

# PRINCIPLES OF FINANCE

## CAPITAL STRUCTURE OF APPLE AND TESLA

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# Apple's Capital Return Program

- Apple began its share repurchase program in 2013.
- Returned over \$300 billion to its shareholders over the last five years (\$400 billion since 2013), via share repurchases and dividends.
- Remember that dividends are paid out of after-tax profits.  
Repurchasing shares creates dividend savings once those shares are retired.
- Apple has been tapping into its cash holdings while also raising some debt to fund the program.

# Apple's Capital Return Program

Apple's CFO Said Maestri in May 2020:

But when it comes down between dividends and buyback, our view is that for a variety of reasons we see a lot of value in the stock. We believe the stock is undervalued and so we have a bias toward the buyback. So the dividend is a very large component of capital return because we're going to be returning more than \$13 billion a year to investors through dividends, but we believe that given where we are with the valuation of the stock, we think that we continue to do the buyback primarily.

# Apple's Capital Return Program

Total Cash Returned To Shareholders [A + B]



Repurchases Of Common Stock [A]

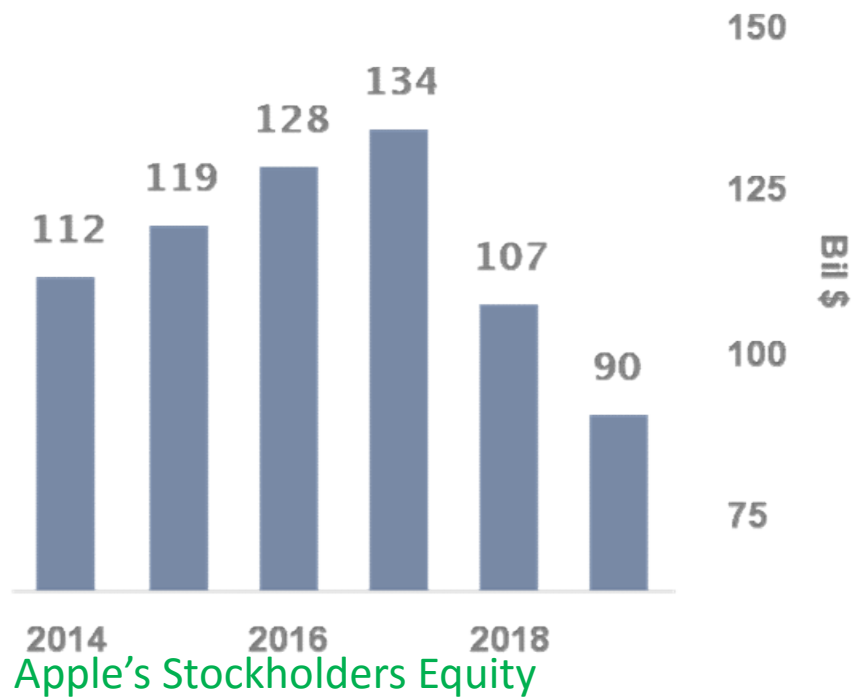


Total Dividends Paid [B]



2018: Tax Cuts and Jobs Act of 2017. The corporate tax rate goes from 35% to 21%, to encourage companies to invest in the US economy.

# Apple's Capital Structure



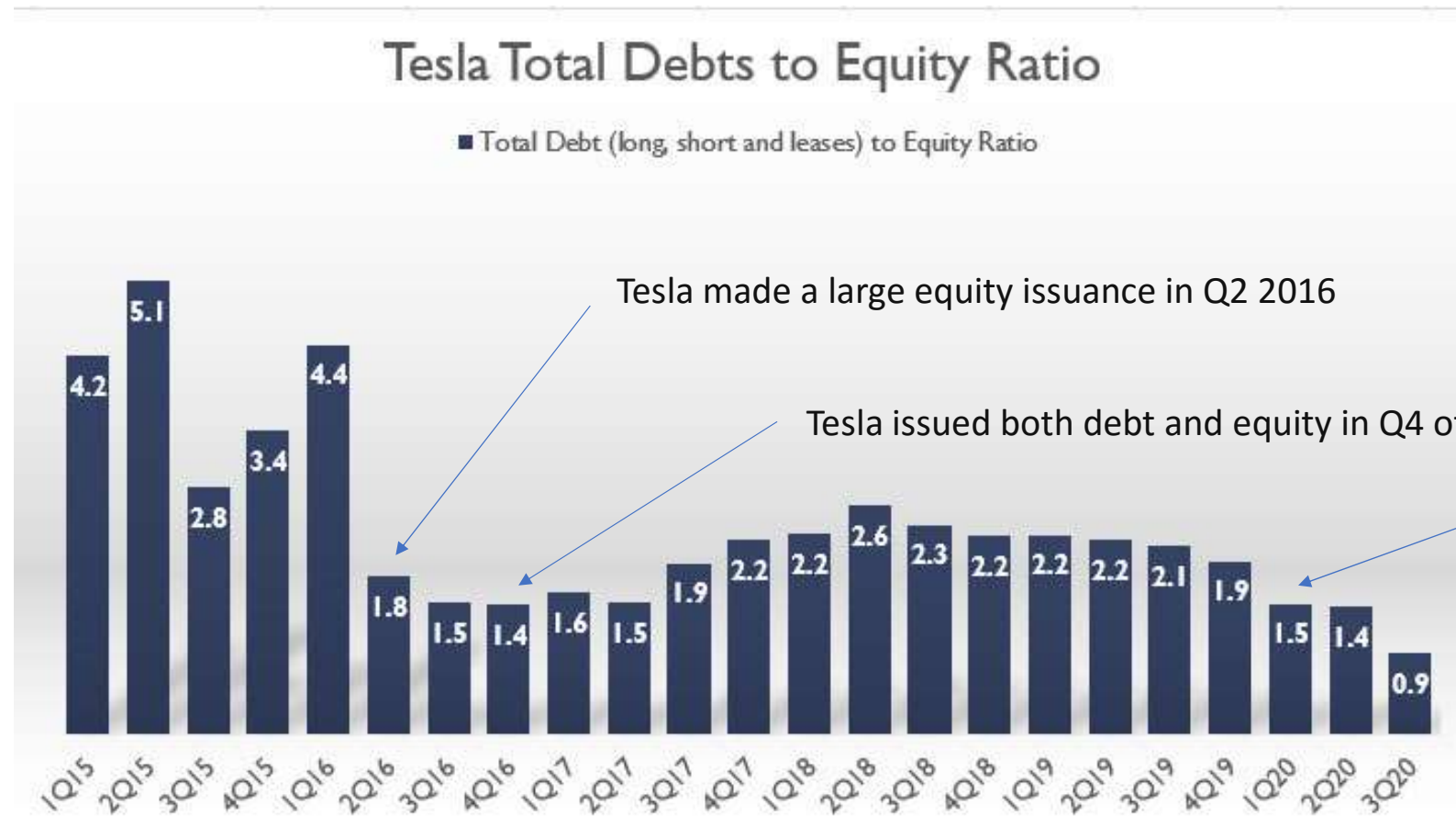
\* Total debt = publicly traded bonds as well non publicly traded debt such as bank loans

# Apple's Capital Structure



**Note:** Apple had no debt in 2004

# Tesla

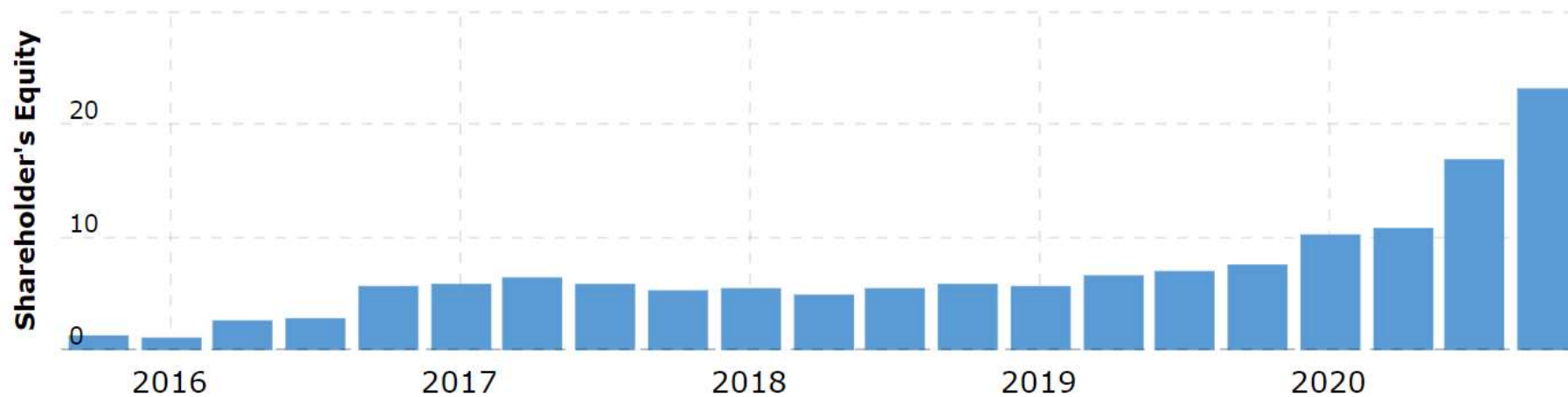


Tesla made a large equity issuance in Q2 2016

Tesla issued both debt and equity in Q4 of 2016

Tesla issued 3 million shares in March 2020

# Tesla



Between 2018 and 2020 TESLA had been issuing relatively less debt and more equity, hence the recent trend.