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Nikola Stock Is Plunging. Could It Be Delisted?

By [Al Root](#)

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[Stock](#) in electric-vehicle/fuel-cell start-up [Nikola](#) hit a new 52-week [low](#) on Thursday. There are reasons why.

For starters, Nikola (ticker: NKLA) received a delisting notice from the Nasdaq stock exchange, as the stock has traded below \$1 for 30 consecutive days, which violates exchange rules. As of Thursday, Nikola stock has traded below \$1 for 32 consecutive days. Nikola has 180 days to remedy the situation.

Shares are off 17.8% at 63 cents a piece in Thursday midday trading, while the [S&P 500](#) and [Nasdaq Composite](#) are up 0.6% and 1.5%, respectively.

“Appears to be a sign of the times,” says Battle Road Research analyst [Ben Rose](#), adding [Lordstown Motors](#) (RIDE) and [TuSimple](#) (TSP) have received similar notices.

Rose rates Nikola stock at Sell without a price target. His rating means he expects the stock to underperform the market. Rose doesn't cover the other stocks.

Many EV and transportation start-ups are struggling to raise cash to fund their business models. [Canoo](#) (GOEV) stock is below \$1. So are [Hyzon Motors](#) (HYZN) shares along with a handful of others.

Lordstown stock is now trading at \$3.88, after the company executed a [1-for-15](#) reverse stock split to get share prices above \$1. Nikola might do something similar.

“The Nasdaq Notification Letter does not impact Nikola's listing on Nasdaq at this time,” the company said in an email. “Nikola is committed to increasing stockholder value...we remain confident in our mission of pioneering solutions for a zero-emissions world and look forward to the future, and maintaining our Nasdaq listing.”

The delisting notice was included in a prospectus filed Wednesday. The company is selling about \$12 million of convertible debt.

Convertible debt can become stock at a later date, if certain conditions are met. That can push down shares, too. Existing investors own a little less of the company when new shares are issued. What's more, the convertible notes will also pay interest, draining future cash flow from equity holders.

Proceeds from the convertible sale will be used for general corporate purposes. Nikola ended the first quarter with more than \$200 million in cash—not enough for two quarters, according to Wall Street, which sees the company using up \$125 million to \$160 million a quarter for the next few quarters.

Nikola stock is now down 99% from its record high of \$93.99, reached in June 2020.

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