

# Automotive News

## Musk: Minimum-wage billionaire

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Jesse Snyder

In what world does a minimum-wage worker have a realistic shot of becoming a billionaire within a decade?

In Elon Musk's world. To be precise, that's the Earth-bound one where he's CEO of Tesla Motors.

Musk takes pride in his Tesla Motors' salary of \$37,584, minimum wage in California. But stock options incentivize Musk to aim high -- really high.

If Musk turns Tesla Motors into a profitable, high-volume automaker with a market value north of \$43.2 billion, that would vest each of his 10-part stock options, and he'd add more than \$1 billion to his net worth.

So far, Musk is halfway there. That's according to an analysis of Tesla's April 15 proxy filing that Equilar Inc., a board intelligence data firm, conducted on behalf of *Automotive News*.

Dan Marcec, Equilar director of content and marketing communications, said that while performance-linked compensation is common, "there are several unusual things at play" in Musk's plan. The amount itself is relatively high, he said. And the term of the plan is longer than the usual three-year length of most incentive plans.

"So even though the grant was large, it was meant to incentivize Musk and the company to perform at a high level over a long time," Marcec said in an email.



Musk: The big challenges are still ahead.

## **5 checked boxes**

Five of the 10 tranches on Musk's to-do list are completed, the Equilar team said.

Tesla's deal with Musk is a performance award vesting in 10 equal pieces. For each piece, Musk must meet one of 10 operational goals. But each tranche doesn't vest unless Tesla's market cap -- stock price times the number of outstanding shares -- has risen the same number of notches, in increments of \$4 billion.

Last month, Tesla's market cap was \$28 billion above the \$3.2 billion the company was worth when Tesla and Musk struck the deal in 2012. That's

enough to provide vesting for seven of Musk's operational goals, assuming he meets them.

So far, Musk has checked off five operational goals: completing the Model X alpha and beta prototypes, putting the Model X into production, completing the Model 3 alpha prototype and cumulative production of 100,000 vehicles. So at August stock prices, Musk's vesting for those five tranches was worth \$520 million.

If he had achieved all 10, the package would be worth a cool \$1.04 billion.



Elon Musk delivered on Model X.

## **\$43.2 billion market cap?**

What's left? Beyond the financial metric -- driving the company's market cap up to \$43.2 billion -- Musk has five more operational chores:

- 1. Completing the Model 3 beta prototype.**

**2. Starting Model 3 production.**

**3. Tesla achieving a gross margin of 30 percent for four consecutive quarters**

**4. Cumulative production of 200,000 vehicles.**

**5. Cumulative production of 300,000 vehicles.**

Achieving the latter three will be Musk's biggest challenge so far. Tesla has never posted a quarter with a profit, though a positive gross margin is a lower barrier to clear than an operating profit.

And Musk himself has acknowledged the difficulty of ramping up production to transition Tesla into a mass-market automaker.

Still, Musk and Tesla have done better than almost anybody expected in entering a mature auto industry littered with the bones of hundreds of startups.

*You can reach Jesse Snyder at [jsnyder@crain.com](mailto:jsnyder@crain.com) -- Follow Jesse on Twitter: <https://twitter.com/spartyjesse>*