Tesla Motors, Inc.

(TSLA: NNM; $27.88)

Sell | Target: $22

January 7, 2011
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Company Statistics

12-month Price Target:	$22
Current Price:	$27.88
Shares Outstanding (M):	92.3
Institutional Holdings:	40%
Market Cap (M):	$2,572.5
EV (M):	$2,532.5
EV/EBITDA:	NM
52-wk Range:	$14.98-$36.42
Avg. Daily Vol. (000):	1,652
Dividend:	NA
Price/Book Value:	11.7x
Book Value/sh:	$2.38

Financials

FYE Dec		**2009A**	**2010E**	**2011E**
EBITDA (M):		($45.0)	($142.6)	($161.7)
P/E Ratio:		NM	NM	NM
Revenue (M):	Q1	$20.9	$20.8	$41.1
	Q2	$26.9	$28.4	$41.3
	Q3	$45.5	$31.2	$41.5
	Q4	$18.6	$37.9	$41.7
Total		**$111.9**	**$118.3**	**$165.5**
EPS:	Q1	($0.77)	($1.35)A	($0.53)
	Q2	($0.52)	($1.68)A	($0.53)
	Q3	($0.22)	($0.38)A	($0.51)
	Q4	($1.15)	($0.60)E	($0.51)
Total		**($2.65)**	**($2.76)E**	**($2.09)**

Company Description

Founded in 2003 and headquartered in Palo Alto, CA, Tesla Motors designs, manufactures and sells high performance electric vehicles (EV) and electric powertrain technology including battery packs. Launched in 2008, Tesla's Roadster was the first commercial EV that complied with federal standards with ~ 1,400 vehicles sold through 3Q10. Tesla's next-generation EV called the Model S is set to launch in 2012 with extended range features. The company also sells battery packs to Daimler for use in their smart and A-class EVs and recently agreed to jointly develop batteries for Toyota's RAV4 model.

TSLA: USE EXPECTED AUTO SHOW HYPE TO SELL

- **Alpha prototype Model S highlighted.** Yesterday Tesla previewed some of the design features of its Model S alpha prototype using videos led by its VP of Engineering Peter Rawlinson. We have always said it was a beautiful prototype. Our Sell thesis is predicated on expected production delays/cost overruns, high vehicle price, limited addressable market, lack of a brand name and EV adoption rate slower than anticipated.
- **NA auto show starts Monday in Detroit.** We believe the auto show (1/10-1/23/11) will give Tesla shares a boost as the show typically features beautiful, heavily hyped cars, which will not be produced anytime soon (much like our view of the Model S).
- **Competition ramping up.** By our count there are 11 major auto OEMs presenting at the show - not counting BYD, Tesla and Smart - that currently offer HEVs and/or will offer EVs ahead of the Model S. Tesla EV competitor CODA just received $76M in its latest private financing round, another sign of the crowded EV space. GM recently announced it would hire 1,000 engineers/researchers to expand its EV development.
- **Production delays?** Despite CODA's recent private funding round, the company said in November 2010 that it would delay the launch of its EV sedan until 3Q11 to allow time for additional tweaks to the production process. Unexpected manufacturing delays and cost overruns are extremely common, especially for new auto OEMs such as Tesla and CODA.
- **EVs are primarily powered by coal.** The dirty little secret about EVs is that, when one factors in the emissions from baseload electricity generation, they pollute nearly as much as internal combustion engines (ICE) since coal powers ~50% of the U.S. power grid.
- **Use auto show hype to sell the stock.** We believe Tesla is likely to trade up before and during the show, presenting a better price to exit the stock or initiate a short position. We apply a 50% premium multiple to its peer group on 3-year discounted 2015E EBITDA to arrive at our $22 target. We continue to believe the shares are priced for perfect execution and many pitfalls still exist.

North American auto show is a dog and pony show

We have attended several auto shows in Detroit over the years. They are filled with beautiful cars that frequently have car enthusiasts salivating. However, the show is as much a media and social event as it is a way to primarily preview "concept" automobiles. We expect Tesla to put on an excellent show demonstrating its Model S sedan. The prototype is a beautiful car. We still have trouble getting over a few facts though such as ~1,400 Roadsters built since inception. And not by Tesla.

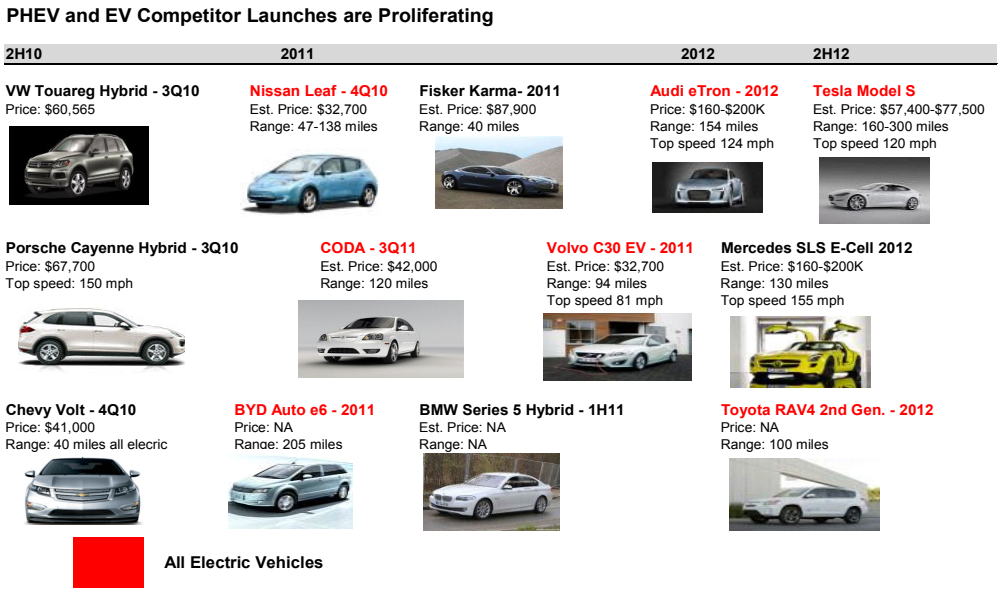
Building it from scratch

Let's review the strategy again. The current plan for Tesla is to build a low volume EV in California. Originally Tesla was planning to buy a chassis but is now building it from scratch. Yesterday Tesla VP of Engineering Peter Rawlinson walked through a prototype Model S discussing its physical design and layout, some materials (aluminum body shell), safety features, rear suspension, battery placement, low center of gravity and something they referred to as "package efficiency". What was missing during the discussion of all the benefits touted by Mr. Rawlinson was a discussion of cost. To build a car from scratch and manufacture it yourself requires new tooling, designs, changes to designs (which begets more new tooling), tryouts, pilot runs, debugging, training etc. We believe the costs could total $1.5-$2.0Bns since also Tesla lacks scale purchasing power of its larger OEMs. Contrast this with General Motors which spent ~$750M on the Chevrolet Volt since it rides on an existing platform. Tesla has impressively raised over $1Bn to date but can it raise another $400M-$1Bn? To build 20,000 cars annually at $50K-$70K per car? Does that sound like a recipe for success?

Competition is Ramping Up

We believe the auto show will begin to reinforce how crowded the HEV and EV space is becoming. We count 11 major auto OEMs that will present at the show that already offer HEVs and/or will offer an EV before or near the same time as Tesla's Model S.

Figure 1: Competition Ahead or Inline with Tesla's Model S Launch



Source: Company reports, Plug-In America

In addition, outside of the beauty exterior design of the Model S, its extended range is its best selling feature. But is that truly a differentiator? One of the primary arguments in favor of EV adoption is that the ~80% of daily car usage is under 40 miles and therefore, a lack of range versus conventional vehicles is largely negated. However, we find two problems with that argument. First, there is a decided lack of infrastructure (electric charging stations at gas stations) once a user leaves their home. The workplace infrastructure is not yet available nor is there the retail distribution of fuel as for conventional vehicles. We believe that at a minimum the primary pace for charging one's EV will be the home, and to a lesser extent, the workplace, so "range anxiety" is a very real hindrance to EV adoption. Tesla's Roadster achieves ~245 miles of range on a single charge and one version of the Model S is expected to achieve up to 300 miles, which does help mitigate some of these range limitations but at a far higher price point that conventional vehicles.

Figure 2: Conventional ICE Dramatic Range Differences Are Not Offset by Fuel Cost Savings

Conventional ICE:					
Model - 2011	**Tank**	**Avg. MPG**	**Range (mi.)**	**Range vs. Exp. Model S**	**Price**
BMW Series 5 550I	18.4	17	313	196%	$59,700
Porsche Boxster Spyder	22	14.3	315	197%	$61,200
Lexus LS 460	22.4	19	426	266%	$65,380
Infiniti M56	20	21	420	263%	$57,600
HEVs / EVs:					
Model - 2011	**Type**	**Advertised Range (mi)**	**Expected Range (mi.)**	**Range vs. Model S**	**(w/ZEV) Price**
Tesla Model S – 230 mi	EV	230	160	100%	$60,500
Chevy Volt	EV/Gas Hybrid	300	300	188%	$33,500
Nissan Leaf	EV	100	70	44%	$25,280
Toyota Prius v5	Hybrid	595	595	372%	$20,570

Source: Company reports

We do not see the fuel savings (figure 2) offsetting the dramatic range differences offered by conventional vehicles at similar price points. Additionally, competing PHEVs and EVs soon to be on the road ahead of the mid-range Model S also offer lower prices points and better driving ranges (except the Nissan Leaf).

Figure 3: EV Fuel Costs are Lower but Enough to Offset Price and Gasoline Infrastructure?

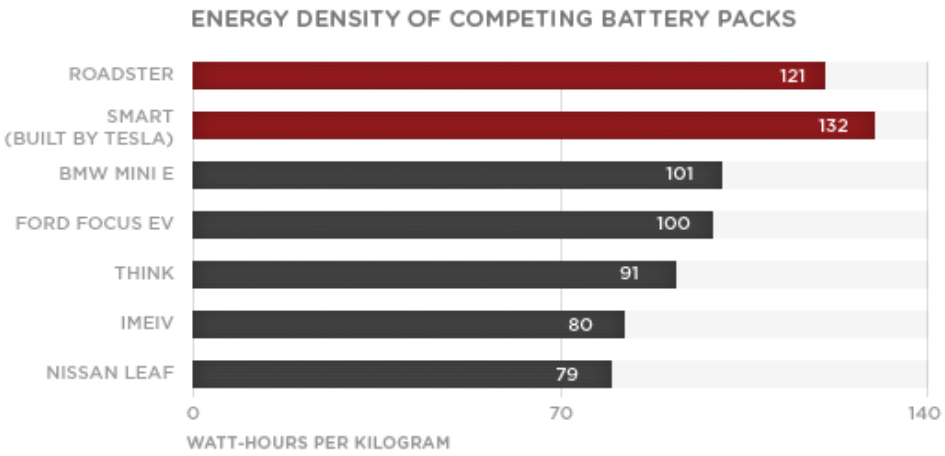
Gasoline Powered ICE		**Electricity**
Unit cost of energy	$2.75 ($/gallon)	$0.13 kW/hour (avg. across US.)
Energy consumer per mile (avg. fleet mpg)	25	3.3 miles per kW/hr. (~300w to move an EV one mile so (0.3kW.hr. = 3.3mi./kW/hr.
Cost of energy per mile	**$0.11**	**$0.04**
Avg. miles driven per year	12,000 / 15,000	12,000 / 15,000
Annual energy costs	$1,320 / $1,650	$480 / $600
Fuel Savings for EVs		**$840 / $1,050**

Source: BYD, DoE, NREL, CapStone Investments estimates

Battery technology – How big is their lead? How long will it last?

One of the competitive advantages cited by Tesla enthusiast is their lead in battery technology from both a cost and energy density perspective. We believe that as the energy density gap shrinks major auto OEMs will aggressively devote R&D spending to lower battery pack costs and negate Tesla's competitive advantage over the next few years.

Figure 4: Energy Density Gap is Closing



Source: Tesla

Conclusion – Use auto show strength to add to short positions or exit long ones

We believe the auto show will help propel the shares higher but we would use the opportunity to revisit why Tesla should command such a premium given our concerns regarding expected production delays/cost overruns, high vehicle price, limited addressable market, lack of a brand name and EV adoption rate slower than many anticipate. At over 17x our 2015E EV/EBITDA (discounted 3 years) versus 8.4x its peer group (on 2012E) we believe the stock is priced for perfection. We reiterate our SELL rating and $22 target.

Figure 5: Tesla is Expensive Using Any Relative Multiple - P/B, EV/Sales & EV/EBITDA

Comparable Valuations - Electric Vehicles, Applied Technologies, Battery Makers, Auto OEMs

01/06/11 (All Figures in $M except per share data and volume and where otherwise indicated)

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Company	Ticker	FYE	Closing Price	Mkt Cap.	Cash	Debt	EV	Dil. Shs. Out. (Ms)	P/B	(per share) Book Value
Applied Technologies / EVs / Battery Makers										
A123	AONE	Dec	$9.71	$1,017	$457	$22	$582	105	1.9x	$5
Ener1	HEV	Dec	$3.50	$408	$52	$33	$390	117	0.2x	$17
Byd Co. Ltd.	BYDDY	Dec	$43.35	$92,936	$2,311	$3,654	$94,278	2,144	5.9x	$7
Advanced Battery Tech	ABAT	Dec	$3.80	$229	$74	$3	$157	60	2.0x	$2
UQM Technologies	UQM	Mar	$2.68	$71	$26	$0	$45	27	2.4x	$1
Johnson Controls	JCI	Dec	$40.34	$24,014	$601	$3,966	$27,379	595	2.9x	$14
Auto OEMs:										
Ford	F	Dec	$18.22	$60,345	$44,377	$133,087	$149,055	3,312	NM	($2)
Toyota	TM	Mar	$81.54	$128,035	$47,101	$129,594	$210,527	1,570	1.2x	$66
Honda	HMC	Dec	$38.96	$70,695	$15,170	$47,416	$102,942	1,815	1.7x	$23
Tesla Motors	TSLA	Dec	$26.83	$2,476	$97	$57	$2,436	92	11.3x	$2

		Liquidity		Price		Earnings Estimates					
Company	Ticker	Short Inter. (Ms)	30-day Vol. (Ks)	52-Week High	52-Week Low	FY09A EPS	FY10E EPS	FY11E EPS	2010E EBITDA	2011E EBITDA	2012E EBITDA
Applied Technologies / EVs / Battery Makers											
A123	AONE	14.9	1,360	$23.07	$6.32	($1.25)	($1.39)	($1.28)	($121)	($98)	($17)
Ener1	HEV	6.5	554	$6.60	$2.75	($0.55)	($0.50)	($0.27)	($47)	($28)	$22
Byd Co. Ltd.	BYDDY	NA	3,892	$84.00	$39.55	$2.26	$1.51	$1.94	$6,183	$7,935	$9,688
Advanced Battery Tech	ABAT	7.7	1,019	$4.60	$3.02	$0.59	$0.60	$0.60	$46	$49	$53
UQM Technologies	UQM	3.5	283	$6.71	$1.89	($0.11)	($0.06)	($0.02)	($3)	$3	$12
Johnson Controls	JCI	3.5	3,899	$40.90	$25.56	$2.00	$2.52	$2.98	$3,017	$3,529	$4,029
Auto OEMs:											
Ford	F	269.0	50,434	$18.09	$9.75	$2.05	$2.08	$2.14	$11,278	$12,722	$13,688
Toyota	TM	NA	326	$91.97	$67.56	$3.93	$2.35	$4.17	$16,938	$22,627	$24,658
Honda	HMC	NA	346	$40.14	$28.33	$1.59	$3.59	$3.23	$11,462	$13,084	$15,745
Tesla Motors	TSLA	7.4	1,652	$36.42	$14.98	($2.65)	($2.76)	($2.09)	($143)	($162)	($76)

		P/E (FY)			EV / Sales (FY)			EV / EBITDA (FY)		
Company	Ticker	2009A P/E	2010E P/E	2011E P/E	2009A P/S	2010E P/S	2011E P/S	2010E EV/EBITDA	2011E EV/EBITDA	2012E EV/EBITDA
Applied Technologies / EVs / Battery Makers										
A123	AONE	NM	NM	NM	6.4x	5.8x	2.7x	NM	NM	NM
Ener1	HEV	NM	NM	NM	11.2x	5.7x	1.8x	NM	NM	17.7x
Byd Co. Ltd.	BYDDY	19.2x	28.7x	22.4x	2.4x	2.0x	1.6x	15.2x	11.9x	9.7x
Advanced Battery Tech	ABAT	6.4x	6.3x	6.3x	2.5x	1.6x	1.1x	3.5x	3.2x	3.0x
UQM Technologies	UQM	NM	NM	NM	5.2x	3.5x	1.1x	NM	15.1x	3.8x
Johnson Controls	JCI	20.2x	16.0x	13.5x	0.8x	0.7x	0.7x	9.1x	7.8x	6.8x
Auto OEMs:										
Ford	F	8.9x	8.8x	8.5x	1.3x	1.2x	1.2x	13.2x	11.7x	10.9x
Toyota	TM	20.7x	34.6x	19.6x	1.0x	0.9x	0.9x	12.4x	9.3x	8.5x
Honda	HMC	24.5x	10.8x	12.1x	1.1x	0.9x	0.9x	9.0x	7.9x	6.5x
Tesla Motors	TSLA	NM	NM	NM	22.1x	20.9x	15.0x	NM	NM	NM
Mean (excludes Tesla)		16.7x	17.6x	13.7x	3.5x	2.5x	1.3x	10.4x	9.6x	8.4x
Median (excludes Tesla)		19.7x	13.4x	12.8x	2.4x	1.6x	1.1x	10.8x	9.3x	7.7x

Note: Mean First Call estimates used for all companies except Tesla

Source: Company reports and CapStone Investments estimates

INVESTMENT RISK

Tesla faces intense competition from established auto OEMs, execution risk for Model S, lack of widespread EV adoption, potential reduction in government support and continued operating losses.

VALUATION METHODOLOGY

We value TSLA using 3 metrics - EV/S, EV/EBITDA and a 5-year DCF. Our $22 target price is the average relative multiples and our DCF - using 15x terminal EBITDA multiple and 14% WACC.

Figure 6: Tesla Motors, Inc.: HISTORICAL AND PROJECTED INCOME STATEMENT

$M	2009					2010E					2011E					
	1Q Mar-09	2Q Jun-09	3Q Sep-09	4Q Dec-09	2009 YEAR	1QA Mar-10	2QA Jun-10	3QA Sep-10	4QE Dec-10	2010E YEAR	1Q Mar-11	2Q Jun-11	3Q Sep-11	4Q Dec-11	2011E YEAR	2012E YEAR
Automotive Revenues	$20.9	$26.9	$45.5	$18.6	$111.9	$20.6	$24.0	$23.4	$18.2	$86.1	$20.0	$20.0	$20.0	$20.0	$80.1	$514.8
Battery Packs, Develop. Service Revenue	0.0	0.0	0.0	0.0	0.0	0.2	4.4	7.9	19.6	32.2	21.0	21.2	21.5	21.7	85.4	90.7
Total Revenues	**$20.9**	**$26.9**	**$45.5**	**$18.6**	**$111.9**	**$20.8**	**$28.4**	**$31.2**	**$37.9**	**$118.3**	**$41.1**	**$41.3**	**$41.5**	**$41.7**	**$165.5**	**$605.5**
YoY Growth	*0%*	*0%*	*0%*	*0%*	*659%*	*0%*	*5%*	*-31%*	*104%*	*6%*	*97%*	*45%*	*33%*	*10%*	*40%*	*266%*
QoQ Growth	*NA*	*29%*	*69%*	*-59%*		*12%*	*36%*	*10%*	*21%*		*8%*	*1%*	*1%*	*1%*		
Cost of Sales - Auto	22.9	24.8	37.8	16.8	102.4	17.0	22.1	21.9	29.7	90.8	29.5	30.0	30.5	29.9	119.9	526.5
Cost of Sales - Batteries, Develop. Services	0.0	0.0	0.0	0.0	0.0	0.1	1.9	2.5	7.9	12.3	9.5	9.6	9.7	8.7	37.3	31.7
Total COGS	22.9	24.8	37.8	16.8	102.4	17.0	22.1	21.9	29.7	90.8	29.5	30.0	30.5	29.9	119.9	526.5
Gross Profit	(2.0)	2.1	7.7	1.8	9.5	3.9	6.3	9.3	8.1	27.5	11.6	11.3	11.0	11.8	45.7	79.0
R & D	7.9	1.9	1.3	8.1	19.3	13.3	15.4	26.7	36.0	91.3	39.0	39.2	39.4	39.6	157.3	101.1
S G & A	6.6	8.2	10.7	16.6	42.2	16.6	22.2	20.4	30.3	89.5	24.6	23.9	21.6	21.5	91.6	109.6
Total Operating Expenses	14.5	10.2	12.0	24.7	61.4	29.9	37.6	47.1	66.2	180.9	63.7	63.2	61.0	61.1	248.9	210.7
EBIT	(16.6)	(8.1)	(4.3)	(22.9)	(51.9)	(26.0)	(31.4)	(37.8)	(58.1)	(153.3)	(52.1)	(51.9)	(50.0)	(49.3)	(203.2)	(131.7)
EBITDA	**(15.2)**	**(6.4)**	**(2.3)**	**(21.0)**	**(45.0)**	**(23.9)**	**(28.9)**	**(34.7)**	**(55.1)**	**(142.6)**	**(42.2)**	**(42.1)**	**(39.3)**	**(38.1)**	**(161.7)**	**(75.9)**
EBITDA Margin	*-73%*	*-24%*	*-5%*	*-113%*	*-40%*	*-115%*	*-102%*	*-111%*	*-146%*	*-121%*	*-103%*	*-102%*	*-95%*	*-91%*	*-98%*	*-13%*
Interest & Other Income, Net	0.6	(2.8)	(0.5)	(1.1)	(3.2)	(3.4)	(7.1)	3.0	0.6	(6.9)	0.4	0.5	(0.3)	(1.2)	(0.6)	(9.0)
Pretax Income	(16.0)	(10.9)	(4.8)	(24.0)	(55.1)	(29.4)	(38.5)	(34.9)	(57.5)	(160.2)	(51.6)	(51.4)	(50.3)	(50.5)	(203.8)	(140.8)
Taxes	0.0	0.0	(0.2)	0.2	0.0	0.1	0.0	0.1	0.1	0.3	0.0	0.1	0.1	0.1	0.3	0.2
Tax Rate	*0.0%*	*-0.1%*	*4.5%*	*-1.0%*	*0.0%*	*-0.4%*	*0.0%*	*-0.2%*	*-0.2%*	*-0.2%*	*0.0%*	*-0.2%*	*-0.2%*	*-0.2%*	*-0.1%*	*-0.1%*
GAAP Net Income	**(16.0)**	**(10.9)**	**(4.6)**	**(24.2)**	**(55.1)**	**(29.5)**	**(38.5)**	**(34.9)**	**(57.6)**	**(160.6)**	**(51.6)**	**(51.5)**	**(50.4)**	**(50.6)**	**(204.1)**	**(140.9)**
GAAP Net Margin	*-77%*	*-40%*	*-10%*	*-130%*	*-49%*	*-142%*	*-136%*	*-112%*	*-152%*	*-136%*	*-126%*	*-125%*	*-121%*	*-121%*	*-123%*	*-23%*
GAAP EPS	**($0.77)**	**($0.52)**	**($0.22)**	**($1.15)**	**($2.65)**	**($1.35)**	**($1.68)**	**($0.38)**	**($0.60)**	**($2.76)**	**($0.53)**	**($0.53)**	**($0.51)**	**($0.51)**	**($2.09)**	**($1.40)**
YoY Growth	*NA*	*NA*	*NA*	*NA*	*3%*	*76%*	*223%*	*73%*	*-48%*	*-4%*	*-60%*	*-69%*	*35%*	*-15%*	*24%*	*33%*
QoQ Growth	*NA*	*32%*	*58%*	*-425%*		*-17%*	*-25%*	*77%*	*-59%*		*11%*	*1%*	*3%*	*0%*		
Chg in Fair Value Warrants	0.1	0.0	0.3	0.0	0.4	2.3	6.3	(3.1)	0.0	5.6	0.0	0.0	0.0	0.0	0.0	0.0
Amort. Stock Comp. Expense	0.1	0.2	0.2	0.0	0.4	3.4	6.1	3.8	4.0	17.3	3.5	3.5	3.5	3.5	14.0	16.0
Pro Forma Net Income	($15.9)	($10.7)	($4.1)	($24.2)	($54.3)	($23.8)	($26.1)	($34.2)	($53.6)	($137.7)	($48.1)	($48.0)	($46.9)	($47.1)	($190.1)	($124.9)
Pro forma EPS						**($1.09)**	**($1.14)**	**($0.37)**	**($0.56)**	**($2.36)**	**($0.50)**	**($0.49)**	**($0.48)**	**($0.48)**	**($1.94)**	**($1.24)**
Average Shares Outstanding	20.9	20.9	21.0	21.1	21.1	21.9	22.9	92.3	96.0	58.3	96.8	97.5	98.3	99.0	97.9	100.9
Percent of Revenue																
Cost of Sales	109.8%	92.2%	83.1%	90.4%	91.5%	81.5%	78.0%	70.2%	78.5%	76.7%	71.8%	72.7%	73.5%	71.7%	72.4%	87.0%
Gross Profit	(9.8%)	7.8%	16.9%	9.6%	8.5%	18.5%	22.0%	29.8%	21.5%	23.3%	28.2%	27.3%	26.5%	28.3%	27.6%	13.0%
R & D	38.0%	7.2%	2.8%	43.8%	17.2%	63.7%	54.3%	85.5%	95.0%	77.2%	95.0%	95.0%	95.0%	95.0%	95.0%	16.7%
S G & A	31.6%	30.6%	23.6%	89.1%	37.7%	79.7%	78.2%	65.4%	80.0%	75.7%	60.0%	58.0%	52.0%	51.5%	55.4%	18.1%
Total Operating Expenses	69.7%	37.8%	26.3%	132.9%	54.9%	143.4%	132.5%	150.9%	175.0%	152.9%	155.0%	153.0%	147.0%	146.5%	150.4%	34.8%

Source: Company reports and CapStone Investments estimates

Figure 7: Tesla Motors, Inc.: HISTORICAL AND PROJECTED CASH FLOWS AND BALANCE SHEET

$M	2009					2010E					2011E					
	1Q Mar-09	2Q Jun-09	3Q Sep-09	4Q Dec-09	2009 YEAR	1QA Mar-10	2QA Jun-10	3QA Sep-10	4QE Dec-10	2010E YEAR	1Q Mar-11	2Q Jun-11	3Q Sep-11	4Q Dec-11	2011E YEAR	2012E YEAR
Operating Sources:																
Net Income	($16.0)	($10.9)	($4.6)	($24.2)	($55.7)	($29.5)	($38.5)	($34.9)	($57.6)	($160.6)	($51.6)	($51.5)	($50.4)	($50.6)	($204.1)	($140.9)
Depreciation and Amortization	1.4	1.7	1.9	1.9	6.9	2.1	2.5	3.1	3.0	10.7	9.9	9.8	10.6	11.2	41.6	55.8
Total	**(14.6)**	**(9.2)**	**(2.7)**	**(22.3)**	**(48.8)**	**(27.4)**	**(36.0)**	**(31.8)**	**(54.6)**	**(149.8)**	**(41.7)**	**(41.7)**	**(39.7)**	**(39.4)**	**(162.6)**	**(85.1)**
Change in Working Capital																
Accounts Receivable	2.8	(4.0)	3.2	(2.1)	(0.2)	(2.4)	(0.5)	(1.6)	(2.3)	(6.9)	(0.9)	(0.1)	(0.1)	(0.1)	(1.1)	(58.5)
Inventories	(4.9)	(3.8)	4.7	(3.9)	(7.9)	(5.5)	(1.1)	(10.3)	5.5	(11.4)	0.3	(0.6)	(0.6)	0.7	(0.2)	(251.5)
Other Current Assets	(0.2)	(2.3)	(0.3)	0.4	(2.5)	(0.1)	(1.3)	(8.5)	0.0	(9.9)	0.0	0.0	0.0	0.0	0.0	0.0
Non-Debt Current Liabilities	0.5	5.2	(29.3)	(3.4)	(27.0)	2.2	8.5	2.8	(1.5)	12.0	1.8	2.4	2.4	1.5	8.2	267.9
Total	(1.9)	(4.9)	(21.7)	(9.0)	(37.5)	(5.8)	5.5	(17.6)	1.7	(16.1)	1.2	1.8	1.8	2.1	6.9	(42.1)
Capital Expenditures	0.9	2.5	2.3	6.2	11.9	5.5	12.2	5.4	67.0	90.1	25.5	22.2	31.0	57.0	135.7	95.0
Operating Cash Flow	**($17.4)**	**($16.6)**	**($26.7)**	**($37.5)**	**($98.2)**	**($38.7)**	**($42.7)**	**($54.8)**	**($119.9)**	**($256.0)**	**($66.0)**	**($62.2)**	**($68.9)**	**($94.3)**	**($291.3)**	**($222.2)**
Cash Flow per Share	**($0.83)**	**($0.79)**	**($1.27)**	**($1.78)**	**($4.66)**	**($1.76)**	**($1.86)**	**($0.59)**	**($1.25)**	**($4.39)**	**($0.66)**	**($0.62)**	**($0.68)**	**($0.92)**	**($2.98)**	**($2.20)**
Non-Operating Activities:	8.1	16.6	133.2	0.6	158.6	30.6	28.5	104.0	110.0	273.1	68.7	68.7	93.7	93.7	324.7	162.0
Beginning Cash and Invest.	**$9.3**	**$0.0**	**$0.0**	**$106.5**	**$9.3**	**$69.6**	**$61.5**	**$47.3**	**$96.6**	**$69.6**	**$86.7**	**$89.4**	**$95.9**	**$120.7**	**$86.7**	**$120.1**
Net Cash Flow	**(9.3)**	**0.0**	**106.5**	**(36.9)**	**60.4**	**(8.1)**	**(14.2)**	**49.3**	**(9.9)**	**17.1**	**2.7**	**6.5**	**24.8**	**(0.6)**	**33.4**	**(60.2)**
Ending Cash and Invest.	**$0.0**	**$0.0**	**$106.5**	**$69.6**	**$69.6**	**$61.5**	**$47.3**	**$96.6**	**$86.7**	**$86.7**	**$89.4**	**$95.9**	**$120.7**	**$120.1**	**$120.1**	**$59.9**
Assets																
Cash & Equivalents				$69.6		$61.5	$47.3	$96.6	$86.7		$89.4	$95.9	$120.7	$120.1		
Restricted Cash				0.0		0.0	0.0	88.1	88.1		88.1	88.1	88.1	88.1		
Accounts Receivable				3.5		5.9	6.5	8.1	10.4		11.3	11.3	11.4	11.4		
Inventories				23.2		28.6	29.5	39.5	34.0		33.7	34.3	34.8	34.2		
Prepaid & Other CA				4.2		4.5	6.7	8.9	8.9		8.9	8.9	8.9	8.9		
Total Current Assets				**100.6**		**100.6**	**90.0**	**241.1**	**228.0**		**231.3**	**238.5**	**263.9**	**262.7**		
Operating Lease Vehicles				0.0		0.0	0.0	5.7	5.7		5.7	5.7	5.7	5.7		
Net PP&E				23.5		26.9	33.2	37.2	124.1		139.7	152.1	172.4	212.5		
Goodwill & Intangible Assets				3.6		7.5	5.4	57.5	57.5		57.5	57.5	57.5	57.5		
Other Assets				2.8		10.4	19.4	20.1	20.1		20.1	20.1	20.1	20.1		
Total Assets				**$130.4**		**$145.3**	**$148.0**	**$361.6**	**$435.5**		**$454.3**	**$473.9**	**$519.6**	**$558.5**		
Liabilities																
Accounts Payable				$15.1		$18.2	$25.6	$27.0	$24.5		$24.3	$24.7	$25.1	$24.6		
Accrued Liabilities				14.5		7.9	8.4	10.7	10.7		10.7	10.7	10.7	10.7		
Defd Development Compensation				0.2		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		
Deferred Revenue				1.4		6.7	8.1	3.5	3.5		3.5	3.5	3.5	3.5		
Capital Lease Obligations, Current				14.5		7.9	8.4	10.7	10.7		10.7	10.7	10.7	10.7		
Reservation Payments				1.4		6.7	8.1	3.5	3.5		3.5	3.5	3.5	3.5		
Current Liabilities				**$57.5**		**$59.1**	**$68.6**	**$69.3**	**$67.8**		**$69.6**	**$72.1**	**$74.5**	**$76.0**		
Common Stock Warrant Liability				0.0		0.0	16.7	6.7	4.7		0.0	0.0	0.0	0.0		
Convertible Pfd Stock Warrant Liability				1.7		10.4	0.0	0.0	0.0		0.0	0.0	0.0	0.0		
Capital Lease Obligations, Non-Current				0.8		0.7	0.6	0.6	0.6		0.0	0.0	0.0	0.0		
Deferred Revenue, less current				1.2		1.4	2.1	2.5	3.0		0.0	0.0	0.0	0.0		
Long-Term Debt - DoE Loan				0.0		29.9	45.4	56.6	56.6		56.6	56.6	206.6	356.6		
Other Long Term Liabilities				3.5		3.9	5.0	6.1	7.1		7.1	7.1	7.1	7.1		
Total Liabilities				**$64.7**		**$105.4**	**$138.5**	**$141.7**	**$139.7**		**$0.0**	**$0.0**	**$0.0**	**$0.0**		
Total Convertible Pfd Stock				**$319.2**		**$319.2**	**$319.2**	**$0.0**	**$0.0**		**$0.0**	**$0.0**	**$0.0**	**$0.0**		
Series A Convert. Pfd (7.2M shs)				3.5		3.5	3.5	0.0	0.0		0.0	0.0	0.0	0.0		
Series B Convert. Pfd (17.5M shs)				12.9		12.9	12.9	0.0	0.0		0.0	0.0	0.0	0.0		
Series C Convert. Pfd (35.2M shs)				39.8		39.8	39.8	0.0	0.0		0.0	0.0	0.0	0.0		
Series D Convert. Pfd (18.4M shs)				44.9		44.9	44.9	0.0	0.0		0.0	0.0	0.0	0.0		
Series E Convert. Pfd (102.8M shs)				135.7		135.7	135.7	0.0	0.0		0.0	0.0	0.0	0.0		
Series F Convert. Pfd (27.8M shs)				82.4		82.4	82.4	0.0	0.0		0.0	0.0	0.0	0.0		
Total Liabilities & Convert Pfd				**$383.9**		**$424.6**	**$457.7**	**$141.7**	**$139.7**		**$133.3**	**$135.7**	**$288.1**	**$439.6**		
Shareholders' Equity				**($253.5)**		**($279.3)**	**($309.8)**	**$219.9**	**$295.8**		**$321.1**	**$338.2**	**$231.5**	**$118.9**		
Total Liabilities and Equity				**$130.4**		**$145.3**	**$148.0**	**$361.6**	**$435.5**		**$454.3**	**$473.9**	**$519.6**	**$558.5**		
Key Financial Ratios																
Days Receivable Outstanding				17.1		26.0	20.8	23.5	25.0		25.0	25.0	25.0	25.0		
Inventory Turns				2.9x		2.4x	3.0x	2.2x	3.5x		3.5x	3.5x	3.5x	3.5x		
Days Payable				74.1		79.8	82.3	78.8	75.0		75.0	75.0	75.0	75.0		
Book Value				($12.03)		($12.75)	($13.51)	$2.38	$3.08		$3.22	$3.37	$2.29	$1.17		
Cash per Share				$3.31		$2.81	$2.06	$1.05	$0.90		$0.90	$0.95	$1.19	$1.18		

Source: Company reports and CapStone Investments estimates

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