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GFMC Newsletter

Lucid's Vision to Redefine Luxury

By Elijah Douglas Emert

On February 22, 2021, Lucid Motors announced it will go public in a merger with Churchill Capital Corp IV (NYSE: CCIV) in an effort to improve Lucid's vision to redefine luxury. Churchill Capital defines its strategy as "to identify and complete our initial business combinations with a company in an industry that complements the experience and expertise of our management team... Our track record provides a highly attractive opportunity for prospective targets looking for proven, expedited access to liquidity capital and value creation." The merger of Lucid and CCIV will make room for Lucid to attempt to force itself into the crowded field of EV manufacturers and hopefully achieve sustainable success. Lucid has many competitors, notably Tesla, which are far ahead in offerings and will prove to be an enormous hurdle for Lucid to overcome on its path to "Redefine Luxury."

The transaction values Lucid at an initial pro-forma equity value of approximately \$24 billion. This merger will provide approximately \$4.4 billion in cash to Lucid, and below are some of the plans for how the cash will be used to achieve Lucid's vision. Churchill Capital Corp IV will contribute cash of \$2.1 billion and a \$2.5 billion, fully committed PIPE with a unique investor lock-up provision that binds holders beyond closing. PIPE is priced at \$15.00 per share.

"Peter Rawlinson, who is CEO of Lucid Motors is also the chief engineer responsible for the development of the Tesla Model S."

"Peter Rawlinson will continue to lead Lucid along with the rest of the company's seasoned leadership team. Churchill's leadership team and group of operating partners will actively facilitate key introductions and relationships and provide product, design, and industry insights."

Lucid's Plans

- Accelerate into next phase of growth
- Launch Lucid Air 2021
- Launch Gravity performance SUV in 2023
- Financing used to support the expansion of Casa Grande, Arizona manufacturing facility
 - 3 phased expansion leading to 365,000 units produced per year up from current expectations of 34,000 units

Lucid Motors has positioned itself as the foremost competitor to Tesla which has dominated the EV market since 2012 with the mass release of the Tesla Model S and even more so with the number one selling luxury compact sedan the Tesla Model 3's release in 2017 which has outsold the next two competitors combined by nearly double in 2019 with continued growth into 2020 (goodcarbadcar.net). Lucid's first production model, the Lucid Air, will be a direct competitor to the Tesla Model S. As of February 2021, Lucid has seen "more than 7,500 reservations" for the Lucid Air. To give a little perspective, Tesla, as of December 31, 2011, in the year before the delivery of the first Model S vehicles, had received over 8,000 reservations for the Model S. This disparity may be due to many factors such as inconclusive reservation data for the Air, reservations only beginning to be accepted in late 2020, a major decline in global EV demand and overall automobile demand due to the COVID-19 pandemic, and the overall decreased demand for luxury sedans as a portion of the market. It is also important to note an 8-year gap in which EV's have seen tremendous growth in popularity primarily due to the Tesla Models S, 3, X, and Y which intuitively should have meant enormous appetite for more EV choices.

The Lucid Difference

Lucid has differentiated itself by designing the longest-range EVs to date of any manufacturer and the company's proprietary technology for batteries is powering every vehicle in the world's leading EV racing series. The technology is also backed by a portfolio of patents. The Lucid Air has an EPA estimated range of over 500 miles and a 0-60 mph time of under 2.5 seconds

Tesla Model S on the other hand primarily sells versions that are around 400 miles of EPA estimated range with a new top tier model coming with an expectation of over 500 miles of range. To put it simply, the Lucid Air and Tesla Model S compete very closely, and the main difference is the longer range of the Lucid Air.

Other competitors in the EV market include Rivian, Fisker, NIO, and some major US auto manufacturers such as Ford and General Motors. Lucid has differentiated itself to be a top luxury electric automobile manufacturer intent on competing with the highest of luxury brands as the Mercedes S-Class. Other manufacturers are also differentiating themselves such as Rivian which is intent on bringing the first electric truck to the market, and GM which is reviving the Hummer nameplate to create the HummerEV. The author of this article believes that while Lucid should be commended for its efforts and successes, the path of luxury sedans is appearing bleak and unmotivating for many buyers. For example, Rivian, which is on a similar timeline as Lucid, has roughly 3- 4 times the number of pre-orders/reservations on the R1T model as Lucid has on the Air. Rivian is also releasing another vehicle at the same time while Lucid is not prepared to release its SUV model until 2023. In 2000, cars (sedan, coupe, hatchback) comprised a small majority of the total vehicle sales and by 2018 particularly due to the massive growth of "crossovers", traditional car body styles to including sedans decreased to closer to 30% of the market. This represents a 20% decrease in market share and the downward trend has only continued through 2021.

While Lucid has designed an exceptional vehicle, with the highest range of its competitors, the mere fact that the Lucid Air is a 4-door luxury sedan could kill the hopes of the company. The merger and the cash provided must be put heavily into investing into what the consumer demands: EV trucks, EUVs, and electric crossovers. Ford opened with an electric crossover. GM opened with an electric truck. Fisker opened with a sport luxury hybrid electric vehicle. NIO's lineup is 75% crossovers. The future is bright and demanding for EV's; can Lucid step up to the plate?

About the Author



Elijah Douglas Emert Full Time MBA Candidate

Elijah graduated from UT Dallas in 2019 with a B.S. in Biochemistry and began his MBA journey a year later. He decided to pursue an MBA because after years of focus on STEM career options he wanted to both learn about opportunities in business and develop the skills to pursue those new opportunities. Elijah has a particular interest in sustainable technology and the EV market, so writing this article was right up his alley. Elijah lives by the motto to “Never Stop Learning” and wants to share his favorite quote in the spirit of EV’s and innovation: “If something’s important enough, you should try. Even if – the probable outcome is failure” – Elon Musk.

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GFMC email id: gfm2019@gmail.com

Ruchi Agrawal ,Editor-in -Chief: ruchi.agrawal@utdallas.edu

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