

Tesla Shares Get Hit On Risk That Musk Must Sell to Buy Twitter: ECM Watch

By Drew Singer & Esha Day / Bloomberg News / October 6, 2022

- Stock underperforms S&P 500 as Musk nears Twitter purchase
- How much cash Musk actually needs remains a guessing game

Elon Musk's surprising decision to revive his offer for Twitter Inc. this week sparked a rally in the social-media company's shares. For Tesla Inc.'s stock, however, it is an ominous sign.

The electric-vehicle maker's shares have struggled through the billionaire's highly public pursuit of Twitter, his subsequent efforts to wriggle out of the deal and the related lawsuit that brought it all to a head.

Some of the decline reflects concerns of Musk spreading himself too thin. But it also has been driven by his previous sale of Tesla shares to pay for the purchase -- and, with most analysts expecting the deal to close fairly quickly, fears that he will require further sales to raise cash. Analysts surveyed by Bloomberg News estimate that Musk will need to sell between \$2 billion to \$7 billion worth of Tesla stock.

Alternatives to share sales include another round of private funding and Musk pledging his Tesla stake for a loan. But liquidating some stock will likely be part of the plan, said Jim Osman, founder of special situations research firm The Edge Consulting Group.

"The quickest option to execute among the above is to sell Tesla shares," he said. "I think it will be a mix of all the above three, but with more than 50% of the remaining \$7 billion to come through selling of Tesla shares."

Selling Pressure

Representatives for Tesla did not respond to a request for comment. Musk has already offloaded more than \$15 billion of the company's stock this year. He sold \$8.5 billion of stock in April and another \$6.9 billion in August. After both sales he tweeted that he was done selling.

Tesla shares are down 1.2% in the two days since Musk proposed proceeding with the deal, lagging the S&P 500 Index's 2% advance over that time. The stock has lost 34% since Musk first disclosed a stake in the social-media giant on April 4.

Of course, it's worth remembering that any sales would represent a small fraction of Musk's Tesla stake. He held 465 million shares as of Aug. 9, according to data compiled by Bloomberg, which is worth more than \$110 billion at Thursday's market levels.

Still, additional sales by Musk would move the stock, Rainmaker Securities co-founder Greg Martin said in an interview. "Tesla shares will initially feel selling pressure," he said.

Where Musk parked the proceeds from his prior liquidations could determine how much stock he ultimately has to sell, Roth Capital Partners analyst Craig Irwin said in an interview.

"It kind of depends on how much cash from past stock sales was invested in more volatile products like cryptocurrency," he said.

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