

Volkswagen latches onto Rivian in \$5-b EV pact to catch up with Tesla

Bloomberg

Volkswagen AG is taking another swing in its long struggle to catch up with Tesla Inc., plowing \$5 billion into a tie-up with the US company's closest would-be rival, Rivian Automotive Inc.

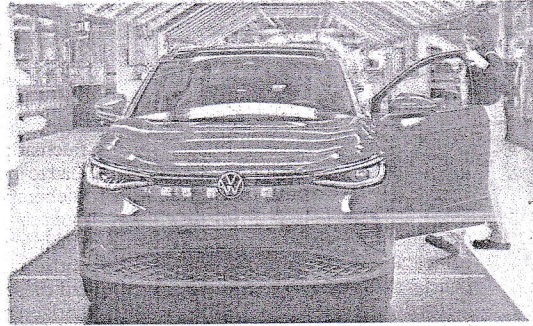
VW and Rivian are set to jointly develop battery-powered vehicles and software, a partnership that will give the German carmaker access to the US company's technology. For loss-making Rivian, the deal is a financial lifeline as manufacturers large and small rethink strategies in a slowing EV market.

Europe's biggest carmaker is working on several fronts to regain momentum in its bumpy EV rollout where delays and glitchy models have put off buyers. The issues have pushed VW Chief Executive Officer Oliver Blume into making unprecedented deals with the Rivian tie-up following an investment of \$700 million in China's Xpeng Inc.

TECH ACCESS

"VW is gaining valuable technology access with this transaction," Bernstein analyst Stephen Reitman said. "The tie-up with Rivian is a further nail in the coffin of VW's ambition to develop its own in-house standalone software stacks."

Under the JV plan, VW will make an initial \$1 billion investment and as much as



PLUGGING INTO POTENTIAL. The partnership will give the German carmaker access to the US company's technology. REUTERS

\$4 billion more over time, expanding its footprint in the US where the manufacturer has a history of failed attempts to gain market share. Blume has made boosting US sales a priority to better balance its dependence on China, its biggest market that's increasingly dominated by local competitors.

SHARES UP AND DOWN

VW's shares on Wednesday declined 1.6 per cent in early Frankfurt trading, taking losses this year to 7.7 per cent. Rivian's stock soared as much as 58 per cent in extended trading after Tuesday's announcement, recapturing about half of the stock's year-to-date losses.

The surprise deal with Rivian gives the EV maker financial relief after it has struggled to ramp up production and deliveries of its electric pickup and SUV models. Rivian in March

paused plans to build a new manufacturing plant in Georgia to conserve cash while contending with deep losses, which amounted to roughly \$39,000 for each vehicle built last quarter.

EV MARKET SLOWDOWN

The move comes as the broader auto industry retrenches amid an unexpected slowdown in demand for electric vehicles. Ford Motor Co. is cutting spending on EVs by \$12 billion and delaying new battery-powered models and factories, while General Motors Co. recently acknowledged it will take "decades" for the EV market to develop.

Mainstream buyers' reluctance to embrace the electric age has left pure-play EV makers like Rivian on the ropes. Even market leader Tesla is facing disappointing sales and shrinking profit margins.

"The cost of continuing to

go it alone is too high and investors are less keen on EV companies than when Rivian started," said Erik Gordon, clinical professor at the University of Michigan's Ross School of Business.

'EQUAL PARTNERS'

The new venture will be "equally controlled and owned" by VW and Rivian, the companies said in a joint statement. The deal raises questions about overlap with VW's planned revival of the defunct Scout brand, set to make electric pickups for the North American market from 2026.

A project devised under former CEO Herbert Diess, electric-only Scout is developing its own platform set to be produced at a plant in South Carolina that has started construction.

Volkswagen plans to take the initial \$1-billion equity stake in Rivian through an unsecured convertible note that will exchange into Rivian shares on or after December 1.

Amazon.com Inc. is Rivian's largest shareholder with a 16 per cent stake valued at nearly \$2 billion as of Tuesday's close.

The pact then calls for VW to invest an additional \$2 billion in Rivian shares via two equal tranches in 2025 and 2026. The German automaker also intends to put \$2 billion into the joint venture through a payment at its inception and a loan available in 2026.