GM is trying to sell a closed factory to troubled EV startup Workhorse

General Motors is in talks to sell one of the North American factories it recently closed. The potential buyer? Workhorse Group, an Ohio-based EV startup that has spent the last few years struggling to bring an all-electric pickup truck to market.

The deal was prematurely announced by President Donald Trump in a tweet Wednesday morning. Trump has spent the last half-year chastising GM for closing the Lordstown, Ohio assembly plant in question (along with two others), saying CEO Mary Barra made a "big mistake," and threatening that the automaker was "not going to be treated well" by his administration.

But his tone changed Wednesday, when he claimed that he had "GREAT NEWS FOR OHIO!" He said Barra told him GM is in the process of selling the Lordstown plant to Workhorse, "subject to a [United Automobile Workers] agreement etc."

Trump's tweet came hours ahead of an official statement from GM. He was also putting a lot of weight on that "etc.," since a deal is actually far from done.

A deal is apparently far from done

GM did eventually announce Wednesday that it's in discussions to sell the massive factory, which measures over 6 million square feet and sits on 900 acres. But the sale would be to Workhorse Group *and* "an affiliated, newly formed entity," according to *The Detroit News*. The new entity would be set up in an attempt to attract new investment for the manufacturing

of electric trucks, according to the report. But the discussions are still “roughly preliminary,” a spokesperson for the startup told *Jalopnik,* even though they’ve been going on since the start of the year.

> *GREAT NEWS FOR OHIO! Just spoke to Mary Barra, CEO of General Motors, who informed me that, subject to a UAW agreement etc., GM will be selling their beautiful Lordstown Plant to Workhorse, where they plan to build Electric Trucks. GM will also be spending $700,000,000 in Ohio…*
>
> *— Donald J. Trump (@realDonaldTrump) May 8, 2019*

One reason for the holdup is that Workhorse Group is currently mired with financial problems, which would complicate the purchase of a massive facility like the Lordstown plant.

Originally founded in 1998 as a commercial van manufacturer, Workhorse was bought by trucking giant Navistar in 2005. Navistar sold Workhorse to AMP Electric Vehicles in 2013, a company that retrofitted combustion engine cars with EV powertrains.

Since then, Workhorse has been focused on developing electric (and electric-assisted) commercial vans, and has partnerships with trucking company Ryder and UPS. Workhorse is also one of four remaining companies in competition to become the maker of the United States Postal Service’s next-generation mail trucks. In 2017, the company unveiled a design for an all-electric pickup truck called the W-15.

Workhorse is publicly traded on the NASDAQ stock exchange, and recent financial disclosures there paint a bleak picture of a company struggling to tread water. The company, which has never been profitable, reported a $36.5 million loss last year as its annual sales dropped from $10 million in 2017 to just $763,000 across all of 2018. It had just $1.5 million in cash at the end of last year.

Workhorse had to turn to a hedge fund for help at the beginning of 2019

To staunch the bleeding, Workhorse struck a deal at the beginning of 2019 with hedge fund Marathon Asset Management, which is known for investing in distressed companies. Marathon pledged up to $35 million in financing, with Workhorse using all of its assets — including crucial patents — as collateral. Workhorse had to use some of that money to pay off previous loans that were already coming due, and admitted in a recent financial filing that it would likely only cover the company's costs through the second quarter of this year. It also delayed the electric pickup truck.

The deal with Marathon also comes with "restrictions on [Workhorse's] ability to dispose of property, enter into mergers, acquisitions or other business combination transactions, incur additional indebtedness, grant liens, pay dividends and make certain other restricted payments," according to a recent financial filing.

The plant in Lordstown was most recently used by GM to make the Chevy Cruze, and some 4,500 employees worked there before it closed in March. A representative for Workhorse told *Jalopnik* the deal could bring "hundreds" of those jobs back — if it actually goes through.

Update 5:08PM ET: *Added more information from Workhorse's financial filings.*

https://www.theverge.com/2019/5/8/18537225/gm-factory-workhorse-ev-electric-vehicle-startup-sale-trump-tweet