

Elon Musk's proposed Twitter takeover has massive ramifications for the platform

Article

The news: Elon Musk has launched a hostile takeover bid for Twitter.

- This comes just weeks after he became the company's largest shareholder with the purchase of a 9.2% share.
- He's offering **\$54.20 per share** for Twitter. As of this writing, the stock is at \$45.65, making that an 18.7% premium.
- Sources place Musk's net worth at over \$260 billion. His offer values Twitter at **\$43 billion**, per CNBC.

The brief backstory: In a regulatory filing, the **Tesla** CEO and world's richest man claimed that he had launched a hostile takeover of Twitter just days ago. He was then given a place on the board of the social media firm, but **declined** due to a last-minute twist.

Tesla stock closed down 3.66% after news of Musk's bid, perhaps out of concern that Twitter's rich and most famous fan will be distracted if a sale goes through. Besides running Tesla, Musk also heads **SpaceX**, **The Boring Company**, and **Neuralink**.

Will this happen? According to an SEC filing, Musk called this his "best and last offer" and added that if it was rejected, he would reevaluate his status as a shareholder. But could he even pull off a purchase of this size, given that most of his capital is tied up in Tesla stock?

- It would be logical for him to seek financial support as he did in 2018, when he worked with private equity leader Silver Lake in an attempt to take Tesla private in a \$70 billion deal (Silver Lake, ironically, controls a seat on the Twitter board).

Musk-see Twitter: What will Musk's Twitter look like? He has posited that Twitter has the potential to be the leading global platform for free speech, key to healthy democracies flourishing—but he's a businessman first and foremost. Musk's ability to envision products that consumers fall in love with cannot be understated. He's on the record that spam, bots, and scams degrade the typical user experience.

- But solving those problems alone won't make Twitter sticky enough to beat rivals like **TikTok** in its core business of advertising: The popular short video app **will make more** than Twitter and Snapchat combined in 2022.

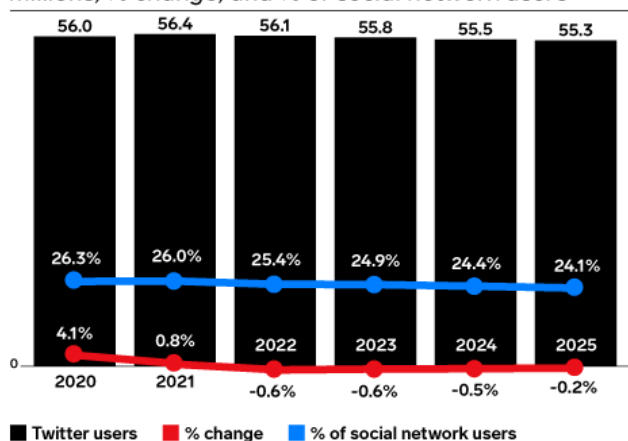
What's next: At the same time, not everything that Musk considers ultimately comes to fruition, either due to his rapidly changing interests, delays, or other developments. That includes everything from Tesla's **Cybertruck** to that **humanoid robot** he's promising us for next year.

- Following the announcement of his buyout proposal, Twitter's stock jumped 2.5% in early trading Thursday before ending the day off 1.7%. That's down from over 18% in premarket trading.
- That stock price swing suggests many investors *don't* think Musk's takeover will ultimately happen.
- The drop from the pre-market high could be based on expectations that Twitter will formally reject Musk's offer—which could cause him to sell his shares and send the stock price downward. Once that happens, it's possible Twitter would face legal action from shareholders who are dissatisfied with the board's rebuff of Musk.

Saudi prince **Al Waleed bin Talal**, a major Twitter shareholder, has already said he would reject Musk's offer, saying the price was too low.

US Twitter Users, 2020-2025

millions, % change, and % of social network users



Note: internet users of all ages who access their Twitter account via any device at least once per month
Source: eMarketer, Nov 2021

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