

BARRON'S

Rivian Partners With Volkswagen. Why Ford Isn't Feeling Seller's Remorse.

By [Al Root](#)

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(SCOTT OLSON/GETTY IMAGES)

[Rivian Automotive](#) stock soared after the electric vehicle start-up announced a [blockbuster deal](#) with [Volkswagen](#). The impact of the agreement will be felt throughout the auto industry—all the way to [Detroit](#).

Rivian and Volkswagen on Tuesday announced the deal, which will provide the EV maker up to \$5 billion in capital. In return, VW gets to use Rivian's software and electrical technology in its EVs. The pair also will form a joint venture that will supply software and EV architecture to both car makers down the road.

Rivian shares had gained 42% in premarket trading to \$16.92 a share, adding more than \$4 billion in market value. [S&P 500](#) futures were flat, [Nasdaq Composite](#) futures were up 0.2%, and [Dow Jones Industrial Average](#) futures had fallen 0.2%.

The move, while huge, makes some sense. The joint venture is a big deal. It validates Rivian's EV technology and provides needed capital for developing Rivian's next-generation vehicles.

Rivian ended the first quarter with roughly \$8 billion in cash on its books. It's expected to use about \$9 billion between 2024 and 2026. Raising capital down the road looked like an inevitability.

"Relief, giant relief," wrote Canaccord analyst [George Gianarikas](#) in a report Tuesday. "Huge credit to Rivian for internally constructing a vertically integrated technology stack that leading auto [makers] were compelled to leverage."

Rivian reaching a point where its EV technology is attractive to a global auto giant is impressive. VW playing the role of the global giant is a little surprise, though. [Ford Motor](#) had the inside track for a while.

It was an early investor in Rivian and had more than [100 million shares](#) of the start-up at the time of Rivian's November 2021 IPO.

Ford started selling stock in [early 2022](#), though. It didn't do badly with its sales. Ford started offloading when Rivian was trading for about \$27 a share and generated more than \$2 billion in proceeds, helping it pay a special dividend of 65 cents per share in early 2023.

Ford got out. It probably isn't questioning that decision following the VW news. "Ford ultimately saw Rivian more as a dyed-in-the-wool competitor, rather than collaborator, given Rivian's initial focus on pickup trucks and SUVs," said **Battle Road Research analyst Ben Rose**. "As an early investor, Ford probably learned a lot about EV technology."

He rates Rivian shares Hold and doesn't have a price target for Rivian stock.

"VW doesn't have [significant] pickups or SUVs and Rivian doesn't have service/distribution and its manufacturing [stinks]," said Freedom Capital Markets analyst [Mike Ward](#). He likes the fit with VW which "has historically been better than most [car makers] with JVs—it has had several with Ford for decades."

Ward doesn't cover Rivian stock. He rates Ford shares Buy and has a \$17 price target on the stock.

Ford might not feel seller's remorse, but Rivian is a stronger company with VW's backing—and cash.

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