

Tesla board weighs CEO's buyout bid as questions swirl

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In this July 8, 2018, photo, clouds are reflected above the company logo on the hood of a 2018 Model 3 sedan on display outside a Tesla showroom in Littleton, Colo. Board members at Tesla are evaluating CEO and Chairman Elon Musk's \$72 billion proposal to take the electric car and solar panel maker private. Six of nine members say in a statement Wednesday, Aug. 8, that Musk began talking with the board about the move last week. (AP Photo/David Zalubowski)

Board members at Tesla are evaluating CEO and Chairman Elon Musk's

\$72 billion proposal to take the electric car maker while government regulators look into whether the announcement of the potential deal meet legal requirements.

Six of Tesla's nine members said in a prepared statement Wednesday that Musk began talking with the board about the move last week. This included discussing how being a private company could better serve Tesla's long-term interests. Board members met several times and also addressed funding for the move, according to the statement.

The eccentric Musk announced the bombshell move Tuesday on Twitter, writing that he had secured funding to buy Tesla Inc.'s shares at \$420 each.

The Securities and Exchange Commission is now asking whether Musk's nine-word tweet on the subject was factual, according to a Wednesday report in The Wall Street Journal . The newspaper cited unidentified people familiar with the matter

Shares rose 11 percent Tuesday but fell more than 2 percent Wednesday to close at \$370.34.

At \$420 apiece, buying all of Tesla's shares would cost about \$72 billion, but Morgan Stanley analyst Adam Jonas wrote in a note to investors Wednesday that he expects about \$50 billion in additional net debt. Musk owns about 20 percent of the Palo Alto, California, company's stock, so that likely would reduce the cost of the buyout.



In this June 14, 2018, file photo, Tesla CEO and founder of the Boring Company Elon Musk speaks at a news conference in Chicago. Board members at Tesla are evaluating Musk's \$72 billion proposal to take the electric car and solar panel maker private. Six of nine members say in a statement Wednesday, Aug. 8, that Musk began talking with the board about the move last week. (AP Photo/Kiichiro Sato, File)

Musk also said he intends to give Tesla's existing shareholders the option of retaining a stake in the company through a special fund, if they want.

Jonas wrote that he understands Musk's desire to avoid the pressures of quarterly earnings as a public company. But he thinks that those benefits could be outweighed "by the risks of added financial leverage, which can be even more strategically limiting."

There still are near-term execution risks around ramping up Model 3 production and the ability to generate cash, Jonas believes. "Adding as much as \$50 billion of net debt to the capital structure would clearly intensify the outcomes of such an action," he wrote.

Musk, his brother Kimbal and director Steve Jurvetson were not included in the statement from members Brad Buss, Robyn Denholm, Ira Ehrenpreis, Antonio Gracias, Linda Johnson Rice, and James Murdoch.



In this July 8, 2018, photo, a 2018 Model X sits on display outside a Tesla showroom in Littleton, Colo. Board members at Tesla are evaluating CEO and Chairman Elon Musk's \$72 billion proposal to take the electric car and solar panel maker private. Six of nine members say in a statement Wednesday, Aug. 8, that Musk began talking with the board about the move last week. (AP Photo/David Zalubowski)

By taking Tesla private, Musk believes that the company will be able to sharpen its long-term focus of revolutionizing an automobile industry dominated by fuel-combustion vehicles without having to cater to investors' fixation on how the business is faring from one quarter to the next.

Making money has proven elusive for Tesla while it has been investing in electric car technology and ramping up production of its vehicles, including a sedan with a starting price of \$35,000 to appeal to a broader audience.

The company has only posted a quarterly profit twice in its history and has never made money during an entire calendar year, something that Musk has been trying to change by cutting costs, including recent mass layoffs that trimmed Tesla's workforce by 9 percent. Tesla lost another \$717.5 million in its most recent quarter.

Musk has promised a sustained net profit starting in the third quarter.



In this July 8, 2018, photo, 2018 Model 3 sedan sits next to a Model X on display outside a Tesla showroom in Littleton, Colo. Board members at Tesla are evaluating CEO and Chairman Elon Musk's \$72 billion proposal to take the electric car and solar panel maker private. Six of nine members say in a statement Wednesday, Aug. 8, that Musk began talking with the board about the move last week. (AP Photo/David Zalubowski)

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