

Toyota Ties Up With Tesla Motors, Buying \$50 Million Stake

2010-05-21 00:00:01.1 GMT

By Alan Ohnsman

May 20 (Bloomberg) -- Toyota Motor Corp., the world's largest automaker, is acquiring a \$50 million stake in Tesla Motors Inc. and will develop electric vehicles with the company.

Tesla will buy a closed Toyota joint-venture factory in California to build its Model S and other cars, Governor Arnold Schwarzenegger said in a statement today. The companies will cooperate on developing electric vehicles, parts and production systems and engineering support.

Toyota's investment comes as Palo Alto, California-based Tesla, which sells the \$109,000 Roadster electric sports car, prepares to raise about \$100 million in an initial public offering of shares. Tesla, which hasn't posted a profit in six years, said it may use the proceeds to pay for factories and equipment, which it has estimated will cost as much as \$125 million this year, and for acquisitions. The company said it doesn't have agreements or commitments for specific purchases.

Electric cars have been supported by U.S. policy makers including President Barack Obama as a way to reduce the nation's oil use and dependence on foreign energy sources.

Tesla, which has sold about 1,000 Roadsters while losing more than \$230 million, is using the share sale and a \$465 million government loan to help produce its Model S electric sedan. The vehicle will cost less than \$50,000 after a federal tax credit, the company has said.

Backed by Daimler

Tesla Chief Executive Officer Elon Musk, who founded online-payment company PayPal Inc., spent more than \$70 million on Tesla before last May, when Daimler AG of Stuttgart, Germany, invested \$50 million.

The automaker has hired Goldman Sachs Group Inc., Morgan Stanley and JPMorgan Chase & Co., along with Deutsche Bank AG in Frankfurt, as underwriters for its initial share offering.

Tesla's spokesman, Ricardo Reyes, declined to comment on the filing, citing SEC regulations.

The company is backed by investors including Mountain View, California-based Google Inc.'s co-founders Larry Page and Sergey Brin, the government of Abu Dhabi, and Daimler, the world's second-biggest maker of luxury vehicles. Tesla didn't disclose in its filing how many shares it plans to sell, at what price or whether its owners intend to sell stakes in the IPO.

The carmaker has 2,000 reservations for the Model S and intends to begin "volume" production in 2012 with a projected

annual output of as much as 20,000 a year, according to the filing.

Tesla's \$100 million offering may not be enough to overcome the costs the company faces to develop the batteries used to power its electric vehicles, according to Rebecca Lindland, an analyst with IHS Global Insight in Lexington, Massachusetts.

The automaker is also getting more competition for its vehicles, with General Motors Co., Toyota and Ford Motor Co. all unveiling electric models.

General Motors Corp., before it filed for bankruptcy, was Toyota's partner in the California manufacturing venture.

For Related News and Information:

Toyota and advanced auto: 7203 JP <Equity> TCNI ALTRNG <GO>

Tesla News: 973035Z US <Equity> CN <GO>

U.S.-related climate-change stories: TNI US CLIMATE <GO>

Top environment stories: GREEN <GO>

IPO results and calendars: ECDR <GO>

--Editors: Kevin Orland, Terje Langeland

To contact the reporter on this story:

Alan Ohnsman in Los Angeles at +1-323-782-4236 or
aohnsman@bloomberg.net

To contact the editor responsible for this story:

Kae Inoue at +81-3-3201-8362 or
kinoue@bloomberg.net