

# BARRON'S

## Nikola Needs Votes. Stock Rises as Meeting Adjourned to Garner Support.

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Updated June 08, 2023, 11:41 am EDT / Original June 07, 2023, 6:25 pm EDT



Wall Street doesn't project positive free cash flow for Nikola until 2027. KRISZTIAN BOCSI/BLOOMBERG

Sometimes people can be funny.

[Nikola](#) (ticker: NKLA) announced on Wednesday that it was adjourning its annual shareholder meeting and would reconvene it in July.

The start-up, which makes trucks powered by battery and hydrogen fuel cells, needs time to marshal more support from shareholders for Proposal 2, a key [item](#) in the annual proxy statement that will allow [Nikola](#) to issue more shares—a necessary precursor to raising more capital. Why shareholders are reluctant to vote, or are voting no, is hard to figure out. The proposal is designed to help the company.

“Without additional shares, our ability to raise the capital we need to further our mission will be out of reach,” said CEO Michael Lohscheller in a May video to shareholders. “Not voting on Proposal 2 is the same as against the proposal.”

In the first quarter, Nikola produced 63 battery-electric trucks, delivering 31 to dealers. Retail sales came in at 33 units.

Nikola will need more capital eventually to build its business. Nikola ended the first quarter with about \$200 million in cash on its books and access to about \$800 million in capital, including its cash balances. Wall Street expects the company to use about \$150 million a quarter and doesn't project positive free cash flow until 2027.

Most of the time, issuing more shares isn't a problem for companies. Bumping up against a cap tied to a company's bylaws is a little unusual. What's more, the actual number of shares a company has isn't usually a thing investors worry about. The number is just an accounting placeholder. Nikola has about 720 million shares outstanding. That isn't the number investors care about. They care about the roughly \$445 million market capitalization that is the number of shares times the stock price of 62 cents.

To be sure, shareholders seem to see the wisdom in approving Proposal 2. Nikola says a majority of the 77% of shares who have voted so far are in favor of it. But there aren't enough yeses in the 77% to amount to 50% of the total shares outstanding. So Nikola needs to solicit more unless rules change.

“There is a proposal that is still pending in Delaware that would reduce this threshold from a majority of all shareholders to a majority of voting shareholders,” Battle Road Research analyst Jonathan Rowe, who rates Nikola shares Sell, says.

While the impact on the company in the long run should be small, uncertainty around Proposal 2 adds some uncertainty for Nikola investors.

Nikola investors have other things to worry about.

Through Wednesday trading, shares are down roughly 90% over the past 12 months. Rising interest rates and dwindling cash balances have sapped investor enthusiasm for shares of many start-ups.

Shares were up 6.3% on Thursday to 63 cents, while the [S&P 500](#) and [Nasdaq Composite](#) were up about 0.4% and 0.9%, respectively.

Nikola shares had a great day Wednesday too, up 9.5%. The value created Wednesday amounts to roughly \$36 million.

There wasn't much news on which to pin gains. Nikola presented at a J.P. Morgan investor conference on Wednesday. That might be part of the reason, but shares have been volatile lately.

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