



15.516x Financial Accounting

Session 10 - Liquidity – Tesla

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Overview

Review: Firms need operating cash flow:

1. to finance investments (investing cash flows),
2. to pay down debt, ([financing cash flows](#))
3. and to return capital to stockholders ([financing cash flows](#)).

In this class, we use Tesla's 2019 financial statements to review:

- Taxes
- Acquisitions
- Equity and Debt issues
- Leases
- Diluted shares
- Cash flow

Approach to the Tesla Case Problems

These Tesla Case problems will not be graded. The point of the problems is to help you review for the exam.

After the problems, there are slides and a video discussing the solution.

To get the most out of the review:

- Do the problems first (as if taking an exam)
- Then review the slides and video discussing the solution.

Background on Tesla at the time of Case

What does Tesla do?

Primarily electric vehicles (EVs)

When did it come public?

IPO on June 29, 2010 at \$17.00 per share

Financial performance

Rapid growth in revenues and stock price (around \$1,500 as of 7/10/2020)

History of losses

History of negative CFO; turned positive in 2018

Risks (as of early 2020)?

Competition ; COVID

Tesla's Performance 2017-2019

Measure	2019	2018	2017
Vehicles delivered	367,200	244,920	103,020
Sales	24,578	21,461	11,759
Net Income	(775)	(1,063)	(2,241)
Operating cash flow (CFO)	2,405	2,098	(61)
Investing cash flow	(1,436)	(2,337)	(4,196)
Financing cash flow	1,529	574	4,415

because of the smaller shortfall between operating cash flow and investing cash flow, financing cash flow has decreased from \$4.4 billion in 2017 to \$1.5 billion in 2019.

Tesla 5.3% Bond Feeling 100: Hits Face Value for First Time Since 2017 (WSJ 1/8/2020)

Price of Tesla bond due 2025

102.5 cents on the dollar

100.0

97.5

95.0

92.5

90.0

87.5

85.0

82.5

80.0

2018

'19

'20

Source: MarketAxess

Much lower
risk of bankruptcy

High risk of bankruptcy

Tesla stock price 5 years ended 7/10/2020



Developments at Tesla since the 2019 Financial Statements



Tesla split its stock 5-for-1 on August 28, 2020. Just before the split, Tesla's price was \$2,213 and it had 186.4 million shares outstanding.

How many shares outstanding did it have immediately after the split?

$$5\text{-for-1 split} \rightarrow 186.4 * 5 = 932 \text{ million}$$

What was the price immediately after the split?

$$5\text{-for-1 split} \rightarrow \$2,213 / 5 = \$442.60$$

If the July 10, 2020 pre-split price is \$1,500, what is the split-adjusted price?

$$5\text{-for-1 split} \rightarrow \$1,500 / 5 = \$300$$

Developments at Tesla since the 2019 Financial Statements



On December 31, 2020, Tesla's price has risen to \$705 (\$3,525 pre-split).

Tesla took advantage of this price increase to do three stock offerings in 2020:

- Raised \$12.3 billion in these stock offerings

Because of these stock offerings and strong cash flow in 2020, Tesla in early 2021 has low needs for liquidity: [or extra cash](#).

- In contrast, in 2019 at the time of case, Tesla had high needs for liquidity.

Reminder

Put yourself in the position of an analyst who received these 2019 financial statements in early 2020.

Conduct your analysis solely on the basis of these statements and what was known about Tesla in early 2020.

Problem 1 – Taxes

BSE for Income taxes

BSE for Tesla's valuation allowance in 2019

How much extra (lower) US taxes if its US taxable income had been \$1 billion higher (lower)?

1. BSE for Income taxes (note 15)

	<u>2019</u>
Current:	
Federal	\$ —
State	5
Foreign	86
Total current	91
Deferred:	
Federal	(4)
State	—
Foreign	23
Total deferred	19
Total provision for income taxes	\$ 110

BSE Equation Entry

Assets	=	Liab	+	S/E
Cash		Def Tax Liab		R/E
2017 -91		19		-110

1. BSE for Tesla's valuation allowance in 2019 (note 15)

	Year Ended December 31,		
	2019	2018	2017
Tax at statutory federal rate	\$ (139)	\$ (211)	\$ (773)
State tax, net of federal benefit	5	3	2
Nondeductible expenses	94	65	30
Excess tax benefits related to stock based compensation (1)	(7)	(44)	(1,013)
Foreign income rate differential	189	161	365
U.S. tax credits	(107)	(80)	(110)
Noncontrolling interests and redeemable noncontrolling interests adjustment	(29)	32	66
Effect of U.S. tax law change	—	—	723
Bargain in purchase gain	—	—	20
Convertible debt	(4)	—	—
Unrecognized tax benefits	17	1	3
Change in valuation allowance	91	131	719
Provision for income taxes	<u>\$ 110</u>	<u>\$ 58</u>	<u>\$ 32</u>

BSE Equation Entry

Assets	=	Liab	+	S/E
DTA - Valuation Allowance (XA)				R/E
2019 91 million				-91 million (tax expense)

Also OK: 150 million (change in balance sheet amount) – next slide

1. Income Taxes – NOLs (note 15)

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Net operating loss carry-forwards	\$ 1,846	\$ 1,760
Research and development credits	486	377
Other tax credits	126	128
Deferred revenue	301	156
Inventory and warranty reserves	243	165
Stock-based compensation	102	102
Operating lease right-of-use liabilities	290	—
Accruals and others	16	28
Total deferred tax assets	<u>3,410</u>	<u>2,716</u>
Valuation allowance	<u>(1,956)</u>	<u>(1,806)</u>
Deferred tax assets, net of valuation allowance	1,454	910
Deferred tax liabilities:		
Depreciation and amortization	(1,185)	(861)
Investment in certain financing funds	(17)	(33)
Operating lease right-of-use assets	(263)	—
Other	(24)	(24)
Total deferred tax liabilities	<u>(1,489)</u>	<u>(918)</u>
Deferred tax liabilities, net of valuation allowance and deferred tax assets	<u>\$ (35)</u>	<u>\$ (8)</u>

“We intend to continue maintaining a full valuation allowance on our U.S. deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances.”

Tesla do not expect to be profitable for US tax purposes for many years in the future.

1. How much extra (lower) US taxes if its US taxable income had been \$1 billion higher (lower)?

If \$1 billion higher:

net operating losses

NOLs will offset higher income

\$0 extra taxes

If \$1 billion lower:

Tesla currently has negative US taxable income instead of net income, Tesla has net loss

Extra loss will make more negative

Will create additional NOL

\$0 extra taxes

Problem 2 – Maxwell Technologies acquisition – Purchase Price Allocation (p. 90 2019 10K)

FV Tang.	FV Intang.	Goodwill =	Liabs	S/E
128	105	79	97	215

Purchase price is \$207 million in stock (S/E). Also included in S/E is \$8 million in APIC from converted equity awards.

Problem 3 – Tesla's 2019 Stock offering

Par value of 4 million shares

Par value of 4 million shares of common stock (in millions)

May 2019 Equity Issuance BSE

Based solely on the information in the 10-K, how many shares did Tesla issue?

3. Par value of 4 million shares

If Tesla sold 4 million shares of common stock, what is their par value?

From balance sheet (p. 65), Tesla's stock has par value \$0.001.

Par value of 4 million shares =

$$\$4,000 = 4,000,000 \times \$0.001$$

Tesla reports in millions. What is the par value of 4 million shares of common stock (in millions)?

$$\$4,000 / 1,000,000 = \$0.004 = \$0 \text{ millions}$$

3. May 2019 Equity Issuance (p. 68 and 69, 2019 10K)

From Statement of Cash Flows CFF (p. 69):

Cash Flows from Financing Activities

Proceeds from issuances of common stock in public offerings, net of underwriting discounts 848

From Statement of Equity (p. 68):

Issuance of common stock in May 2019 public offering at \$243.00 per share, net of issuance costs of \$15

	Common Stock	Additional Paid-In Capital
	Shares	Amount
—	3	0
par value of 0		848

As can be seen by the fact that Cash is about the same as APIC, Tesla recorded the \$15 million in issuance costs as a reduction in APIC.

3. May 2019 Equity Issuance (p. 68, 2019 10K)

In May 2019, Tesla issued shares. Give the BSE for the share issuance.

In millions:

Cash
848

Common Stock
0
rounds to 0

APIC
848

3. May 2019 Equity Issuance (p. 68, 2019 10K)

Based solely on the information in the 10-K, how many shares did Tesla issue?

$$\begin{aligned} & (\text{Cash + Issuance costs}) / \text{Issuance price} \\ & = \$ (848 + 15 \text{ million}) / \$243 = 3,551,440 \end{aligned}$$

3. Tesla Prospectus Supplement dated May 1, 2019

THE OFFERING

Issuer	Tesla, Inc., a Delaware corporation
Common stock we are offering	3,086,419 shares (or 3,549,381 shares if the underwriters exercise their option to purchase additional shares in full).
Common stock to be outstanding after this offering	176,768,396 shares (or 177,231,358 shares if the underwriters exercise their option to purchase additional shares in full).
Use of proceeds	We expect to receive net proceeds from this offering of approximately \$737.0 million (or approximately \$847.6 million if the underwriters exercise their option to purchase additional shares in full) after deducting the underwriting discounts and our estimated offering expenses. The estimated net proceeds are based on the public offering price of \$243.00 per share. In

3.549381 million x 243 = \$863 million gross proceeds

\$863 million - \$15 million = \$848 million net proceeds

Problem 4 – Tesla's 2019 convertible debt offering

Value of the bond payments discounted at the market interest rate at issuance

Balance sheet equation for issue (ignoring issuance costs)

Balance sheet equation for the issuance costs

Accounting for first 6 months interest

4. Tesla's 2% Convertible Senior Notes due 2024 (p. 100-1)

face value coupon rate

In May 2019, Tesla issued \$1,840 million in 2% Convertible Senior Notes due in May 2024.

The net proceeds from the issuance, after transaction costs, were \$1,820 million.

"The resulting debt discount is being amortized to interest expense at an effective interest rate of 8.68%." This means that if Tesla had issued notes (with no conversion feature), the effective interest rate would have been 8.68%.

By including the conversion feature, Tesla is saving 6.68% (= 8.68% - 2%) in (cash) interest. This difference reflects the value of the conversion feature.

Each \$1,000 of the Notes is convertible into 3.2276 shares of stock (or a conversion price of \$309.83, or 28% above the current price). This means shares issuable on conversion = \$1,840 million / \$1,000 × 3.2276 = 5,938,704 shares.

Tesla 5.3% bond yield suggests junk credit and high risk of default

Breaking B

Tesla's bonds yield well north of the average B rated company

Market rate of interest around issuance of 2024 Notes

coming from market interest rate of Tesla 5.3% bond



4. Tesla's 2% Convertible Senior Notes due 2024

What is value of the bond payments discounted at the market interest rate at issuance?

	Interest and principal	$4.34\% = 8.68\% / 2$ PV Factor	PV
Period	principal	@ 4.34%	Cash flow
1	18.4	0.96	17.6
2	18.4	0.92	16.9
3	18.4	0.88	16.2
4	18.4	0.84	15.5
5	18.4	0.81	14.9
6	18.4	0.77	14.3
7	18.4	0.74	13.7
8	18.4	0.71	13.1
9	18.4	0.68	12.6
10	1,858.4	0.65	1,215.2
Value			1,349.9

Note: Semi-annual interest on convertible:
 $1,840 \times 2\% / 2 = 18.4$ million

4. Tesla's 2% Convertible Senior Notes due 2024

If the value of 5-year straight debt is \$1,350 million, what about the other \$1,840 - \$1,350 = \$490 million?

This is the value of the conversion option.

How much does Tesla calculate?

\$491 million

Why the difference?

Rounding error in part due to the maturity not being exactly 10 years.

4. Tesla's 2% Convertible Senior Notes due 2024 (p. 100 10-K)

Balance sheet equation for issue (ignoring issuance costs)?

A	=	L	-	Contra Liabilities	+ S/E	
Cash		Senior Notes	-Discount	net notes payable	APIC	difference between the face value of the notes and the net notes payable is going to additional paid in capital of 491 million.
1,840		1,840	491	Net Notes	491	
				1,349		PV of CF discount at 8.68%

Balance sheet equation for the issuance costs?

p.46: the amortization of debt issuance costs and the amortization of debt discounts on our convertible

Cash	Capitalized issuance costs
-20	20

Recall Bonds – Summary of accounting

For financial accounting purposes:

Interest expense = market rate at the time the bond is issued \times net bond payable
 $8.68\% /2$ 1.349 billion

Interest payable = coupon rate \times par amount

$2\% /2$ 1.84 billion

The difference between interest expense and interest payable is amortized against the bond discount (premium) account.

4. Accounting for first 6 months interest

$$\begin{aligned} \text{Coupon rate x par} \\ 2\% / 2 \times 1,840 = 18.4 \end{aligned}$$

$$\begin{aligned} \text{Int. exp. is net bond payable} \\ \times \text{market rate at issuance} \\ 1,349 \times 8.68\% / 2 = 58.5 \end{aligned}$$

	Cash	– Discount (XL)	RE
11/2020	-18.4 int. payment	-40.1	-58.5 int. exp.

amortization of the discount

= Interest expense –
interest payable

Problem 5 – Tesla interest expense in 2019

How much was interest expense in 2019?

\$685 million (from income statement)
Statements of Operations

How much interest did Tesla pay in cash in 2019?

\$455 million (from bottom of cash flow statement)

Why the difference?

One reason is convertible debt treated as discount bond –
interest expense is much greater than coupon (cash interest).

5. Interest expense on convertible debt (p. 105)

		Year Ended December 31,		
		2019	2018	2017
Contractual interest coupon	Cash	\$ 65	\$ 43	\$ 39
Amortization of debt issuance costs		7	7	7
Amortization of debt discounts		148	123	114
Total	Expense	<u>\$ 220</u>	<u>\$ 173</u>	<u>\$ 160</u>

This table shows cash coupon and interest expense for Tesla's convertible bonds. In 2019, we see that cash interest, which is the top row there, is much smaller than total interest expense, which is the bottom row.

Problem 6 – Tesla Free Cash flow

	2019	2018	2017
Cash flow from operations	2,405	2,098	(61)
from Cash Flows from Investing Activities, only include physical assets			
Capital expenditures	-1,432	-2,319	-4,081
Free cash flow	973	-221	-4,142

Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment

Problem 7 – Cash needed for debt in 2020 and 21

How much Tesla debt matures in 2020? In 2021?

In 2020, how much debt will convert into stock if the price is greater than \$300?

In 2021, how much debt will convert into stock if the price is greater than \$360?

7. Contractual obligations (p. 58)

	Total	2020	2021
Operating lease obligations, including imputed interest	\$ 1,459	\$ 296	\$ 262
Finance lease obligations, including imputed interest	1,795	474	478
Purchase obligations (1)	16,292	5,729	2,946
Debt, including scheduled interest (2)	14,031	1,774	2,594
Total	\$ 33,577	\$ 8,273	\$ 6,280

Note that lease and debt obligations **include interest.**
 we only want principle

7. Cash needed for debt (note 12)

Schedule of Principal Maturities of Debt

The future scheduled principal maturities of debt as of December 31, 2019 were as follows (in millions):

	Recourse debt	Non-recourse debt	Total
2020	\$ 259	\$ 1,155	\$ 1,414
2021	1,382	909	2,291
2022	1,024	1,013	2,037
2023	1,586	199	1,785
2024	1,840	558	2,398
Thereafter	1,807	760	2,567
Total	\$ 7,898	\$ 4,594	\$ 12,492

non- recourse debt is like your car loan. So if you do not pay your car loan, the bank will come aside: and take your car, but they can't take other assets from you
Non-recourse debt is unsecured or collateralized by a specific asset (e.g., equipment or building).

Recourse debt allows the lender to go after all of the debtor's assets in the case of default.
the lender can take your car. And then if you still owe money on the debt,they can take your other personal assets.

7. Cash needed for debt (note 12, p. 97)

	Unpaid		Unused		Contractual Interest Rates	Contractual Maturity Date
	Principal Balance	Net Carrying Value	Current	Long-Term		
Recourse debt:						
1.25% Convertible Senior Notes due in 2021 ("2021 Notes")	\$ 1,380	\$ —	\$ 1,304	\$ —	1.25%	March 2021
2.375% Convertible Senior Notes due in 2022 ("2022 Notes")	978	—	902	—	2.375%	March 2022
2.00% Convertible Senior Notes due in 2024 ("2024 Notes")	1,840	—	1,383	—	2.00%	May 2024
5.30% Senior Notes due in 2025 ("2025 Notes")	1,800	—	1,782	—	5.30%	August 2025
Credit Agreement	1,727	141	1,586	499	2.7%-4.8%	June 2020-July 2023
Zero-Coupon Convertible Senior Notes due in 2020	103	97	—	—	0.0%	December 2020
Solar Bonds and other Loans	70	15	53	—	3.6%-5.8%	March 2020-January 2031
Total recourse debt	7,898	253	7,010	499		

1.25% Notes due in 2021 have a conversion price of \$359.87.

Zero-Coupon Convertible Senior Notes due in 2020 have a conversion price of \$300.00.

8 – How much lease principal is due for financing leases in 2020? In 2021?

	Operating Leases	Finance Leases
2020	\$ 296	\$ 474
2021	262	478
2022	210	600
2023	174	224
2024	146	5
Thereafter	372	13
Total minimum lease payments	<hr/> 1,460	<hr/> 1,794
Less: Interest	<hr/> 276	<hr/> 176
Present value of lease obligations	1,184	1,618

8 – How much lease principal is due for financing leases in 2020? In 2021?

	Operating Leases	Finance Leases
2020	\$ 296	\$ 474
2021	262	478
2022	210	600
2023	174	224
2024	146	5
Thereafter	372	13
Total minimum lease payments	1,460	1,794
Less: Interest	276	176
Present value of lease obligations	1,184	1,618

If the interest rate on leases is 4.5%, about how much interest?

$$4.5\% \times 1,618 = 73 \rightarrow \text{Principal} = 474 - 73 = 401 \text{ in 2020}$$

$$4.5\% \times (1,618 - 401) = 55 \rightarrow \text{Principal} = 478 - 55 = 423 \text{ in 2021}$$

Present value of lease obligations

Tesla Finance Lease Amortization Table

<u>Tesla finance lease</u>		A	B	C	D	E	F
Year	Lease Liability	Beginning	Interest Expense	Lease Payment	Principal Reduction	Ending Lease Liability	
			(B * 4.5%)		(D-C)		(B-E)
2020	1,618	\$73	\$474	\$401	\$1,217		
2021	1,217	55	478	423	794		
2022	794	36	600	564	229		
2023	229	10	224	214	16		
2024	16	1	5	4	11		

Beginning lease liability = PV of remaining payments. In excel, @NPV(rate, lease payments).
 See spreadsheet on Canvas/files/Bond and Lease spreadsheets.

Problem 9 – Takeover offer at \$1,500 per share

What are the values of:

- a. Shares outstanding
- b. Options outstanding (use the treasury stock method)
- c. 2024 Convertible notes (use the if converted method)

9. Takeover offer at \$1,500 per share

From face of balance sheet: **181** million shares outstanding

on Consolidated Balance Sheets or Consolidated Statements of Redeemable Noncontrolling Interests and Equity
Info on converts from footnotes.

Stock options from footnotes:

	Stock Options				RSUs	
	Number of Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in billions)	Number of RSUs (in thousands)	Weighted-Average Grant Date Fair Value
Balance, December 31, 2018	31,208	\$ 273.40			4,659	\$ 294.63
Granted	1,473	\$ 265.26			3,752	\$ 282.74
Exercised or released	(1,441)	\$ 106.68			(1,949)	\$ 277.13
Cancelled	(1,245)	\$ 310.57			(1,656)	\$ 295.05
Balance, December 31, 2019	<u>29,995</u>	<u>\$ 279.49</u>	6.89	\$ 4.17	<u>4,806</u>	<u>\$ 291.06</u>

9. Takeover offer at \$1,500 per share

Security	Face	Shares /	Exercise price / Conversion	Value at
		\$1000	Shares	Price
Common Shares outstanding			181.000	\$1,500
				271,500

9. Takeover offer at \$1,500 per share

Security	Face	Shares / \$1000	Shares	Exercise price / Conversion Price	Value at \$1,500
Common Shares outstanding			181.000		271,500
Options outstanding			29.995	279.49	36,609

another way: $36609 = 29.995 * (1500 - 279.49)$

Treasury stock method:

Exercise proceeds = $\$8,383 = 29.995 \times \279.49

Shares repurchased = $5.589 = \$8,383 / \$1,500$

Net new shares = $24.406 = 29.995 - 5.589$

Value = $\$36,609 = 24.406 \times \$1,500$

9. Takeover offer at \$1,500 per share

Security	Face	\$1000	Shares /	Exercise price /		Value at \$1,500	% of total
				Shares	Conversion Price		
Common Shares outstanding			181.000			271,500	83%
Options outstanding			29.995	279.49		36,609	11%
2021 Notes	1,380	2.7788	3.835	359.87		5,752	2%
2022 Notes	978	3.0534	2.986	327.50		4,479	1%
2024 Notes	1,840	3.2276	5.939	309.83		8,908	3%
				309.83 = 1000 / 3.2276	327,249		100%

Note: Face, shares and value in millions.

Estimated Tesla Free Cash Flow to Equity in 2020 and 21

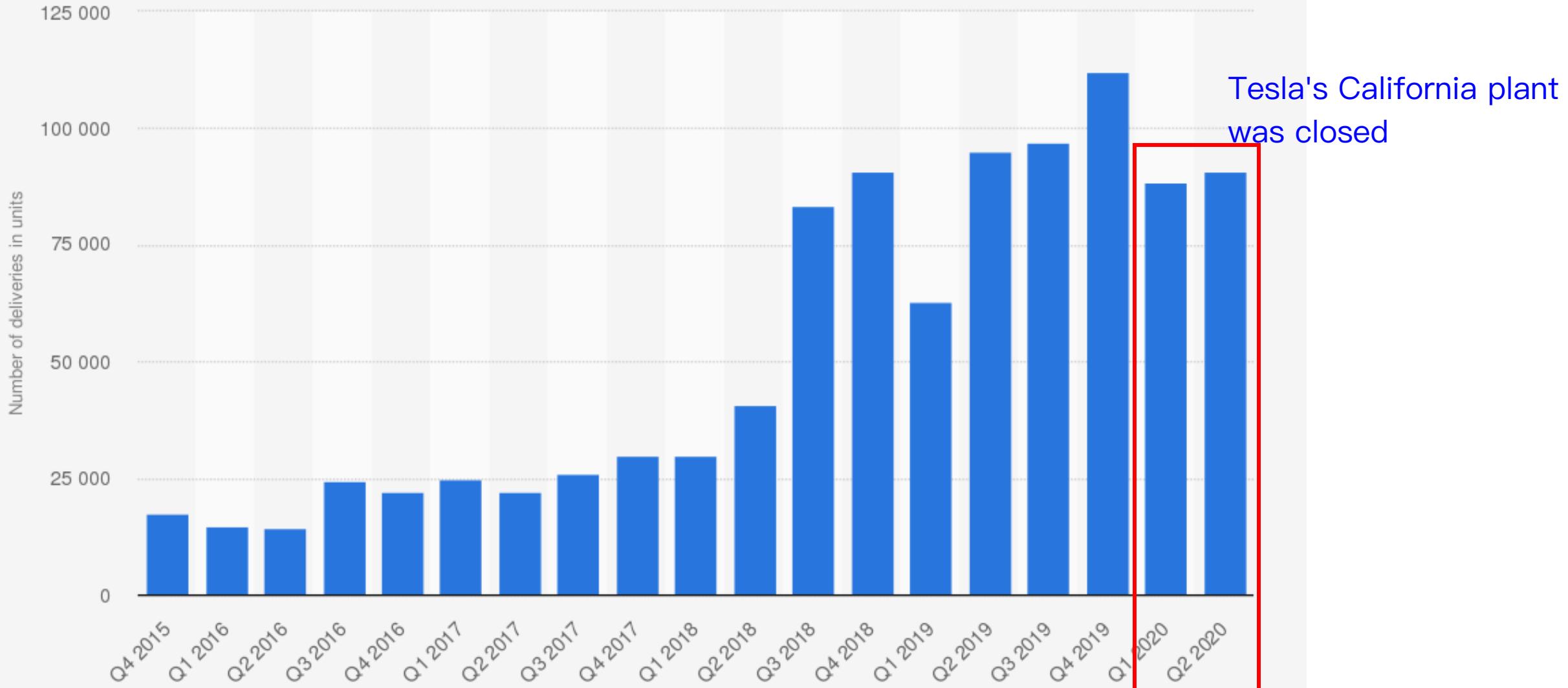
If this negative free cash flow from equity persists, then stockholders will need to contribute more capital through stock sales for Tesla to survive. Ultimately, for a company to have value for stockholders, free cash flow from equity must be positive.

	2020	2021
Cash flow from operations	2,405	2,405
Capital expenditures	-1,432	-1,432
Free cash flow	973	973
- Debt principal payoff debt	-1,414	-2,291
+ Debt converted	103	1,380
- Lease principal	-401	-423
Free cash flow to equity	-842	-1,741

sell equity equal to \$ 842 million

Recall that CFO reflects cash interest on debt and leases, so we only subtract principal payments.

Number of Tesla vehicles delivered worldwide from 4th quarter 2015 to 2nd quarter 2020 (in units)



How much CFO if sales decrease by 50%?

Assume that all sales are for cash. (Tesla has small A/R)

If cash sales decrease by 50%, ~~will cash operating expenses decrease by 50%~~?

~~No, because non-cash charges like depreciation will not change, so cash operating expenses will decrease by less than 50%.~~

~~Because cash expenses decrease less than cash sales, CFO will decrease more than 50%.~~

Tesla 2019 Income statement

Revenue	24,578
Operating expenses (COGS, SGA, RND, and other)	-24,558
Interest	-685
Taxes	-110
NI	-775

SGA: selling general expenses

RND: research and development

Tesla Cash Flow from Operations 2019

Net loss	-775
Non-cash operating expenses (Depreciation, Stock-based compensation, and other)	3,314
Amortization of debt disc. and iss. costs	188
Deferred taxes	19
Changes in WC	-368
CFO	2,405

Income statement and cash income statement

	Income	Adjustments	Cash Flow
Revenue	24,578	all sales in cash 0	24,578
Operating expenses (COGS, SGA, RND, and other)	-24,558	3,341	-21,217
Interest	-685	188	-497
Taxes	-110	19	-91
Changes in WC	0	-368	-368
NI / CFO	-775	3,180	2,405

Tesla 2019 Income statement

Revenue	24,578
Operating expenses (COGS, SGA, RND, and other)	-24,558
Interest <small>SGA: selling general expenses RND: research and development</small>	-685
Taxes	-110
NI	-775

Tesla Cash Flow from Operations 2019

Net loss	-775
Non-cash operating expenses (Depreciation, Stock-based compensation, and other)	3,314
Amortization of debt disc. and iss. costs	188
Deferred taxes	19
Changes in WC	-368
CFO	2,405

re-characterize the cash flow statement as a cash income statement

If sales fall by 50%, how much will CFO change?

all cash

	Cash Flow	% Change	Pro Forma	
Revenue	24,578	-50%	12,289	
Operating expenses (COGS, SGA, RND, and other)	-21,217	-50%	-10,609	
Interest	-497	0%	-497	
Taxes	-91	10%	-91	
Changes in WC	-368	-50%	-184	
CFO	2,405	less than 50%	909	

recharacterize the cash flow statement as a cash income statement

In normal situations it would change when you have a positive income before taxes. In Tesla's case, the income before tax was already negative yet a tax bill was still incurred, which implies that tax expense was a result of unavoidable charges

Tesla Free Cash flow to Equity (-50% sales)

	2020	2021	2020	2021
Cash flow from operations	909	909	Cash flow from operations	2,405
Capital expenditures	-1,432	-1,432	Capital expenditures	-1,432
Free cash flow	-523	-523	Free cash flow	973
- Debt principal	-1,414	-2,291	- Debt principal payoff debt	-1,414
+ Debt converted	0	0	+ Debt converted	103
- Lease principal	-401	-423	- Lease principal	-401
Free cash flow to equity	-2,338	-3,237	Free cash flow to equity	-842

CFO from last slide

If price < \$300 per share.

Take-Away Slide

We reviewed and synthesized material we learned in this course.

We examined Tesla's financial statements in detail with a focus on cash flow.