

Elon Musk revises Twitter financing plan; shares jump

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Tesla and SpaceX Chief Executive Officer Elon Musk speaks at the SATELLITE Conference and Exhibition in Washington, Monday, March 9, 2020. Twitter's regularly scheduled shareholder meeting Wednesday, May 25, 2022, won't include a vote on Musk's \$44 billion bid for the social platform. That vote will take place at a yet-undetermined date in the future. Credit: AP Photo/Susan Walsh, File

Tesla CEO Elon Musk on Wednesday revised the financing plan for his proposed \$44 billion purchase of Twitter, raising investor hopes that the unpredictable billionaire still intends to pull off a deal roiled by market turbulence and Musk's not-entirely-explicable concerns about the number of fake accounts on Twitter.

The news overshadowed Twitter's regularly scheduled annual shareholder meeting earlier Wednesday. Shareholders didn't address the Musk deal directly—that vote will be scheduled for an as-yet undetermined future date, should the deal proceed. Twitter shares jumped 5.5% to \$39.22 in after-market trading, building on a 3.9% rise during regular trading.

The financing changes outlined in a regulatory filing would shave \$6.25 billion from the lending package Musk had previously lined up for the Twitter buyout. That means Musk will need to raise that sum in stock commitments instead of debt. That would bring the equity—that is, stock-based—portion of the deal to \$33.5 billion, up from the \$27.25 billion Musk disclosed three weeks ago.

The filing with the Securities and Exchange Commission didn't go into much detail on where Musk will get the additional equity, but emphasized he is still trying to persuade his friend and former Twitter CEO Jack Dorsey—a supporter of the buyout—to throw his stock into the financing package.

Dorsey, also a Twitter cofounder, owns a 2.4% stake currently worth about \$700 million, based on the company's closing stock price Wednesday, according to FactSet Research. Musk owns a nearly 9.6% stake worth \$2.7 billion.

Wednesday was also Dorsey's last day as a member of Twitter's board, a date established when he [resigned as CEO last November](#).

The nuts and bolts of the financing package weren't as significant to investors as the news that Musk apparently still plans to complete his Twitter buyout. Serious doubts about Musk's resolve have hung over the deal since he announced he was putting it "on hold"—something experts say he can't really do unilaterally—until Twitter provide public proof to support its claims that fewer than 5% of its accounts are fakes powered by spam bots.

Even assuming the share price rise continues into regular trading Thursday, Twitter is still changing hands well below the \$54.20 per share that Musk agreed to pay just a month ago.

Wedbush Securities analyst Dan Ives said the persistent gap between Musk's offer price and Twitter's stock price indicates that most investors still believe the billionaire will walk away from the deal unless the company agrees to a lower price. Twitter's board has so far insisted it won't do that.

Earlier this week, Ives estimated that there was a 60% chance that Musk would call off the Twitter deal and pay a \$1 billion breakup fee, risking a potential lawsuit by the company. With Musk now trying to secure a new financing package, Ives believes there is a 50-50 chance of the deal happening, but only if Twitter's board is willing to sell for significantly less than the agreed-upon price. "Musk is hedging his bets here, but the big elephant in the room remains," Ives said.

Twitter dealt with another potential headache Wednesday by agreeing to a \$150 million penalty to settle allegations that it violated its users' privacy to help sell advertising from 2013 to 2019 in a case brought by the U.S. Department of Justice and Federal Trade Commission.

Earlier at the shareholder meeting, CEO Parag Agrawal stated up front that that executives wouldn't be answering any questions surrounding the

Musk bid. Even a question from a stockholder asking what will happen to his shares if someone buys Twitter and takes it private was shot down. (If this happens, the stockholder would be paid the agreed-upon purchase price for each share and the stock would be delisted).

Musk did not join the meeting, although he could have, being one of [Twitter's largest shareholders](#).

But the drama surrounding his offer—almost all of it created by Musk himself—threatened to spill over into Wednesday's proceedings. Shareholders raising proposals for a vote frequently invoked his name. One proposal, by the New York State Common Retirement Fund, called for a report on Twitter's policies and procedures around political contributions using corporate funds. It passed in a preliminary vote.

Two proposals brought by conservative-leaning groups failed to garner enough votes to pass. One called for an audit on the company's "impacts on civil rights and non-discrimination" and referred to "'anti-racism' programs that seek to establish 'racial/social equity'" as "themselves deeply racist." The other sought more disclosure on the company's lobbying activities.

Several proposals spoke to the deep existential conflict that's been playing out among Twitter's users, employees, shareholders and employees. While shareholders on one side lambasted the company for what they see as too-liberal politics and a bias against conservatives (for which there is no reliable evidence), others said the company is failing to protect users from harassment, abuse and misinformation.

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