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Tesla Has Second-Best IPO Debut Of The Year, Rising 41%

By Matt Jarzemsky and Lynn Cowan DOW JONES NEWSWIRES

Electric car maker Tesla Motors Inc. (TSLA) generated the second-best initial public offering gain of the year Tuesday, even as the broader market fell sharply.

Tesla's ability to rise 41% against a backdrop of plummeting stock indexes wasn't the only sign of high demand for the initial public offering. It also bucked a trend of new companies cutting the prices of their IPOs in the past several months amid stock-market volatility, and was able to sell its shares at a level above its expected range. Some IPO hopefuls haven't been able to complete their deals and have shelved them for the time being.

Tesla's IPO was expected to appeal to both clean-energy investors and car geeks, but its strong first-day showing isn't an indication that all new stocks will be embraced as warmly. Earlier this month, another highly anticipated IPO from options exchange CBOE Holdings Inc. (CBOE) priced well and gained 12% on its debut, but the group of new issues that followed in its wake had mixed results in pricing and trading.

Tesla closed at \$23.89 on the Nasdaq, up \$6.89 from its IPO price of \$17. Its 41% gain was the second-best debut from an IPO in the U.S. this year, behind the nearly 44% pop that Financial Engines Inc. (FNGN) experienced in March.

Tesla sold 13.3 million shares at a price above its expected range of \$14 to \$16. The size of the deal was also boosted Monday, with Tesla selling 11.1 million shares and current owners offering the rest. Among the sellers were Chief Executive Elon Musk, whose stake will fall from 36% to as little as 28% after the IPO.

The company, named for scientist and inventor Nikola Tesla, has been selling its all-electric Roadsters for nearly two years and is still the only company selling highway-capable electric vehicles to consumers in volume.

It sold 1,063 Roadsters as of March 31 and has unfilled reservations for 110. The Roadster sells for \$109,000, or \$101,500 after federal tax credits. The Roadster Sport edition costs an extra \$19,500. Some

states offer additional consumer-tax breaks for buying an electric car, topping out as much as \$42,000 in Colorado.

Tesla's plan is to step up its auto production with a Model S sedan that will retail for \$57,400 when it comes out in 2012, with a target of 20,000 cars a year; longer term, it plans to add a third generation line of electric cars at a lower price point and higher unit volume.

"Now the hard work begins, in that Tesla needs to spend their money wisely on new products ... and quickly drive costs down," said Oliver Hazimeh, director and head of the global e-Mobility practice at PRTM, a consulting firm.

Tesla's offering was managed by Goldman Sachs Group Inc. (GS), Morgan Stanley (MS), J.P. Morgan Chase & Co. (JPM) and Deutsche Bank AG (DB).

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