

Payout for Musk as Tesla value tops \$100 bn

January 22 2020, by Rob Lever



Tesla chief Elon Musk, during the delivery ceremony for the firm's China-made Model 3 in Shanghai in January 2020

Tesla's market value hit \$100 billion for the first time Wednesday, triggering a payout plan that could be worth billions for Elon Musk, founder and chief of the electric carmaker.

Shares in Tesla rose some six percent in early trade to lift the value of the fast-growing maker of electric vehicles to around \$105 billion.

Under a compensation plan approved by Tesla's board in 2018, Musk is to be paid in stock awards based on the performance of the company—a payout which could be worth as much as \$50 billion if Tesla's value reaches \$650 billion.

Musk agreed to the plan, which would pay him nothing until Tesla's value reached \$100 billion.

The package, using shares which "vest" based on certain criteria, gives Musk stock worth around one percent of the company for each of 12 milestones over a 10-year period.

For achieving the first milestone, Musk will get shares worth \$346 million if Tesla shares hold above \$100 billion over six months, based on the formula.

In announcing the plan in March 2018, the company said Musk "would receive no guaranteed compensation of any kind—no salary, no cash bonuses, and no equity that vests simply by the passage of time" without the rise in value.

Betting on growth

In 2019, Tesla sold some 367,000 vehicles, a rise of 50 percent from the prior year.



Elon Musk unveiled Tesla's all-electric battery-powered Cybertruck in November 2019

That is a fraction of the 10 million sold by leading global automakers Toyota and Volkswagen, but investors have pushed up Tesla's value in the expectation that it is changing the industry, and its market value is greater than that of General Motors and Ford, combined.

Tesla has begun manufacturing in China and has announced a new plant in Germany that could start production by 2021.

The Tesla Model 3 electric car is designed to be more affordable than its earlier models—around half the cost of the \$70,000 models—and is fueling expectations of stronger growth.

Analyst Dan Ives of Wedbush Securities offered an upbeat view of Tesla in a research note Wednesday.

"In our opinion, the company has the most impressive product roadmap out of any technology/auto vendor around (which the market cap reflects vs. its traditional auto competitors) and will be a 'game changing' driving force for the EV (electric vehicle) transformation over the next decade with Model 3 front and center," Ives said.

South African-born Musk, already among the world's wealthiest individuals with an estimate net worth around \$30 billion, is the driving force behind Tesla as well as the private space exploration firm SpaceX.

He has also launched a tunneling firm called the Boring Company designed for fast-tracked systems that could replace trains, and Neuralink, which is developing a brain-computer interface.

US President Donald Trump offered praise for Musk in a CNBC television interview aired on Wednesday.

"You have to give him credit," Trump said.

"He's one of our great geniuses, and we have to protect our genius. You know, we have to protect Thomas Edison and we have to protect all of these people that—came up with originally the light bulb and—the wheel and all of these things. And he's one of our very smart people."

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