

# Tesla's next big thing: Could it be with Apple?

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If Tesla Chief Executive Elon Musk thought putting an end to his plan to take the electric-car maker private would calm down all the attention Tesla had received about its future, he should think again.

Musk said Friday night in a post on Tesla's website that he no longer

planned to take Tesla private and that the Palo Alto-based company's board agreed remaining public is the better option. By Monday, one of the questions on some minds was whether Tesla's future might run right down the highway from its Fremont factory and into the Cupertino headquarters of Apple.

Few companies have the financial wherewithal to buy Tesla outright. But Apple, with a market capitalization of around \$1 trillion and almost \$244 billion in cash, could splurge for Tesla and still have plenty of dough left to invest in developing new iPhones, iPads and Macs.

With or without Apple, however, some Tesla observers and analysts want Musk to take on help by bringing in a chief operating officer—perhaps with auto-manufacturing expertise—or even a co-CEO.

When Musk said earlier this month that he was looking at taking Tesla private for \$420 a share, that amount would have placed Tesla's full market cap around \$71 billion.

Apple has never said it is interested in buying Tesla—the company's largest acquisition to date has been its \$3 billion buy of Beats in 2014.

But Gene Munster, longtime tech industry analyst and managing partner with Loup Ventures, said there are circumstances under which Apple might consider rolling the dice on acquiring Tesla, or at the very least, making a multibillion-dollar investment in the electric-car maker.

Munster said he still believes Tesla will reach a sustained level of profitability in a year. However, if the company is still posting losses every quarter, the situation could change.

"If we're wrong, and Tesla fails to reach profitability in the next year, Apple gains the upper hand and becomes the most likely investor or

buyer," Munster said in a research note Monday. "Both companies share a passion for hardware design, software, (and) AI (artificial intelligence). Plus, Apple's balance sheet makes the combination viable."

Munster said that any outright acquisition of Tesla by Apple "would likely be well below Tesla's current \$54 billion market cap," but he wouldn't speculate as to how much lower. If Apple didn't want to put that much money on the line, Munster said it could invest just \$10 billion into Tesla and have a major impact on the company, and the electric car market.

"(Apple CEO) Tim Cook would be the steady hand, and Elon Musk would be the renewable energy visionary," Munster said. "Apple would not be spending on the impossible, like building its own car to try to catch Tesla. Apple would be investing in making the leader even better."

But, there remains the question of whether Musk, who is as individualistic as any executive in business today, would be able to accept Apple having a significant role with Tesla. Back in 2015, Musk even went so far as to call Apple a "graveyard" for former Tesla employees.

Musk made that comment two years after Doug Field, Apple's former vice president of Mac hardware engineering, left Apple to join Tesla.

However, in May, Field, who oversaw production of Tesla's Model 3 sedan, left Tesla, and in August returned to Apple to work on the company's self-driving car efforts.

While an Apple-Tesla tie-up has some merit, the odds of it occurring are slim, Munster said.

"If you try to merge two unique cultures, you usually end up with

mediocrity," Munster said. "If we as consumers want the best products, we should want Apple and Tesla to keep their cultures separate and do it their way, even if it means competing with each other in auto."

Whether Apple takes the Tesla plunge, Musk and his company for now have to concentrate on building cars, keeping drivers happy and safe, and answering to the demands of investors and Wall Street.

"Staying public brings back a sense of consistency and stability to the company's current vision and operations," said Tim Bjarin, president of tech consultancy Creative Strategies. "Tesla car owners should expect Tesla to be more aggressive with Model 3 production and become more focused on innovation."

Even if Tesla is never acquired by Apple, it may want to take some lessons in executive management and structure from the world's most valuable company, Bjarin said.

"Musk needs a Tim Cook-level COO. Cook is the one who delivered world-class operations to Steve Jobs and Apple and was a big reason Apple came back to health after Jobs returned in 1997," Bjarin said. "He may need a co-CEO with great operational skills to get Tesla to the next level and help expand their company and opportunities."

Cowen & Co. analyst Jeffrey Osborne said that with Musk's "go-private fiasco" now over, Tesla needs to prove it still has its investors' best interests in mind after more than two weeks of "roller coaster" activity that raised questions about Musk's managerial style and stability, and scrutiny by the Securities and Exchange Commission.

"The key question is whether investors will continue to support a CEO who may potentially be involved in market manipulation and/or securities fraud as well as a company under SEC investigation," Osborne

said in a research note late Sunday. "We believe the company should hold an investor conference call to address the situation in the spirit of transparency."

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