

AUTOMOTIVE

Will Elon Musk's Twitter ownership cause Tesla's downfall?

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Does Elon Musk have too much on his plate? Image credit: TED

By KATIE TAMOLA

With Elon Musk becoming the new owner of Twitter, this will have ramifications for his multitude of enterprises, specifically U.S. automaker Tesla.

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As the owner and public face of Tesla, SpaceX and now Twitter, investors and industry watchers have expressed concern that the entrepreneur will be too distracted to successfully lead the automaker, especially during a time when inventory issues and EV competition impact the automotive industry. After selling Tesla stock to help finance his Twitter purchase, it remains to be seen how Mr. Musk will respond in juggling his vast responsibilities and whether Tesla stock will bounce back.

"It's entirely possible Elon Musk and Tesla lose sales as a result of purchasing Twitter, but it's also possible that demand will grow from an entirely new set of consumers that never previously considered one," said Karl Brauer, executive analyst at [iSeeCars](#), Los Angeles. "The only thing we know for sure is Elon's visibility will rise even further, making him one of the most influential figures of the 21st century."

What is one more?

Mr. Musk joined Tesla in 2003, and its first product, the Roadster sports car, debuted in 2008. Tesla has introduced several additional models since then and has subsequently become a clear leader in the electric vehicle space.

Although several luxury brands continue releasing electric vehicles and ultimately bolstering the competition, Tesla still remains miles ahead.



Tesla continues to thrive, leading the luxury automotive space in electric vehicle sales. Image credit: Shutterstock

Although the automotive industry has faced several challenges and constraints from chip shortages and beyond, sales of battery-powered electric vehicles hit a new record with a strong year-end finish in the fourth quarter of 2021. Tesla led luxury brands in sales, outperforming Audi, BMW, Lexus and Mercedes-Benz ([see story](#)).

Mr. Musk is also the founder of space firm SpaceX which has widely publicized its future plans for space travel and efforts to become a top player in space tourism ([see story](#)).

Suffice it to say, Mr. Musk has always had quite a bit on his plate.

When it comes to Twitter, Mr. Musk has had an interesting relationship. Although he has criticized the platform, going so far as to say Twitter hinders free speech, he also began showing public interest in buying the platform over the past year and privatizing it.

On April 25, Twitter confirmed that it would sell the company to Mr. Musk, weeks after he became the company's largest shareholder with a 9.2 percent. The agreement stated Mr. Musk would purchase Twitter for \$54.20 a share in cash, valuing the acquisition at about \$44 billion ([see story](#)).

The Wall Street Journal reported that Mr. Musk sold \$8.5 billion in Tesla shares to help aid his Twitter deal. With such news becoming public, investors seemingly showed concern, impacting Tesla stocks.

Business Insider reported that the day following the official announcement, Tesla's stock lost \$126 billion in market value.

Moving on

Elon Musk (@elonmusk) [April 24, 2022](#)

Elon Musk is set to become the owner of Twitter

Mr. Musk has obtained a \$12.5 billion loan against his Tesla shares and an additional \$13 billion from Wall Street to fund his Twitter plans. He has agreed to pay the remaining \$21 billion, but has not disclosed how he will do so, which may also be fueling investor apprehension.

This could also just simply be initial jitters. Even amid such a flurry of news, a reality remains: Tesla still dominates the EV space and remains on top.

"I can't imagine that Tesla itself will change much because of Elon's ownership of Twitter between SpaceX, SolarCity, and Tesla itself, Elon's attention was already spread pretty thin," said David Undercoffler, editor in chief at [Autolist.com](#), San Francisco. "Yet the robust share price of Tesla stock tells us that investors don't seem to be concerned.

"If shareholders are not already rattled, adding Twitter to Elon's plate probably won't scare them off anymore."

Trouble for Tesla?

Aside from the possibility of distraction, Mr. Musk may also continue to face public backlash amid several disparate lawsuits related to Tesla.

According to [Business Insider](#), Tesla has faced 45 lawsuits where former and current employees claim they were

targeted and harassed based on gender and race. Although Tesla has pushed back and filed to move most of the cases to private arbitration, experts believe this could very well cause issues for the automaker.

Last year, the U.S. government also opened an investigation against Tesla citing safety concerns over its autopilot system.

Since 2018, the National Highway Traffic Safety Administration (NHTSA) has identified 11 crashes in which Teslas on autopilot or traffic-aware cruise control have hit vehicles where emergency vehicle flashing lights, flares and hazard warnings have been present. From these motor accidents, 17 people were injured and one was killed, according to the agency ([see story](#)).

Last December, the U.S. automaker recalled nearly half a million Model 3 and Model S electric vehicles due to issues regarding their rearview cameras and trunks. According to the National Highway Traffic Safety Administration (NHTSA), Tesla found rearview camera issues in 356,309 Model 3 vehicles and front hood issues in 119,009 Model S vehicles ([see story](#)).

Even amid lawsuits, chip shortages and investor concerns, Tesla maintains a widely popular consumer base.

"I think every automaker is risking pain in the near term, and I think newer, smaller EV brands are at additional risk from microchip and material shortages because they are even more dependent on those items," said iSeeCars' Mr. Brauer.

"But Tesla is the largest, most established EV brand in the world, which means it is more likely to succeed in this environment an environment that might even remove a few of Tesla's competition from the playing field over the next couple of years."

Mr. Musk still the world's richest person, even if his net worth took a recent hit, and will continue to surprise.

"I've learned in my 14 years of covering the auto industry to never guess Elon's next move; you'll always be wrong," Autolist.com's Mr. Undercoffler said. "And I think he likes it that way."