

Business Standard

Morgan Stanley hunts for xAI debt buyers after feud between Musk, Trump

Credit investors were particularly excited because it offered them a rare opportunity to get exposure to the AI industry, which is generally only accessible to equity investors

Bloomberg |



Musk recently merged xAI with his social-networking platform X, formerly known as Twitter Inc., into a combined company called XAI Holdings | Image: Bloomberg

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[Morgan Stanley](#) is reaching out to a broader pool of investors to shore up demand for a \$5 billion debt sale for Elon Musk's artificial intelligence startup xAI Corp., a deal that offers a window into the fallout from the billionaire's feud with US President Donald Trump.

When Morgan Stanley launched the debt offering early last week, it already had more than \$3.5 billion in orders. Some investors took that as a sign that the deal would soon be oversubscribed, a goal that has been easily exceeded for other Musk-related

offerings. As of Monday, though, demand was only up to around \$5 billion, and the bank began reaching out to smaller lenders who had not been given access last week, according to people familiar with the deal.

The bank still intends to finalize the investor list by June 17 as originally planned. Typically, banks want demand to be substantially higher than the actual deal size so they have more flexibility on pricing and terms.

Morgan Stanley declined to comment. xAI did not immediately respond to a request for comment.

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The effort to borrow money for xAI, which is now worth \$94 billion, offers one of the first indications of how the rift between Trump and Musk might hit Musk's broader network of private companies, which includes SpaceX and Neuralink. The market value of his biggest company, Tesla Inc., has fallen by around \$75 billion since last Thursday, when Musk and Trump took aim at each other on social media.

The debt package includes a floating-rate term loan, a fixed-rate term loan and senior secured notes, Bloomberg reported previously. Last week, investors were told that the senior notes would offer a yield of roughly 12%. Some investors are now expecting that the company will need to pay more than that to close the deal, people familiar with the negotiations said.

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In meetings Thursday, investors who were willing to write checks of at least \$50 million were allowed to view limited statistics about the company, including revenue, earnings, cash flow and projections, Bloomberg previously reported.

The figures showed a company that is still spending far more than it brings in. But that had not dimmed enthusiasm about a company operating at the center of the fastest growing part of the technology industry. Investors were told last week that the company is worth \$94 billion, up from \$51 billion at the end of 2024.

ALSO READ: [Musk's xAI launches \\$5 billion debt sale, seeks \\$113 billion valuation](#)

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investors. Some potential lenders said they were initially drawn to the deal, in part, because of Musk's good relationship with Trump and are now approaching it with more caution because of the feud. Trump said last week that he would consider ending government contracts with Musk's companies.

This is all a very different situation from a few months ago, when Morgan Stanley was selling some of the remaining debt from Musk's acquisition of X. The bank was able to easily unload the loans as Musk's relationship with Trump helped attract buyers. The value of those loans, which fell to as low as 95 cents on the dollar after the feud broke out on Thursday, recovered somewhat on Friday but was down again slightly on Monday.

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