

Musk says Twitter value is down to \$20 billion, calls firm an “inverse startup”

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Elon Musk told Twitter employees that the company is now worth about \$20 billion, less than half the amount he paid for it. The New York Times reported that Musk provided the \$20 billion figure in an email sent to staff on Friday to announce a new stock compensation program.

“According to Mr. Musk’s email about the new stock compensation program, Twitter employees will receive stock in X Corporation, the holding company he used to buy the company. Those awards will be granted under the \$20 billion valuation. Mr. Musk also said in the email that he believed Twitter could someday be worth \$250 billion,” the NYT article said.

Musk “warned workers that Twitter remained in a precarious financial position and, at one point, had been four months away from running out of money,” the article said. Musk’s email reportedly said bankruptcy was averted because of the “radical changes” he implemented—like staff cuts that reduced the company headcount from about 7,500 to under 2,000.

Musk’s email told workers that Twitter “can be thought of as

an inverse startup,” apparently a reference to the large staff cuts, The Information reported. Musk wrote, “I see a clear, but difficult path” to a future valuation of more than \$250 billion, The Information article said. The news site also provided more details on the stock offer to employees:

Musk told employees he is aiming to do “liquidity events,” where employees could sell their equity for cash “every six months, based on a third party valuation.” He said that was modeled closely on how his rocket company SpaceX works, “which I think achieves the public company advantage of having a liquid stock, but without the stock price chaos and lawsuit burdens of a public company.”

In February, Musk publicly claimed he saved Twitter from bankruptcy. Meanwhile, the company has been served with a string of lawsuits from vendors and property owners alleging that Twitter hasn’t paid its bills. Twitter advertising revenue plunged after the Musk purchase, and subscription revenue for the revamped Twitter Blue service has gotten off to a slow start.

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Musk paid a premium but value has dropped since takeover

While Musk paid \$44 billion for Twitter, that doesn’t mean it was worth that much when he completed the transaction in late October 2022. The \$54.20-per-share price Musk and Twitter agreed to on April 25, 2022, was a 38 percent premium over Twitter’s closing stock price on April 1, which was just before Twitter’s stock price rose dramatically in response to Musk revealing he had already bought 9.2 percent of the company.

Twitter’s actual value may have declined in the ensuing months

when Musk tried to pull out of the deal and repeatedly claimed that Twitter provided false data to the government about how many user accounts were spam or fake. Twitter had to sue Musk to force him to honor the merger contract, and he gave up when it became clear he was likely to lose in court. While the stock price came close to \$54.20 when the acquisition closed, that was to be expected since the deal closing resulted in a payout to stock holders.

Still, Musk's email isn't the only confirmation that Twitter's value has dropped significantly since he bought the company. "Fidelity has marked down the value of its Twitter stock by more than 60 percent since Elon Musk acquired the company at the end of October," Axios reported on January 29. Fidelity is one of the institutions that helped Musk finance the deal.

The Information article suggested that a \$20 billion valuation might be generous. "It's possible Musk feels constrained from slashing Twitter's valuation any lower because the outside investors who backed his bid, which include Andreessen Horowitz and Sequoia, paid for shares at the \$44 billion valuation of the takeover," the article said.

Musk used \$13 billion of debt to fund the takeover, resulting in interest payments that reportedly amount to \$1.5 billion a year. The banks that provided the funding to Musk reportedly haven't been able to sell the debt to outside investors.

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