

## Musk: Going private would 'free' Tesla

By Keith Laing (excerpt)

Tesla CEO Elon Musk touched off a rush in financial markets that drove his company's stock price up nearly 11 percent with a Twitter announcement that he's considering taking the Silicon Valley automaker private.

"Am considering taking Tesla private at \$420. Funding secured," Musk tweeted Tuesday afternoon.

"My hope is \*all\* current investors remain with Tesla even if we're private," Musk continued in a subsequent tweet. "Would create special purpose fund enabling anyone to stay with Tesla. Already do this with Fidelity's SpaceX investment."

The announcement resulted in a run on Tesla stock that led to a temporary suspension of trading of the company's shares. Tesla shares climbed to \$379 by market close Tuesday, up \$37.58 – and boosted Musk's personal wealth by \$1.4 billion over the course of two hours.

Tuesday's tweet came minutes after the Financial Times reported that Saudi Arabia's sovereign wealth fund had built a stake in Tesla worth about \$2 billion – less than 5 percent of the company's value.

And it left many questions unanswered, namely how Musk – who owns almost 20 percent of the company – would be able to come up with the \$66 billion necessary to complete the transaction. At \$420 a share, Tesla would have a value of about \$82 billion including debt. To take it private, the billionaire would have to pull off the largest leveraged buyout in history, surpassing Texas electric utility TXU's in 2007.

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... Financial analysts were skeptical about the seriousness or viability of Musk's latest plan.

David Kudla, CEO of Grand Blanc-based Mainstay Capital Management LLC, said Musk runs the risk of disappointing investors if he fails to deliver on the privatization plan.

"If there ends up being nothing to it, or there's no deal to be done, then we're back to the fundamentals of the company," he said. "Now we have a stock that could be inflated to \$400, a lot of air can come out of it."

Kudla said Tesla's financial performance would be difficult for any auto company to sustain long-term.

"It's hard to believe a stock price near \$300, even \$200 is sustainable long-term, given the fundamentals of industry that they're in," he said. "You look down the road and it hard to see how he maintains the valuation that it looks like people are expecting."

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