

EV startup Lordstown Motors files for bankruptcy protection

reader comments

94 with

Lordstown Motors has filed for bankruptcy protection, marking the end of the road for an ailing electric truck manufacturer that promised a corner of the US Rust Belt hundreds of jobs tied to the auto industry's green transition.

The company said the move followed the unraveling of a deal with Taiwan's Foxconn, which in 2021 agreed to partner with Lordstown and help produce its flagship pickup truck, the Endurance, and last year purchased its plant.

In a statement on Tuesday, Lordstown accused Foxconn of failing to "execute on the agreed-upon strategy, leaving us with Chapter 11 as the only viable option to maximize the value of Lordstown's assets for the benefit of our stakeholders."

Lordstown is suing Foxconn as part of the bankruptcy filing, alluding to a history of other ventures between US companies and the Taiwanese manufacturer that floundered, saying "their modus operandi in the United States is to under or never deliver."

"This case arises from, and is based on, the fraudulent conduct of one of the world's largest manufacturing companies,

which, over time, had the intended effect of destroying the business of an American start-up,” the court filing said.

Foxconn said on Tuesday that it had sought to reach a solution with Lordstown and accused the US group of making “malicious attacks.”

The Taiwanese company, which is best known as a contract manufacturer for Apple’s iPhone, claimed Lordstown was trying “to mislead the public,” and that it was suspending negotiations with the start-up while reserving “the right to pursue legal actions.”

Launched in 2019 and operating out of a former General Motors plant in northeastern Ohio, Lordstown is the highest-profile casualty among the wave of electric vehicle manufacturers established over the past decade.

Despite raising millions of dollars while interest rates were low, most are now struggling to manufacture at scale—Lordstown has sold just a small number of the Endurance. Electric vehicles represent the greatest change in auto manufacturing since Henry Ford’s assembly lines slashed production costs more than a century ago.

Advertisement

As part of the 2021 deal, Foxconn agreed to buy Lordstown’s plant for \$230 million. Before Lordstown took it over, the plant was owned by GM but the US carmaker ended production there in 2019.

Lordstown, founded by the chief executive of the financially shaky EV startup Workhorse Group, emerged as a potential white knight. It bought the plant from GM and said it planned to hire 400 workers to produce the Endurance, which it marketed to commercial customers.

Then-president Donald Trump had told residents of politically important states that the area’s blue-collar jobs were “coming

back” after decades of deindustrialization.

Lordstown raised \$675 million after going public via a special purpose acquisition vehicle orchestrated by a former Goldman Sachs real estate banker, even though its auditor questioned whether it could “continue as a going concern.”

Shares in Lordstown, which debuted on the Nasdaq stock exchange in 2020 at \$18.97, plunged almost 30 percent to a record low of \$1.95 on Tuesday.

Trump invited then-chief executive Steve Burns to the White House in the autumn of 2020 and touted a prototype of the Endurance, calling it “great technology.”

But Lordstown suffered a hit in 2021 when high-profile short-seller Hindenburg Research published a report saying the company’s 100,000 pre-orders were “largely fictitious and used as a prop to raise capital.” Both the US attorney of the Southern District of New York and the Securities and Exchange Commission opened investigations into Lordstown, which are continuing. The group has said it is cooperating.

In June 2021, the company said it lacked the money to start commercial production and might fail within a year. But four months later it announced the Foxconn deal and in November said it would invest up to \$170 million in Lordstown.

But Foxconn never invested the money, Lordstown said in its lawsuit. Instead, over 18 months it secured the Lordstown plant and workforce, “then sabotaged [Lordstown’s] business, starving it of cash.”

Lordstown also said in the court filing that Foxconn arranged meetings with Japanese group SoftBank, which wanted to develop electric vehicles in North America, but that program was “abruptly dropped,” while Foxconn directed the start-up to focus on a different project.

© 2023 The Financial Times Ltd. All rights reserved. Not to be redistributed, copied, or modified in any way.

<https://arstechnica.com/?p=1950208>