

Tesla reaches \$2.6bn deal to buy SolarCity

NEW YORK: Electric car maker Tesla said Monday it won an agreement from SolarCity to acquire the solar power company for \$2.6 billion, confirming a deal that has been criticised on Wall Street.



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Tesla announced the bid in late June, but it drew jeers on Wall Street, in part because of skepticism over the motives of Tesla chief executive Elon Musk, who is also chairman of SolarCity as well as its biggest shareholder. Some analysts also questioned whether the deal would divert Tesla's attention from an ambitious plan to significantly expand electric-car production in the next few years.

But Tesla defended the logic of creating a single company to boost solar generation and storage to power electric cars, charging stations, homes and offices. Tesla said in a statement that the buyout would enable it to achieve lower hardware costs and boost manufacturing efficiency, creating the "world's only vertically integrated sustainable energy company."

"Solar and storage are at their best when they're combined," Tesla said. The vast majority of SolarCity's customers have been residential. SolarCity reported a loss of \$768.8 million in 2015.

Under the all-stock deal, SolarCity shareholders will receive 0.110 Tesla common shares per SolarCity share. The transaction values SolarCity at \$25.37 a share, below the original range discussed in June of between \$26.50 and \$28.50 a share. The agreement allows SolarCity to solicit alternative proposals for 45 days.

The boards of directors of each company have signed off on the deal. However, the agreed acquisition requires approval from a majority of shareholders of both companies. Musk, who holds 21.1% of Tesla and 22.5% of SolarCity, will not be able to vote as a shareholder on the deal.

Musk has [announced an ambitious goal](#) of producing 500,000 electric cars a year by 2018, which would take it from being a niche producer of luxury sedans to a mainstream competitor in the auto industry. Skeptics have questioned those targets.

SolarCity shares tumbled 6.2% to \$25.04 in midday trade, while Tesla dipped 0.7% to \$233.18.

Source: AFP

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