

Western Capital Markets



Western Capital Markets

Table of Contents

Disclaimer

I. Current Events

II. Introduction to Excel



Disclaimer

This presentation was prepared exclusively for the benefit and use of the members of Western Capital Markets (“WCM”) for the purpose of teaching and discussing financial and investment matters. This presentation is proprietary to WCM .

The information and any analyses contained in this presentation are taken from, or based upon, information obtained from the WCM Executive Team or from publicly available sources. Any information taken from external literature is appropriately referenced. The completeness and accuracy of this presentation cannot be assured by WCM.

To the extent projections and financial analyses are set forth herein, they may be based on estimated financial performance prepared by WCM and are intended only to suggest reasonable ranges of results. Any calculations or value ranges indicated herein are preliminary and should not be construed as opinions of WCM or their individual members as to value, fair market value, or target prices at which a transaction would be considered fair from a financial point of view and must not be relied upon or disclosed as constituting such a document or opinion.

WCM does not take liability for any inaccurate information, and is not liable for any investment advice. Before acting on any information, from WCM or external sources, you should contact a Certified Financial Advisor.



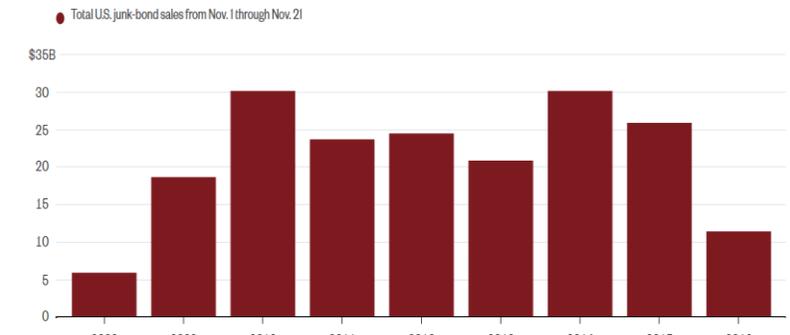
I. Current Events



Junk-Bond Market Heads Towards Deep Freeze

Companies are selling U.S junk bonds at slowest pace for a November since 2008 FC

- **Junk Bond:** High-Yield noninvestment grade fixed income instruments that carry a credit rating of BB or lower by S&P's Index
- Borrowers have raised a record low of \$11.4 Billion this month
- Prices of bonds are dropping
- Two possible explanations:
 - Borrowers have enough money for the future therefore not needing to invest in these high yield bonds
 - Election Fears, Inflationary Pressures- Investors aren't compensated for the risk
- Since the election, treasury yields have surged with traders speculating a certain increase in interest rates next month
- Higher Yield=Less Demand to fund companies with higher default rates and low borrowing costs



Western Capital Markets



Tesla buys Solarcity



Tesla buy out of Solarcity following lack of funding

Overview of the deal

- On November 17th, Tesla shareholders approved the acquisition of fellow clean-energy company, Solarcity for US \$2.6bn
- Controversy surrounds the deal, considering the **capital intensive** nature of both companies and Solarcity's recent struggles to generate profit, and potential for increased **leverage** for Tesla



1. Tesla is primarily an automobile manufacturing company, creating 100% electric vehicles
2. Solarcity designs and manufactures solar energy systems and panels for residential, commercial and government applications
3. The deal would allow Tesla to consolidate and create a larger platform for its industrial and commercial markets while making it the only **vertically integrated** energy company
4. After both companies went through a shareholder vote, with 85% of Tesla shareholders agreeing to the deal, Tesla will officially acquire Solarcity for US 2.6bn all stock option
 - Giving each Solarcity shareholder 0.11 Tesla stock (valued at 25.37\$ per share)
5. The final deal is US \$200mn under Tesla's initial offering and both companies stock has dropped reflecting risks that investors see in the acquisition
 - Both companies have struggled to be **cash flow positive** or turn a profit, however Solarcity has struggled to raise capital and is highly reliant on debt
6. Tesla plans to exploit **economies of scale**, potential **synergies** and divest investment capital into shared interests



Donald Trump nixes Trans-Pacific Partnership

The president-elect promises to renounce pacific trade deal on first day in his office

- The TPP is a controversial trade agreement concerning a group of 12 countries bordering the Pacific Ocean. The countries involved include the United States, Japan, Vietnam, Australia, Malaysia, Canada, Singapore and Chile
- The deal hopes to reduce barriers to trade, including the elimination of certain tariffs, among the participating countries as well as set standards for the ways the countries deal with each other economically. They include stricter labor and environmental rules, legal protections for drug companies and increased copyright protection
- “I am going to issue our notification of intent to withdraw from the Trans-Pacific Partnership, a potential disaster for our country. Instead, we will negotiate fair, bilateral trade deals that bring jobs and industry back on to American shores.” – Trump

Implications of a US withdrawal from the trade deal

- The TPP requires the ratification of at least six countries accounting for 85 percent of the combined gross domestic product of the member nations
- Japanese PM Shinzo Abe stated that the TPP “has no meaning” without the US, arguing that their absence “destroys the basic balance of gains” from the deal while Australian PM Malcolm Turnbull said he believes there is strong support among the remaining parties to ratify the TPP and they open other countries such as Indonesia and China to join the agreement
- China has pushed its own version of an Asia-Pacific trade pact, called the Regional Comprehensive Economic Partnership (RCEP), which notably excludes the United States. It is a more traditional trade agreement, involving cutting tariffs rather than opening up economies and setting labor and environmental standards as the TPP would



II. Introduction to Excel



Western Capital Markets



Western Capital Markets