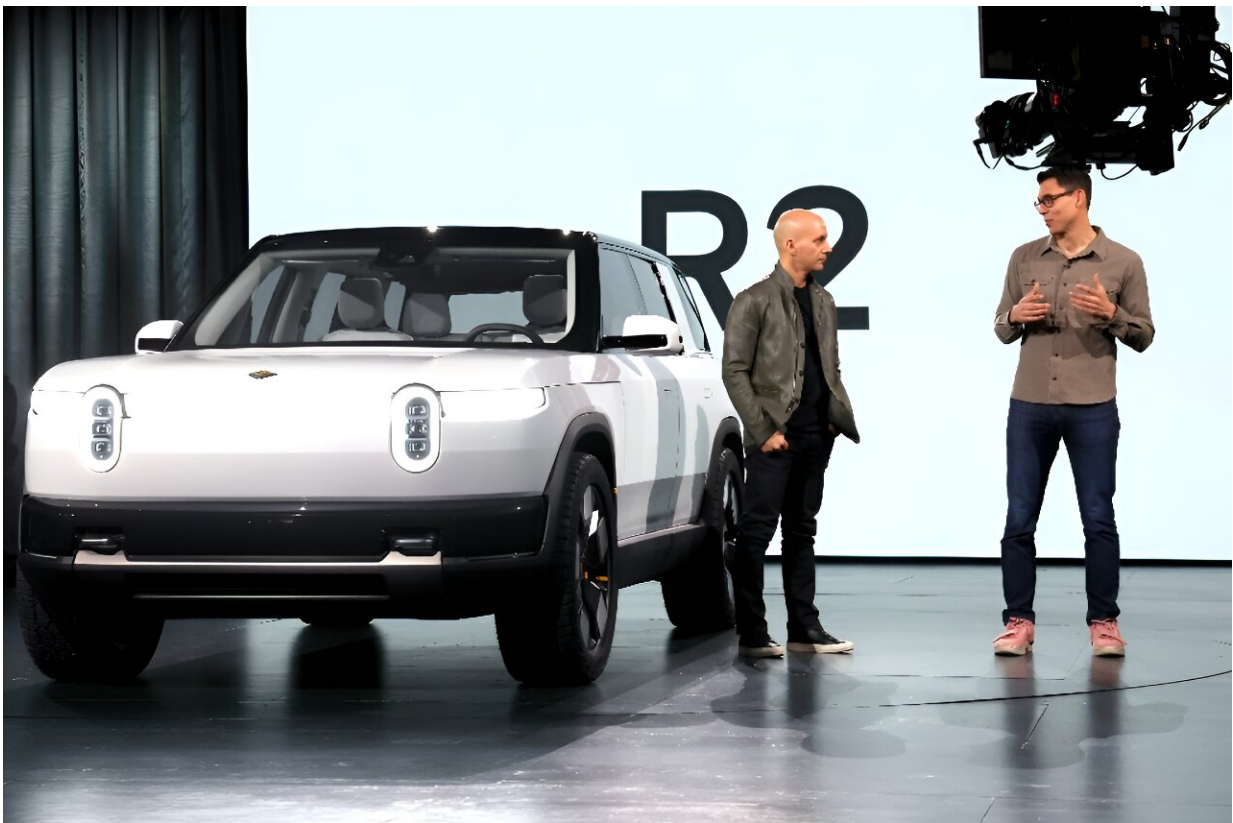


VW to invest \$5 bn in EV maker Rivian, establishing joint venture

June 26 2024



Electric vehicle maker Rivian and Volkswagen announced a joint venture in which the German company will invest \$5 billion in the American automaker.

German auto giant Volkswagen will invest \$5 billion in US electric vehicle maker Rivian and create a joint venture expected to produce

technology used by both automakers, the companies announced Tuesday.

The collaboration includes a direct \$3 billion investment by the German company in Rivian as well as \$2 billion to establish an equally controlled and owned joint venture "to create next-generation electrical architecture and best-in-class software technology," the companies said in a news release.

Shares of Rivian rose 8.6 percent on Tuesday and nearly 50 percent in after-hours trading following the deal's announcement just after the end of the trading session.

Although praised for its technology, Rivian has been reporting losses and bleeding cash.

Under the transaction, VW will make an initial \$1 billion investment in the US company in 2024 that will convert to Rivian common stock, to be followed by subsequent rounds in 2025 and 2026 of \$1 billion each.

The additional \$2 billion from VW is expected to be split between a payment at the start of the [joint venture](#) and a loan in 2026, the companies said.

Besides boosting Rivian's balance sheet, the deal represents a vote of confidence by VW in the California company's platform that will improve the EV maker's ability to win concessions from key suppliers, company officials said on a conference call with analysts.

"The transaction as a whole provides a powerful platform for future growth for Rivian," said Chief Financial Officer Claire McDonough "And it's not just the \$2 billion of JV-related capital. It's the full \$5 billion of capital and the opportunity we have to accelerate our mission."

VW's investment will enable Rivian to fund investments to ramp up production at its Illinois factory and to advance a new plant in the state of Georgia, the company said.

Those two projects enable "a path to positive free cash flow and meaningful scale," Rivian said.

The venture will allow VW to employ Rivian's existing electrical architecture and software plan, accelerating the German company's efforts on software-defined vehicles.

"Through our cooperation, we will bring the best solutions to our vehicles faster and at lower cost," said VW Chief Executive Oliver Blume.

"We are strengthening our technology profile and our competitiveness," Blume said.

The two companies expect completion of the [transaction](#) in the fourth quarter of 2024 with anticipated regulatory approvals.

CFRA Research lifted its share price target on Rivian but maintained a "sell" recommendation on the company.

"While the announcement is a vote of confidence in Rivian, we think it does little to change the company's operating issues and troubling cash burn rates, which have been around one billion dollars per quarter," said CFRA's Garrett Nelson.

"The key question is why would VW make such an [investment](#) in a struggling EV manufacturer that could face going concern risk in the future, but clearly VW sees value in gaining access to RIVN's vehicle architecture and software," Nelson said.

© 2024 AFP

Citation: VW to invest \$5 bn in EV maker Rivian, establishing joint venture (2024, June 26)
retrieved 29 June 2024 from <https://techxplore.com/news/2024-06-vw-invest-bn-ev-maker.html>

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.