

BUSINESS INSIDER

Henrik Fisker reveals how he and a little-known auto giant are developing a radically different business model for making electric cars

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Fisker, Inc. CEO Henrik Fisker.

- **Henrik Fisker and Swamy Kotagiri spoke with Insider about Fisker and Magna's partnership and Fisker, Inc.'s "asset-light" business model.**
 - **Fisker and Magna recently announced that they would develop new driver-assist technology.**
 - **Magna is building Fisker's first vehicle, the all-electric Ocean SUV, entering production in 2022.**
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For over 100 years, car companies have followed the business model established by Henry Ford: build a factory, build automobiles, sell them to the public.

Ford, General Motors, Volkswagen, Mercedes-Benz, all their brethren, and now Tesla have sold millions of vehicles and banked billions of dollars following this playbook. But

now Henrik Fisker, a serial auto entrepreneur and resurgent rival to Elon Musk, wants to upend the tradition.

And he has a heavy-hitting partner in Magna International and its new CEO, Swamy Kotagiri. With an IPO in late 2020 that valued Fisker, Inc. at \$4.3 billion, the company announced a deal with Magna, of the world's largest parts suppliers and a premier contract manufacturer, that would see the Canada-based firm take an escalating 6% equity stake.

Magna's Austrian operation, Magna Steyr, will build Fisker's first vehicle, the all-electric Ocean, slated for a 2022 launch. Moving fast is crucial, as dozens of new EVs are coming to market around the world in the next few years, with hefty financial backing. GM alone is spending \$27 billion to debut 30 electrified vehicles by 2025

"For me, it's a matter of speed and efficiency," Fisker said in an interview with Insider, joined by Kotagiri.

"For Fisker, there's no groove doing what has already been done," he added, revisiting a theme he has been relentlessly working on since mid-2020. At that time, Fisker Inc. unveiled a reverse-merger in mid-2020 with a special purpose acquisition company, or SPAC, funded by Apollo Global Management, a huge private equity firm.



Magna CEO Swamy Kotagiri.

A 21st-century car company shouldn't play by the rules of the 20th

The central notion is that a 21st-century car company doesn't have to follow the rules of the 20th. If he were to do that, Fisker thinks he'd miss out on an opportunity to make his new company a contender in a brave new automotive world.

"The auto industry is in for a giant revolution," he said. "We've been seeing it in the past year or two, and it's going to happen incredibly fast."

In prior interviews with Insider, Fisker has described his model as "asset-light," noting that everybody knows he can design a great car, based on his long career creating vehicles for BMW, Aston Martin, and his own previous startup, Fisker Automotive. He doesn't need to construct a factory to turn his concepts into reality.

"If I'm an architect, do I need to make my own bricks? No, but I need the bricks to come together in the right place."

That place, Fisker has decided, is Magna.

"Magna allows Fisker to concentrate on features that are important to us as a brand," Fisker said, alluding to the design of the Ocean, as well as the overall user experience. The undergirding nuts and bolts, he said, "may not be exciting, but they must be done."

Fisker has a been-there-done-that perspective on trying to build cars the old-fashioned way: Fisker Automotive, the carmaker Henrik founded in 2007, took over a shuttered GM plant in Delaware before the startup's bankruptcy in 2013. (Fisker Automotive was seen as a Tesla rival and, with its Karma sedan, beat the Tesla Model S to market.)

But with Magna and its EV platform at his disposal, not to mention a billion dollars in the bank to build the Ocean, he's happy to turn the assembly process over to Magna.

And Magna is ready to tackle the job.

"You have to use systems thinking when you architect the vehicle," he said. "The end result is the features that provide the situational experience to the consumer."

Fisker FI-Pilot and an EV that isn't a \$100,000 supercar

For the Ocean, that means a powertrain-and-computing configuration that can be swiftly and easily upgraded, through over-the-air software updates, of the sort that Tesla has popularized and that the traditional auto industry, relying on dealerships for service, has resisted

Echoing Fisker's need for speed, Kotagiri pointed out that this aspect of automotive engineering, critical for the future of the electric and connected car, is what sets Fisker and Magna's model apart.

"We can't wait for the normal cycle of five-to-10 years," he said. "Power requirements might be different. We don't want to have to re-melt and re-pour."

According to Fisker, his company looked at several platform manufacturers before settling on Magna and its FM29 architecture, a lightweight, aluminum design. More recently, Fisker and Magna announced the joint development of "FI-Pilot" for the first iteration of the Ocean. The technology was described as melding advanced drive-assist systems that use digital imaging radars and high-resolution cameras, software, and cybersecurity measures.

A key component of the FI-Pilot technology and the FM29 platform is scalability and affordability, Fisker stressed.

"We're not building a \$100,000 supercar here," he said of the base-price \$37,499 Ocean.

"But we're up against conglomerates, and we're up against Tesla. And the tech is moving fast. It's the biggest acceleration since we moved from the horse to the gas engine. This is going to be the biggest roller-coaster ride we've ever seen in the industry. We're at the top, and we're about to go down at full speed."

Innovation requires experiment

The urgency that Fisker brings to the collaboration has eased both his and Kotagiri's concerns about the intellectual-property issues associated with this type of clean-sheet collaboration. Both executives, at this juncture, are happy to share, and Fisker said that it would be a boon for the industry if Magna could deliver some of the technology stemming from the partnership to other customers.

The Danish-born designer has been putting himself in the first car of that roller coaster he speaks of since the 2000s. But his new venture, now flush with cash and joined-up with one of Big Auto's major players in Magna, still resonates with the shock of the new. In many ways, it's an experiment, in the global laboratory that is the car business.

That doesn't seem to bother Kotagiri, and he has a mandate from Magna, an \$18-billion company, to move forward.

"Given everything that's going on, Magna needs a CEO who's forward-looking," Kotagiri's predecessor, Don Walker, told Insider. "Not for five years out, but for 15 to 20."

For his part, Kotagiri considers the partnership with Fisker to be the beginning of a beautiful friendship.

"We're very confident," he said. "You need experimentation for innovation."