

Elon Musk proposes to buy Twitter for \$43 billion and make it his private property

Kevin Reed
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In a securities filing on Thursday, Twitter revealed that the world's wealthiest individual, Elon Musk, offered to buy the company for \$43 billion. Taking place just one week after he became the largest Twitter shareholder by purchasing 9.1 percent of its stock over the previous two months, the filing elaborated on Musk's view that Twitter needed to be "transformed as a private company" because it needed to build trust with its users.

On Friday, Twitter moved to block Musk from significantly increasing his stake in the company by adopting what is known on Wall Street as a "poison pill." The maneuver, which is also called a shareholder-rights plan, triggers an option for other stock owners to purchase shares at a discount and make it difficult for the billionaire to own more than 15 percent of the company. The reason it is called a poison pill is because the defensive tactic causes the value of stock to fall and makes it less attractive for the hostile buyer.

The 13D/A filing with the US Securities and Exchange Commission on Thursday disclosed that Musk delivered a letter to Twitter on Wednesday that contained a "nonbinding proposal" to buy all the company's stock that he did not own for \$54.20 a share, a value that is 18.2 percent above the day's closing price of \$45.85.

Giving an indication of Musk's arrogance and clownishness, the *Wall Street Journal* pointed out that the amount of his offer per share was a thinly veiled marijuana reference. Meanwhile, his letter amounted to an ego trip for Musk and included statements like, "Twitter has extraordinary potential. I will unlock it."

Musk, who has a personal wealth of \$264.6 billion according to Forbes Real Time Net Worth as of this writing, called his proposal his "best and final offer." He said he was not going to play "the back-and-forth

game" and indicated he might sell his shares if he did not get his way.

That Musk should or could become the private owner of Twitter—a critical social media resource used by organizations, public officials, and individuals to communicate in real time with the public—is a deeply reactionary idea. Known as a microblogging platform, Twitter enables political parties, journalists, artists and others to issue statements, make announcements and comment on contemporary events throughout the day. The social media company has more than 6,000 employees, 186 million worldwide users and 38 million users in the US.

Musk's securities filing letter to company chairman Bret Taylor said, "I invested in Twitter as I believe in its potential to be the platform for free speech around the globe, and I believe free speech is a societal imperative for a functioning democracy. However, since making my investment I now realize the company will neither thrive nor serve this societal imperative in its current form. Twitter needs to be transformed as a private company."

Musk then added, "If the deal doesn't work, given that I don't have confidence in management nor do I believe I can drive the necessary change in the public market, I would need to reconsider my position as a shareholder." He said this was "not a threat," just an acknowledgment that Twitter is not a good investment essentially without his personal involvement as owner.

Speaking during an onstage interview at Technology, Education, Design (TED) 2022 in Vancouver later in the day, Musk said that Twitter was "a defacto town square," and "Having a public platform that is maximally trusted and broadly inclusive is extremely important to the future of civilization." On Thursday, he tweeted that he will, "endeavor to keep as many

shareholders in privatized Twitter as allowed by law.”

The *Wall Street Journal* commented on the nature of the Twitter takeover plan, “As is often true with Mr. Musk, his dalliance with Twitter is unfolding at rapid speed, partly in public, and in a manner hard to imagine from any other modern business leader.”

Although Musk claimed that he had sufficient assets to make the \$43 billion purchase, the *Journal* pointed out that he has given no indication of how he might pay for the deal. While most corporate takeovers involve the buyers coming to the table “with money in their hand” or a guarantee from a bank that the cash is readily available. Musk had neither of these when he was making his “last and final offer.”

The *Journal* said that nearly all of Musk’s \$260+ billion is tied up in shares of Tesla and SpaceX. “Selling those stakes would trigger big tax bills and reduce his control,” the *Journal* says, and added “That leaves borrowing against those stakes. But that would be tricky too.”

Tesla shareholder rules allow executives to borrow up to 25 percent of the value of their holdings in the company. Since Musk’s stake in the electric car manufacturer is approximately \$176 billion, this would appear to be enough for him to borrow the money required to make good on his offer for Twitter.

However, the *Journal* reports, Musk has already pledged 88 million of his Tesla shares for personal use, thus reducing his credit limit. Another problem is the volatility of the Tesla stock on Wall Street, which itself is subject to the unpredictable behavior of Musk, and banks are not likely to lend him the money.

Wall Street investors have indicated that they have no confidence that a Musk deal will be completed as Twitter shares fell by 2 percent on Thursday. It is also significant that among the most vocal Twitter investors opposed to the Musk takeover is Prince Alwaleed bin Talal, a representative of Prince Mohammed bin Salman and the Saudi Arabia-based Kingdom Holding Company, who tweeted on Thursday, “Being one of the largest & long-term shareholders of Twitter, @Kingdom_KHC & I reject this offer.”

His bogus comments about “the future of civilization” notwithstanding, Musk’s record during the pandemic alone exposes his talk about first amendment rights as completely disingenuous. One can only imagine how the man who said in March 2020 that

“the coronavirus pandemic is dumb” will do as the owner and top decision maker at Twitter.

Regardless of what he says about the importance of free speech, it is a fact that among the biggest threats to “functioning democracy” is the existence of wealthy individuals such as Musk himself. Democracy cannot function in a society where the top 1 percent has more wealth than the bottom 90 percent of the population.



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