

Twitter, analysts wary of Musk takeover bid

April 21 2022, by Glenn Chapman



Despite having struggled with profitability, Twitter is trying to evade the grasp of billionaire Elon Musk.

As tempting as access to Elon Musk's wealth may be, Twitter is not eager to be ruled by a billionaire known for shooting from the hip with little regard for the consequences.

The global one-to-many messaging platform is moving to prevent the Tesla boss from getting his hands on all of Twitter's outstanding shares, signaling that worries about where he would lead the company outweigh the proffered payoff.

"It's management, the board, that feels something is wrong," said Endpoint Technologies analyst Roger Kay.

"Musk is essentially an autocrat; his form of libertarianism has a twinge of far right politics to it."

Earlier this month Musk, the world's richest person and a controversial and frequent user of Twitter himself, made an unsolicited bid of \$43 million for the social media network, citing better freedom of speech as a motivation.

The offer, which he said was final, values Twitter at \$54.20 per share—above the closing price ahead of his bid, but below a high of \$77.06 hit in February of last year.

Twitter's board opted to swallow a "poison pill," saying any acquisition of over 15 percent of the firm's stock without its OK would trigger a plan to flood the market with shares and thus make a buyout much harder.

Musk already owns more than nine percent of the company, making him its largest stakeholder.

The billionaire went on to tweet "Love me tender," an Elvis Presley song title that some took to hint he is mulling whether to sidestep the board and take his "tender" directly to shareholders.

"I think he is running with scissors," said analyst Rob Enderle of Enderle

Group.

"Poor impulse control and too much money are not a good combination."

Right-wing Twitter?

Musk has said he'd like to lift the veil on the algorithm that runs on the platform, even allowing people to look through it and suggest changes.

He advocates a hands-off approach to policing content, a thorny matter particularly in high-profile cases such as that of former US president Donald Trump, who was banned after the assault on the Capitol by his supporters as they sought to overturn the US election result last year.

"Musk says he is going to turn Twitter into a social media platform with no moderation; there have been several of those and they don't work," said analyst Rob Enderle of Enderle Group.

"The trolls take over, they get too hostile and drive people away from the platform."

Attempts to make "right-wing Twitters" have failed to gain traction, the analyst told AFP, giving examples such as Parler and Trump's own social network.



Elon Musk's talk of letting anyone say anything on Twitter have raised concerns about misinformation.

Musk has said that he is averse to banning people from Twitter due to misbehavior, prompting many to believe that if he owned the platform he would allow Trump to return.

Despite his free speech talk, Musk's actions include mocking a Tesla whistleblower, and calling a rescue worker who pointed out flaws in the Tesla chief's idea to save children from a flooded cave in Thailand several years ago "a pedo guy."

"Musk is not exactly a free speech advocate," Enderle said.

"I think he just doesn't like to be told 'no'."

Business specifics of Musk's vision for Twitter are lean, noted Creative Strategies analyst Carolina Milanesi.

"I don't think anybody would argue that everything Elon Musk does he does for himself," Milanesi said.

"You hear at Tesla of racism, lack of unions, and the way workers are treated and it doesn't seem to me that his priorities are in the right place."

Regulatory ire

The Twitter board is likely also concerned about how Musk taking over the company might intensify pressure to fight misinformation on [social media platforms](#).

"Twitter might be thinking about what regulators are going to do if Musk takes over," Milanesi said.

"Twitter has already had enough scrutiny, and they will have more if Musk buys it."

While the [serial entrepreneur's net worth](#) is estimated at \$265 billion by Forbes, much of Musk's wealth coming from shares of electric car maker Tesla, which he runs.

Moody's estimated it would cost Musk \$39 billion to buy all the outstanding Twitter shares, and that there would be "a strong chance" he would have to repay or refinance the San Francisco-based company's billions of dollars of existing debt.

Rumors circulating include talk that Musk is looking into teaming up with a deep-pocketed partner.

Not all analysts were pessimistic, with some pointing to Musk's record as a trailblazer as a positive in his Twitter bid.

"You cannot deny what Musk's accomplished," said RiskSmith investing chief executive Richard Smith.

"I think he could probably transform Twitter."

© 2022 AFP

Citation: Twitter, analysts wary of Musk takeover bid (2022, April 21) retrieved 26 April 2024 from <https://techxplore.com/news/2022-04-twitter-analysts-wary-musk-takeover.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--