

# Volkswagen to invest \$5 billion in Rivian, both companies to set up a JV

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US electric-car maker Rivian Automotive and Europe's largest carmaker Volkswagen Group plan to set up an equal joint venture to focus on developing next-generation electrical architecture and software solutions that can benefit both the companies in their respective EV lineup in the future, Rivian announced June 25. The two companies expect that the JV will be formed by the fourth quarter of 2024.



*Source: Getty Images/BeeBright*

The strategic partnership also entails Volkswagen Group's plan of investing \$5 billion in Rivian, starting off with an investment amount of \$1 billion through an unsecured convertible note, subject to regulatory approvals, the company said in a statement.

Shares of the Amazon-backed EV maker, which has yet to become profitable and continues to grapple with accumulating losses amid production ramp up, jumped more than 30% on June 26.

The announcement comes months after the two companies have been engaging to validate that Rivian's electrical architecture and software are compatible with Volkswagen Group's vehicles. According to the US EV maker, the two companies have done "significant work" to confirm the compatibility of its electrical architecture and software stack with Volkswagen Group's existing EVs.

"Both companies aim to launch vehicles benefiting from the technology created within the joint venture in the second half of the decade," Rivian said, adding that in the short term, the JV is expected to enable the Volkswagen Group to utilize its existing electrical architecture and software platform.

While the partnership with Rivian will help the Volkswagen Group accelerate the development of its software-defined vehicles (SDVs) and transition to a pure zonal architecture, Rivian will get access to the much-needed capital as it continues to struggle with cash burn. The partnership will also allow both the companies to combine their complementary strengths and lower the costs per vehicle by increasing scale.

The German carmaker will get access to Rivian's proven in-market zonal hardware design and integrated technology platform, which is expected to become the foundation for the development of SDVs. "The SDV development in the JV that will be applied to both companies' vehicles," Rivian said, adding that it plans contribute its expertise in electrical architecture and license existing intellectual property rights to the JV company with the Volkswagen Group.

VW's move to invest in Rivian comes soon after it entered into a technical collaboration with Chinese EV maker Xpeng to get access to the latter's in-house developed electrical and electronic (e/e) architecture, which is core to its vertically integrated full-stack software and hardware technologies. The collaboration will help Volkswagen to integrate Xpeng's e/e architecture to its China main platform or CMP, which will spawn two VW-branded B-segment battery electric vehicles (BEVs) in 2026.

The German carmaker appears to have made a similar move with its deal with Rivian in the US as it looks to secure access to and build capabilities on e/e architecture and software.

Commenting on the strategic partnership with Rivian, Oliver Blume, CEO of Volkswagen Group, said,

“Our customers benefit from the targeted partnership with Rivian to create a leading technology architecture. Through our cooperation, we will bring the best solutions to our vehicles faster and at lower cost. We are also acting in the best interest of our strong brands, which will inspire with their iconic products. The partnership fits seamlessly with our existing software strategy, our products, and partnerships. We are strengthening our technology profile and our competitiveness.”

RJ Scaringe, founder and CEO of Rivian, said, “We’re very excited to be partnering with Volkswagen Group. Since the earliest days of Rivian, we have been focused on developing highly differentiated technology, and it’s exciting that one of the world’s largest and most respected automotive companies has recognized this. Not only is this partnership expected to bring our software and associated zonal architecture to an even broader market through Volkswagen Group’s global reach, but this partnership also is expected to help secure our capital needs for substantial growth. Rivian was created to help the world to transition away from fossil fuels through compelling products and services, and this partnership is beautifully aligned with that mission.”

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