

Rivian shares soar on massive cash injection from Volkswagen, starting immediately with \$1 billion

June 26 2024, by Michelle Chapman



A Rivian sports-utility vehicle is seen on display in Austin, Texas, Feb. 22, 2023. Shares of Rivian are soaring before the opening bell on Wednesday, June 26, 2024, after Volkswagen has agreed to invest up to \$5 billion in a new joint venture with the electric vehicle maker. Credit: AP Photo/Eric Gay, File

Shares of Rivian soared 40% before markets opened Wednesday after Volkswagen vowed to invest \$1 billion in the struggling electric vehicle maker immediately, and a potential total of up to \$5 billion as part of a software development agreement.

Rivian's [market value](#) soared close to \$86 billion shortly after it went public in 2021, but it is in dire need of funding to develop its next [vehicle](#) and it is bleeding money. Volkswagen needs help with its software, where Rivian is seen as a very strong player.

Volkswagen will initially invest \$1 billion in Rivian Automotive Inc., with plans to invest up to an additional \$4 billion. That \$4 billion includes an additional investment of up to \$2 billion in Rivian's common stock that's expected to include two installments of \$1 billion each in 2025 and 2026. An investment of \$2 billion related to the joint venture is expected to be split between a payment at the inception of the joint venture and a loan available in 2026.

"Not only is this partnership expected to bring our software and associated zonal architecture to an even broader market through Volkswagen Group's global reach, but this partnership also is expected to help secure our capital needs for substantial growth," Rivian founder and CEO RJ Scaringe said in a prepared statement.



A 2023 R1T pickup truck is charged in a bay at a Rivian delivery and service center Feb. 8, 2023, in Denver. Shares of Rivian are soaring before the opening bell on Wednesday, June 26, 2024, after Volkswagen has agreed to invest up to \$5 billion in a new joint venture with the electric vehicle maker. Credit: AP Photo/David Zalubowski, File

Both companies expect to lower their costs per vehicle produced while ramping up scale.

Rivian plans to license existing [intellectual property rights](#) to the joint venture, allowing Volkswagen Group to use Rivian's existing electrical architecture and [software platform](#).

"Our customers benefit from the targeted partnership with Rivian to

create a leading technology architecture," Volkswagen Group CEO Oliver Blume said. "Through our cooperation, we will bring the best solutions to our vehicles faster and at lower cost."

Vehicles using the technology produced by the joint venture, first announced late Tuesday, are expected to be launched in the second half of the decade.

Rivian, based in Irvine, California, made a splash during its [stock market debut](#) in 2021 as company shares spiked 53% and its market value neared \$86 billion, greater than that of Ford and just below General Motors.



A Rivian electric delivery van carrying Amazon packages is shown on Jan. 31, 2024, in Kennesaw, Ga., near Atlanta. Shares of Rivian are soaring before the opening bell on Wednesday, June 26, 2024, after Volkswagen has agreed to invest up to \$5 billion in a new joint venture with the electric vehicle maker. Credit: AP Photo/Mike Stewart, File



Rivian chargers sit Monday, March 4, 2024, in Charlotte, N.C. Shares of Rivian are soaring before the market open on Wednesday as Volkswagen has agreed to invest up to \$5 billion in a new joint venture with the electric vehicle maker. Rivian's stock jumped more than 33% in premarket trading. Credit: AP Photo/Chris Carlson, File

Investors were searching for the next up-and-comer in the electric vehicle market, and Rivian already had some big-name backers.

Rivian landed a contract with Amazon.com to produce 100,000 electric delivery vans, and a half-billion dollars from Ford.

But Rivian has yet to turn a profit, and its stock has fallen from its lofty highs of a few years ago. To conserve cash, Rivian paused [construction](#) on a \$5 billion electric truck plant in Georgia. Rivian said in March that there was no timetable for restarting work on the plant.

The [joint venture](#) with Volkswagen could be the jolt that's needed and Wedbush's Dan Ives called the agreement a game changer for Rivian.

"Rivian will leverage this opportunity by utilizing this robust capital roadmap to support future growth while vertically integrating its software platform and electrical architecture while achieving further cost savings and deliver improved vehicles down the line," Ives said Wednesday in a research note.

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