

AUTOMOTIVE

Tesla ties Elon Musk's compensation to company performance

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Tesla's Elon Musk will remain at the company long-term. Image credit: Tesla

By STAFF REPORTS

U.S.-based Tesla, Inc. is instituting a 10-year performance award for CEO Elon Musk, making his earnings contingent on meeting market cap and operational goals.

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During the next decade, Mr. Musk will earn no salary, bonuses or equity that vests with time, with his entire compensation centered on a 10-year grant of stock options. Along with banking his earnings on company success, Tesla's announcement notes that Mr. Musk will remain at the helm of the company for the long term.

Goal oriented

For Mr. Musk's stock options to fully vest, the company will have to reach a market cap of \$650 billion, as well as hit profitability and revenue goals. Today, Tesla's market cap is around \$60 billion, so if achieved, this would mean a growth of almost \$600 billion.

The stock options for the performance award vest in 12 tranches, the first of which is tied to raising the market cap to \$100 billion. From there, each of the additional milestones reflects an additional \$50 billion in market cap.

In 2012, Mr. Musk entered a similar five-year performance award structure, which led to a 17-fold increase in market cap through its duration. This new grant is modeled after the previous performance award.

This decade-long performance award is also contingent on performance goals, including meeting escalating revenue and EBITDA targets. Compared to the 2012 compensation plan, this is more focused on creating shareholder value.

As each of the tranches is met, Mr. Musk will vest in stock options equal to 1 percent of outstanding shares, or about 1.69 million shares.



Tesla Model X. Image credit: Tesla

In addition to the company meeting its goals, Mr. Musk's compensation is also tied to his remaining at the head of Tesla. For him to vest when targets are achieved, he needs to be CEO or be executive chairman and chief product officer.

Tesla has allowed for the possibility of Mr. Musk to bring in a different CEO who would report to him, freeing him up to focus more on certain aspects of operations. The company says there are no plans to do so at this time.

While the performance award has been granted to Mr. Musk by the company's board, Tesla's shareholders will vote to approve the plan at a meeting in March.

Tesla has sold more than 250,000 vehicles since its founding. Last year, it also debuted its more accessible Model 3, which opened the brand up to a wider audience ([see story](#)).

In recent years, Tesla has moved beyond the automotive space, bringing its take on green energy to other categories. For instance, Tesla further expanded its brand into energy efficiency with a battery installment in California's power grid.

The energy efficient battery installment will soak up energy throughout the day and feed it back into the power grid. Tesla's battery storage facility was built in just three months and was inspired by an accident with Southern California Edison that sent thousands of tons of methane gas into the atmosphere ([see story](#)).

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