

Elon Musk says in talks with Saudis on taking Tesla private

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Tesla Motors CEO Elon Musk says he is in talks with the Saudi government's sovereign wealth fund as part of his efforts to take Tesla private

Tesla chief executive Elon Musk disclosed Monday that he was in talks with Saudi Arabia's sovereign wealth fund and other investors to take the

electric automaker private.

The revelation came after Musk claimed in an August 7 Twitter post that financing for a deal to take Tesla private had been "secured."

Musk said in a blog post on Monday he had "no question" that the Saudis would finance such a transaction following a July 31 meeting.

"I continue to have discussions with the Saudi fund, and I also am having discussions with a number of other investors, which is something that I always planned to do since I would like for Tesla to continue to have a broad investor base," Musk wrote.

"It is appropriate to complete those discussions before presenting a detailed proposal to an independent board committee."

The transaction would be structured with equity so as not to burden Tesla with crushing debt, Musk added.

Musk's surprise comments last week sparked speculation he would need to borrow massive amounts to take Tesla private, a move that could allow the company to operate without requirements for financial reports and other pressures of a publicly traded firm.

But the comments also raised questions about whether Musk ran afoul of securities laws by claiming backing without a firm financial commitment.

The disclosures about Saudi interest "helps reduce the legal risk fallout for Tesla," said Efraim Levy, an equity analyst at CFRA Research.

"It also helps clarify the going private situation even if the transaction is ultimately not consummated."

But Levy said taking the company private would be a mixed blessing for Tesla and Musk—the company could avoid short-term pressures from Wall Street but also reduce its access to capital markets.

"They've had significant benefits from having access to capital markets, and the media attention has provided priceless free advertising," Levy said.



If Tesla goes private, it would avoid many of the requirements and scrutiny of a publicly traded firm

"Despite Musk protestations, we think remaining public has and will

benefit Tesla," he added.

Tesla shares failed to sustain an early surge and ended with a small gain of 0.26 percent at \$356.41.

Less than \$70 billion

In his blog post Monday, Musk said that reports that more than \$70 billion would be needed to take Tesla private "dramatically overstate the actual capital raise needed" because he expected some shareholders to remain invested in the firm.

His comment that he wanted to launch a buyout at \$420 a share "would only be used for Tesla shareholders who do not remain with our company if it is private," Musk said in the post.

"My best estimate right now is that approximately two-thirds of shares owned by all current investors would roll over into a private Tesla."

Musk added that the Saudi Arabian sovereign wealth fund "has approached me multiple times" starting in early 2017 about taking Tesla private and had already taken a stake of nearly five percent through share purchases.

He said the Saudis were interested "because of the important need to diversify away from oil" and added that the sovereign fund "has more than enough capital needed to execute on such a transaction."

Loup Ventures analysts Gene Munster and Will Thompson said in a research note that Musk has answered the question "where would the money come from?" but still faces a number of challenges.

"If Musk can help it, we believe he will limit additional investors to 20

percent equity (he owns 22 percent), which implies the Saudi fund could only invest \$16 billion," the analysts wrote.

"We still believe there is a greater than 50 percent chance Tesla is private in a year, and the blog post slightly increased those odds."

California-based Tesla has become one of the most valuable automakers on expectations it will disrupt the industry, although it produced only slightly more than 100,000 vehicles last year.

The company has been struggling to boost production of its Model 3, which is less expensive than its first models and could help expand Tesla's base.

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