

The New York Times

Musk Demands Bigger Stake in Tesla as Price for A.I. Work

Elon Musk, the electric car company's chief executive, said he would "build products outside of Tesla" unless the board raises his stake to 25 percent.



"I am uncomfortable growing Tesla to be a leader in A.I. & robotics without having ~25% voting control," Elon Musk, Tesla's chief executive, wrote in a social media post. Credit...Amir Hamja/The New York Times



By [Jack Ewing](#)

Jan. 16, 2024 Updated 2:28 p.m. ET

Elon Musk, the chief executive of Tesla, stunned investors by demanding that the company's board give him shares worth more than \$80 billion if it wants him to continue developing products based on artificial intelligence.

In the latest demonstration of his disregard for conventional ways of communicating with investors, Mr. Musk said late Monday on X, the social media site he owns, that he

needed to own 25 percent of Tesla to avoid takeovers and have enough control of the company as it develops robots and other artificial intelligence technology.

If his demands are not met, Mr. Musk said, he would pursue unspecified ventures outside of Tesla. In addition to electric cars, Tesla has been developing a humanoid robot called Optimus, and uses artificial intelligence to develop self-driving technology, a cornerstone of the company's strategy. Those businesses belong to Tesla, and Mr. Musk could not simply walk away with them.

The company's stock market valuation of almost \$700 billion — more than twice as much as Toyota Motor, the world's largest automaker by annual car sales — is predicated in part on investors' belief that the company will lead the rest of the industry in developing cars that can drive from place to place without human intervention. Investors are also betting that advanced automation will allow Tesla to manufacture cars much more efficiently and profitably than rivals.

Mr. Musk owns 13 percent of Tesla after selling a substantial portion of his stake to finance his \$44 billion acquisition of Twitter, which he renamed X. The social media site has struggled under his leadership and has plunged in value. An additional 12 percent of Tesla would be worth \$83 billion at the current share price, effectively recouping Mr. Musk's investment in Twitter — which he has said he regrets — and then some.

“I am uncomfortable growing Tesla to be a leader in A.I. & robotics without having ~25% voting control,” Mr. Musk wrote on X. “Enough to be influential, but not so much that I can't be overturned.”

He went on: “Unless that is the case, I would prefer to build products outside of Tesla.” But he also said the board would take no action until a Delaware judge ruled in a [lawsuit](#) brought by a Tesla shareholder challenging an earlier compensation plan that was instrumental in making Mr. Musk the richest person in the world.

Mr. Musk [testified in the Delaware case](#) in late 2022. Gregory Varallo, who represents shareholders in the lawsuit, said he did not know when there would be a ruling. No documents have been filed in the case since July.

Tesla did not respond to a request for comment.

The demand by Mr. Musk underlined the extent to which Tesla, which sold 1.8 million vehicles last year, is subject to his impulses.

“You're never really sure what you're going to read from Elon Musk when you get back to the office after a three-day weekend,” said Ben Rose, president of Battle Road Research, which advises institutional investors. Mr. Rose called Mr. Musk's demand “curious and ill-timed,” considering that Tesla faces increasing competition and difficult economic conditions.

Tesla's success under Mr. Musk forced traditional carmakers to begin offering electric vehicles, which are essential in reducing greenhouse gas emissions from transportation. But Mr. Musk's behavior and statements have weighed on the share price and gotten him into trouble with regulators.

Tesla shares fell when Mr. Musk sold some of his stake to buy Twitter. The shares also suffered after Mr. Musk said in 2018 that he had the money to [take Tesla private](#) and delist it from the stock exchange. Mr. Musk was unable to execute the plan. The going-private statement led to a lawsuit by the Securities and Exchange Commission, which Tesla settled for \$40 million while agreeing that lawyers would screen what Mr. Musk's says on Twitter. It was not clear whether Mr. Musk's statement on X late Monday had been approved by lawyers.

It would be difficult for Tesla's board, which has been criticized for [not doing enough to control Mr. Musk](#), to grant his wish immediately or unconditionally. The company would have to issue new shares, Mr. Rose of Battle Research said. That would dilute the value of existing shares without raising additional capital for Tesla, and might spawn shareholder lawsuits.

But Mr. Rose added that the board could assign Mr. Musk stock options that he would receive only if he achieves certain milestones over five years or more. That would be similar to a [compensation package](#) Mr. Musk received in 2018 that depended on Tesla reaching stock market valuations seen at the time as unrealistically ambitious. Mr. Musk became the world's richest man by defying expectations and hitting the targets.

The company's stock has fallen about 11 percent so far this year but is up about 70 percent over the last 12 months.

Mr. Musk did not specify which products he might develop outside the company. He has already started a separate artificial intelligence business called X.AI, which last year released the Grok chatbot to selected users even though he has also highlighted the hazards of the technology in public comments.

Tesla's main use of artificial intelligence has come in its Autopilot and Full Self Driving systems, which assist drivers by taking over certain tasks in certain driving situations. Mr. Musk has said several times over the years that the company was close to perfecting the technology that would allow a car to drive itself completely. But self-driving technology has taken longer to perfect than Mr. Musk's predictions, and many experts believe it is still years away.

The carmaker has also been working on a robot it calls Optimus. The device can fold a shirt, according to a video posted on X by Tesla on Monday, but has not become a significant source of revenue.

On X, some of Mr. Musk's fans applauded his demand for a 25 percent stake, saying he earned the money. But others said it was his own fault his stake in the company has

fallen. “They didn’t make you sell your shares,” one user wrote, adding, “why should the board do anything to rectify this for you?”

A stake of less than 15 percent of the company, Mr. Musk said, “makes a takeover by dubious interests too easy.”

[Jack Ewing](#) writes about the auto industry with an emphasis on electric vehicles. [More about Jack Ewing](#)