

Tesla signs \$16.5 billion chip deal with Samsung

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TESLA CEO ELON Musk said the US automaker had signed a \$16.5 billion deal to source chips from Samsung Electronics, a move expected to bolster the South Korean tech giant's loss-making contract manufacturing business.

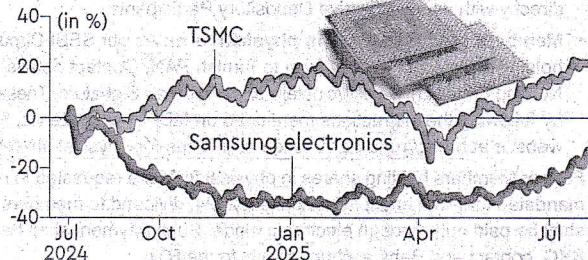
Samsung shares soared nearly 7% after news of the deal on Monday which comes as the world's top memory chip maker faces mounting pressure in the race to produce artificial intelligence chips, where it trails rivals such as TSMC and SK Hynix.

Musk said Samsung's new chip factory in Taylor, Texas will make Tesla's next-generation AI6 chip, potentially re-energising the project that has faced long delays amid Samsung's difficulties in retaining and attracting major clients.

"Samsung agreed to allow Tesla to assist in maximising manufacturing efficiency. This is a critical point, as I will walk the line personally to accelerate the pace of progress. And the fab is conveniently located not far from my house," Musk said in a

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Samsung's shares are climbing back from yearlong decline
South Korea's top company still lags AI chipmaking leader TSMC



Source: Bloomberg
Data is normalised with percentage appreciation as of July 29, 2024.

post on X on Monday.

"The \$16.5B number is just the bare minimum. Actual output is likely to be several times higher," he said in another post.

Shares of Samsung jumped 6.8% to their highest since September last year, while Tesla shares were up 1.9% in US pre-market trading.

According to a senior analyst at NH Investment & Securities, Ryu Young-ho, Samsung's Taylor fab "so far had virtually no customers, so this order is quite meaningful," although the deal may represent a small portion of its logic chip revenue annu-

ally. In October, Reuters reported that Samsung had postponed taking deliveries of ASML chip-making equipment for its Texas factory as it had not yet won any major customers for the project. It has already delayed the plant's operational start to 2026.

It is not clear whether the Samsung-Tesla deal is related to ongoing trade talks between South Korea and the United States. Seoul is seeking US partnerships in chips and shipbuilding amid last-ditch efforts to reach a trade deal to eliminate or reduce potential 25% US tariffs.

—REUTERS