend on lowering battery prices, which are one of the key cost components of an EV, as well as in achieving additional scale economies. Fig. 2 outlines Tesla's actual unit sales and Unit Sales forecasts through 2020.

Figure 2: Tesla's forecasted sales, 2020.



Tesla's Cost Structure.

Tesla's relatively low accumulated production volume- around 50,000 EVs by the end of 2014 – implies a high level of unabsorbed fixed costs, as Tesla is still ramping up production, investing in R&D, in additional factory capacity, and with potential for reducing unit costs through growing volumes and learning curve related economies. One of the main elements of cost in an EV is the battery pack. Manufacturing cost of the base battery pack for a Model S, currently estimated at $16,500-$22,000, depending on battery size, is built from consumer electronics lithium-ion cells, with these small format battery cells sourced from Panasonic. Other principal cost elements include powertrain components, body components, and delivery and warranty costs. Tesla had invested around $3.5 billion by 2014 in R&D and capital expenditures. Beyond fixed costs related to manufacturing, set out in Ex. 4 below, R&D and SGA costs, are likely to approximate around $3 billion annually at full production of Models S, X and model 3. Ex. 4 summarizes forecasted costs and EV prices.

Ex. 4, Forecasted Tesla Cost Structure

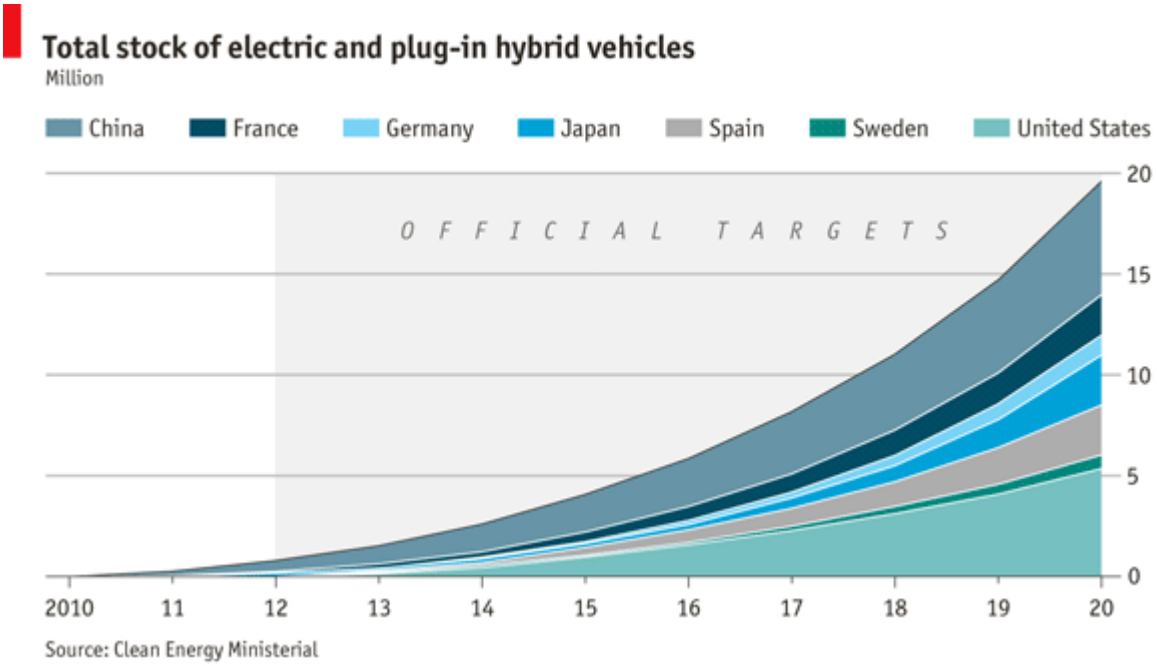
	Model S and Model X (SUV)		Planned Model 3
Expected Sales, Units	65,000	125,000	400,000
Price	$75,000	$75,000	$40,000
COST:	$	$	$
Battery	16,500	10,330	7508
Powertrain	2500	2500	1750
Body Components	24,400	23,000	18,000
Delivery/Freight	3000	3000	3000
Warranty	2250	2250	1200
Total Forecasted Unit Variable Costs	$48,650	$41,080	$31,458
Unit Contribution	$26,350	$33,920	$8542
Fixed (Manufacturing) Costs ($ Mill.)	574	814	1267

Sales of options can yield additional revenue per car, between $8 – 15,000 per vehicle, depending on the model.

Tesla's Sales strategies.

Tesla has developed a network of battery charging stations – Superchargers - with free refueling, in the US and Europe, to obtain 50% battery recharge within 20 minutes. These Supercharger stations are selectively located along highways to enable long-distance travel in a Tesla EV with few and convenient stops- drivers can cover over 200 miles before needing to recharge; competitors EVs have a range of around 100 miles or less, while the Model S 85 Kwh (with a larger battery, at a higher price) has a range of 265 miles. By Sept. 2014, Tesla had built 206 Supercharger stations in the US and Europe, and 23 in China. A Tesla store in Shenzhen China was one of the highest revenue generating Tesla stores worldwide. Fig. 3 sets out EV market potential across several key global markets.

Figure 3: Market forecasts for EV and plug-in hybrid vehicles.

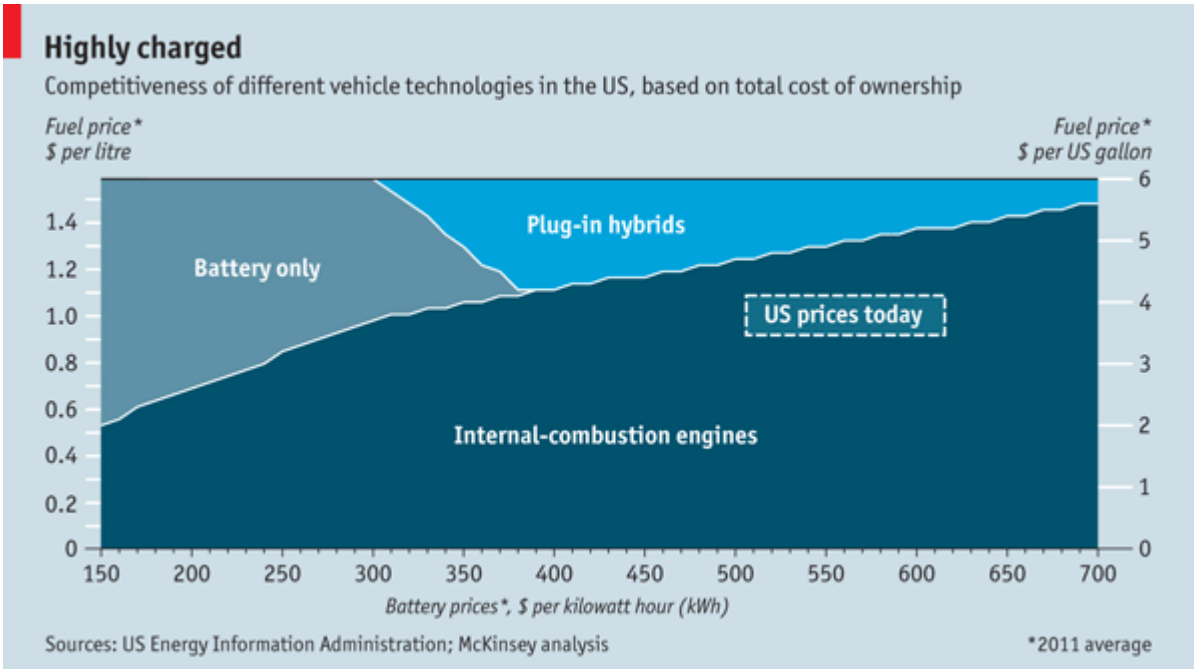


Source: China plans to dominate the electric-car market, **Economist,** May 4th, 2012

Depending on electricity costs, EV fuel costs could average 3.5 cents a mile, as compared to around 16 cents or higher per mile with an ICE.[4] Estimated fuel savings to the driver could average $1400-2500 per year. Cars can be plugged in at night for recharge, and maintenance costs are lower as the car does not need oil, belts, and filters. Fig. 4 shows the level of gas prices at which EVs become competitive with traditional ICEs. **Exhibit 5** displays Tesla's intended US Supercharger network in 2015.

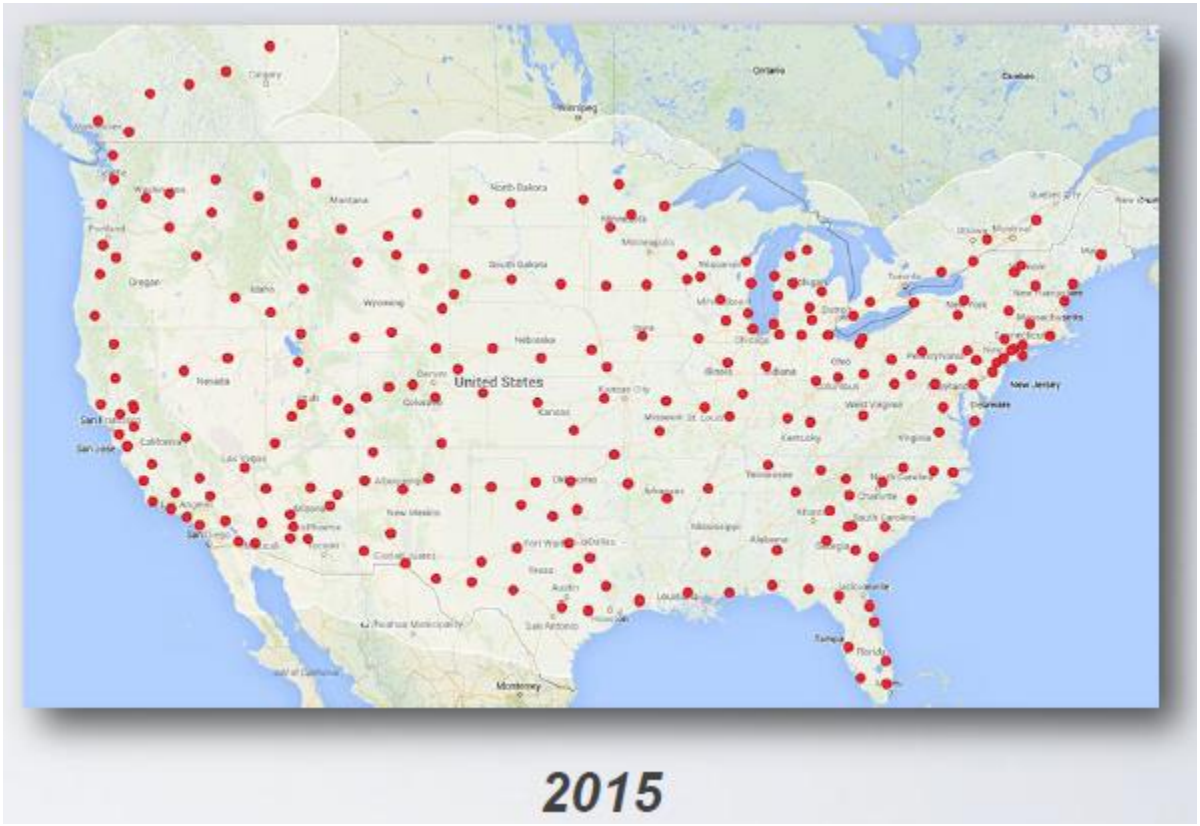
[4] Such savings of EVs over ICE depend on fuel prices. At the end of 2015, fuel prices had dropped by around 70%, hovering around $35 a barrel of oil. At lower prices, the competitive edge of EVs in terms of operating costs is lessened.

Figure 4: Fuel prices at which EVs become competitive with ICEs.



Source: The future of energy Batteries included? **Economist,** Feb. 2nd, 2013

Exhibit 5, Tesla's planned U.S. network of Supercharger stations, 2015.



Source: Tesla Investor Presentation, Jan. 2014

Tesla has chosen to avoid using independent car dealers to sell its EVs, the standard practice in the industry. Instead, Tesla sells its cars through its own stores and via the Internet, intending to better control the customer experience, and has sold its cars to clients in over 30 countries, with the main markets being the US and Europe. (Tesla has met with opposition and lawsuits over its strategy of bypassing independent car dealers, but has been able to overcome such obstacles thus far). Tesla estimates that it can save around 10% of the car's price by not using dealers, with the costs of operating its own retail stores about half that level. Tesla also offered an in-house leasing program, with conservative resale valuation at lease-end, leading to higher lease payments during the lease's life. The in-house lease program was subsequently supplemented with leases offered by financial institutions, leading to lower monthly lease payments. Tesla's leased cars will be entering the used car market in increasing numbers, increasing the size of Tesla owner base, while high resale prices of used Tesla EVs will increase confidence in the superior value of Tesla EVs.

Tesla manufacturing, and the planned 'Gigafactory'.

Tesla's manufacturing is based in Fremont, CA., at the site of the old NUMMI plant, with an assembly plant in the Netherlands. Tesla, together with Panasonic, began development of the 'Gigafactory', with Reno, Nevada, as one possible site. The Gigafactory would manufacture cells and battery packs for EVs and for home usage, with a planned capacity at full production of 50 Gwh in 2020, covering Tesla's battery needs, and with additional surplus production available for sale to other EV manufacturers and for energy storage applications at utilities generating power from wind and solar energy. Ex. 6 summarizes forecasts for the planned Gigafactory.

Exhibit 6
Expectations from the Gigafactory

Planned Production	Tesla's Needs	Sales to 3rd parties	Storage Sales	Total
Gwh	35	7.5	7.5	50
Expected Revenue/kWh	190	246	407	231
Total Expected revenue ($ Mill.)	6636	1849	3050	11535
Planned Margin	10%	10%	10%	
Expected Operating Profit ($ Mill.)	664	185	305	1153
Net Oper. Profit after Taxes Profit ($ Mill.)	498	139	229	865

Source: Credit Suisse estimates.

As a young company, with production ramping up and construction under way on factory expansion to accommodate newer models such as the Model X crossover SUV, and the planned Gigafactory with an estimated investment required of around $5 billion, Tesla is facing capital expenditure outflows, while incurring losses as it increases product and manufacturing process R&D, expands factory capacity to

grow production, and augments selling expenses to expand marketing networks. An open question is when and how Tesla will reach profitability and obtain adequate returns on capital. Whether significant stock price appreciation since Tesla's IPO signals profitable long-term prospects, or, represents a speculative bubble, is dependent on the viability of Tesla's EV business model and its ability to increase the number of Tesla product models, expand sales rapidly, and generate positive cash flows. **Exhibits 7 – 10** summarize Tesla's financial performance. **Ex. 11** provides a summary of Electric Vehicles sold in the US as of Jan. 2016.

Exhibit 7A, Tesla Income Statement, 2009-2013.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
Automotive sales	$ 1,997,786	$ 385,699	$ 148,568	$ 97,078	$ 111,943
Development services	15,710	27,557	55,674	19,666	—
Total revenues	2,013,496	413,256	204,242	116,744	111,943
Cost of revenues (1):					
Automotive sales	1,543,878	371,658	115,482	79,982	102,408
Development services	13,356	11,531	27,165	6,031	—
Total cost of revenues	1,557,234	383,189	142,647	86,013	102,408
Gross profit	456,262	30,067	61,595	30,731	9,535
Operating expenses (1):					
Research and development (net of development compensation of $23,249 for the year ended December 31, 2009)	231,976	273,978	208,981	92,996	19,282
Selling, general and administrative	285,569	150,372	104,102	84,573	42,150
Total operating expenses	517,545	424,350	313,083	177,569	61,432
Loss from operations	(61,283)	(394,283)	(251,488)	(146,838)	(51,897)
Interest income	189	288	255	258	159
Interest expense (2)	(32,934)	(254)	(43)	(992)	(2,531)
Other income (expense), net (3)	22,602	(1,828)	(2,646)	(6,583)	(1,445)
Loss before income taxes	(71,426)	(396,077)	(253,922)	(154,155)	(55,714)
Provision for income taxes	2,588	136	489	173	26
Net loss	$ (74,014)	$ (396,213)	$ (254,411)	$ (154,328)	$ (55,740)
Net loss per share of common stock, basic and diluted (4)	$ (0.62)	$ (3.69)	$ (2.53)	$ (3.04)	$ (7.94)
Weighted average shares used in computing net loss per share of common stock, basic and diluted (4)	119,421,414	107,349,188	100,388,815	50,718,302	7,021,963

Exhibit 7B, Tesla Summary Income Statement, 2010-2014

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Total revenues	$ 3,198,356	$ 2,013,496	$ 413,256	$ 204,242	$ 116,744
Gross profit	881,671	456,262	30,067	61,595	30,731
Loss from operations	(186,689)	(61,283)	(394,283)	(251,488)	(146,838)
Net loss	$ (294,040)	$ (74,014)	$ (396,213)	$ (254,411)	$ (154,328)
Net loss per share of common stock, basic and diluted (1)	$ (2.36)	$ (0.62)	$ (3.69)	$ (2.53)	$ (3.04)
Weighted average shares used in computing net loss per share of common stock, basic and diluted (1)	124,573,415	119,421,414	107,349,188	100,388,815	50,718,302

Exhibit 8, Tesla Consolidated Balance Sheet, 2009-2013.

	As of December 31,				
	2013	2012	2011	2010	2009
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 845,889	201,890	$255,266	$ 99,558	$ 69,627
Short-term marketable securities	—	—	25,061	—	—
Restricted cash—current (1)	3,012	19,094	23,476	73,597	—
Property, plant and equipment, net (2)	738,494	552,229	298,414	114,636	23,535
Working capital (deficit)	590,779	(14,340)	181,499	150,321	43,070
Total assets	2,416,930	1,114,190	713,448	386,082	130,424
Convertible preferred stock warrant liability (3)	—	—	—	—	1,734
Common stock warrant liability (3)	—	10,692	8,838	6,088	—
Capital lease obligations, less current portion	12,855	9,965	2,830	496	800
Convertible debt, less current portion (4)	586,119	—	—	—	—
Long-term debt, less current portion (5)	—	401,495	268,335	71,828	—
Convertible preferred stock	—	—	—	—	319,225
Total stockholders' equity (deficit)	667,120	124,700	224,045	207,048	(253,523)

Exhibit 8B, Tesla Detailed Balance Sheet, 2013 and 2014.

Tesla Motors, Inc.

Consolidated Balance Sheets
(in thousands, except share and per share data)

	December 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 1,905,713	$ 845,889
Restricted cash and marketable securities	17,947	3,012
Accounts receivable	226,604	49,109
Inventory	953,675	340,355
Prepaid expenses and other current assets	94,718	27,574
Total current assets	3,198,657	1,265,939
Operating lease vehicles, net	766,744	382,425
Property, plant and equipment, net	1,829,267	738,494
Restricted cash	11,374	6,435
Other assets	43,209	23,637
Total assets	$ 5,849,251	$ 2,416,930
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 777,946	$ 303,969
Accrued liabilities	268,884	108,252
Deferred revenue	191,651	91,882
Capital lease obligations, current portion	9,532	7,722
Customer deposits	257,587	163,153
Convertible senior notes	601,566	182
Total current liabilities	2,107,166	675,160
Capital lease obligations, less current portion	12,267	12,855
Deferred revenue, less current portion	292,271	181,180
Convertible senior notes, less current portion	1,806,518	586,119
Resale value guarantee	487,879	236,299
Other long-term liabilities	173,244	58,197
Total liabilities	4,879,345	1,749,810
Commitments and contingencies (Note 11)		
Convertible senior notes (Notes 6)	58,196	—
Stockholders' equity:		
Preferred stock; $0.001 par value; 100,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock; $0.001 par value; 2,000,000,000 shares authorized as of December 31, 2014 and 2013, respectively; 125,687,607 and 123,090,990 shares issued and outstanding as of December 31, 2014 and 2013, respectively	126	123
Additional paid-in capital	2,345,266	1,806,617
Accumulated deficit	(1,433,682)	(1,139,620)
Total stockholders' equity	911,710	667,120
Total liabilities and stockholders' equity	$ 5,849,251	$ 2,416,930

Exhibit 9A, Tesla Quarterly Sales and Profits, 2013 and 2014.

	Three months ended			
	March 31	June 30	September 30	December 31
2014				
Total revenues	$ 620,542	$ 769,349	$ 851,804	$ 956,661
Gross profit	155,128	212,995	251,851	261,697
Net loss	(49,800)	(61,902)	(74,708)	(107,630)
Net loss per share, basic	(0.40)	(0.50)	(0.60)	(0.86)
Net income (loss) per share, diluted	(0.40)	(0.50)	(0.60)	(0.86)
2013				
Total revenues	$ 561,792	$ 405,139	$ 431,346	$ 615,219
Gross profit	96,320	100,483	102,868	156,590
Net income (loss)	11,248	(30,502)	(38,496)	(16,264)
Net income (loss) per share, basic	0.10	(0.26)	(0.32)	(0.13)
Net income (loss) per share, diluted	0.00	(0.26)	(0.32)	(0.13)

Exhibit 9B, Tesla Balance Sheet, 2014 and Sept. 2015

Tesla Motors, Inc.

Consolidated Balance Sheets
(in thousands)

	September 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 1,426,086	$ 1,905,713
Restricted cash and marketable securities	25,223	17,947
Accounts receivable	119,964	226,604
Inventory	1,293,717	953,675
Prepaid expenses and other current assets	133,855	94,718
Total current assets	2,998,795	3,198,657
Operating lease vehicles, net	1,360,725	766,744
Property, plant and equipment, net	3,103,811	1,829,267
Restricted cash	26,355	11,374
Other assets	57,811	43,209
Total assets	$ 7,547,497	$ 5,849,251
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 824,861	$ 777,946
Accrued liabilities	373,859	268,884
Deferred revenue	348,117	191,651
Capital lease obligations	13,000	9,532
Resale value guarantees	85,580	—
Customer deposits	269,545	257,587
Convertible senior notes and other debt	638,809	601,566
Total current liabilities	2,553,771	2,107,166
Capital lease obligations	15,083	12,267
Deferred revenue	362,261	292,271
Convertible senior notes and other debt	1,966,361	1,806,518
Resale value guarantees	952,729	487,879
Other long-term liabilities	336,505	173,244
Total liabilities	6,186,660	4,879,345
Commitments and contingencies (Note 10)		
Convertible senior notes (Notes 8)	46,181	58,196
Stockholders' equity:		
Preferred stock; $0.001 par value; 100,000 shares authorized; no shares issued and outstanding	—	—
Common stock; $0.001 par value; 2,000,000 shares authorized as of September 30, 2015 and December 31, 2014; 130,901 and 125,688 shares issued and outstanding as of September 30, 2015 and December 31, 2014	131	126
Additional paid-in capital	3,340,436	2,345,266
Accumulated other comprehensive loss	(23,985)	(22)
Accumulated deficit	(2,001,926)	(1,433,660)
Total stockholders' equity	1,314,656	911,710
Total liabilities and stockholders' equity	$ 7,547,497	$ 5,849,251

Exhibit 10, Tesla, Quarterly Cash Flow Statement, 2014-2015.

Tesla Motors, Inc.

Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash Flows From Operating Activities		
Net loss	$ (568,266)	$ (186,411)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	278,867	163,955
Stock-based compensation	142,359	111,980
Amortization of discount on convertible debt	51,376	55,634
Inventory write-downs	23,303	14,495
Fixed asset disposals	8,800	11,052
Other non-cash operating activities	11,011	4,503
Foreign currency transaction (gain) loss	35,583	(2,707)
Changes in operating assets and liabilities		
Accounts receivable	78,373	(109,172)
Inventories and operating lease vehicles	(1,091,382)	(672,663)
Prepaid expenses and other current assets	(35,962)	(29,517)
Other assets	(14,297)	(5,671)
Accounts payable and accrued liabilities	89,238	253,895
Deferred revenue	186,255	142,494
Customer deposits	20,314	71,143
Resale value guarantee	249,548	161,782
Other long-term liabilities	40,230	44,273
Net cash provided by (used in) operating activities	(494,650)	29,065
Cash Flows From Investing Activities		
Purchases of property and equipment excluding capital leases	(1,223,628)	(601,224)
Purchases of short-term marketable securities		(205,831)
Maturities of short-term marketable securities		189,131
Business acquisition	(12,260)	—
Increase in other restricted cash	(23,383)	(289)
Net cash used in investing activities	(1,259,271)	(618,213)
Cash Flows From Financing Activities		
Collateralized lease borrowing	359,951	—
Proceeds from issuance of common stock in public offerings	750,000	—
Proceeds from issuance of convertible and other debt	183,972	2,300,000
Proceeds from exercise of stock options and other stock issuances	94,026	89,925
Principal payments on capital leases and other debt	(72,906)	(8,702)
Common stock and debt issuance costs	(16,558)	(35,150)
Proceeds from issuance of warrants	—	389,160
Purchase of convertible note hedges	—	(603,428)
Net cash provided by financing activities	1,298,485	2,131,805
Effect of exchange rate changes on cash and cash equivalents	(24,241)	(17,811)
Net increase (decrease) in cash and cash equivalents	(479,677)	1,542,657
Cash and cash equivalents at beginning of period	1,905,713	845,889
Cash and cash equivalents at end of period	$ 1,426,036	$ 2,370,735
Supplemental noncash investing activities		
Acquisition of property and equipment included in accounts payable and accrued liabilities	313,850	190,677
Estimated fair value of facilities under build-to-suit lease	64,552	21,276

Exhibit 11: Comparison, Electric Vehicles available in the US, Jan. 2016.

Fully Electric Cars, Jan. 2016				
Make	Price (before Rebate) US$	Range	Fuel economy MPG Est.	# Seats
Smart EV	25000	68	107	2
Ford Focus electric	29170	76	105	5
BMW i3	42400	81	124	4
Chevy Spark EV	25995	82	119	4
VW eGolf (Also Audi A3 eTron)	28995	83	116	5
Nissan Leaf (also Renault Zoe)	29010	84	114	5
Mercedes-Benz B Class	41450	87	84	5
Fiat 500e	32300	87	116	4
Kia Soul EV	33700	93	105	5
Renault Twizzy	€ 7,240	50		2
Tesla S 85D	85000	270		5

Exhibit 12: The 1908 Bailey Electric

As in the Tesla, the battery was under the passenger seats, providing stability and conserving space. Source: Larz Anderson Car Museum.

Questions:

Are Electric Vehicles (EVs) comparable to internal combustion engines (ICE) technology vehicles? Do EVs represent a disruptive technology?
From the customer perspective, what considerations would motivate an EV purchase over an ICE vehicle? What are the implications for Tesla?
Develop a business model for Tesla, indicating future sales and profitability; what is your assessment of Tesla's long-term success?
How might traditional auto companies react? Do they pose a threat to Tesla?
What steps does Tesla need to take to ensure such success?