



## Position Close Update: TrueCar Inc. (TRUE)

TrueCar Inc. (TRUE: \$5/share) – Closing Short Position – down 67% vs. S&P up 18%

TrueCar (TRUE) was originally selected as a [Danger Zone Idea on 8/21/17](#). At the time of the initial report, the stock received an Unattractive [rating](#). Our short thesis noted the firm’s broken business model, diminishing value to consumers, and overvalued stock price.

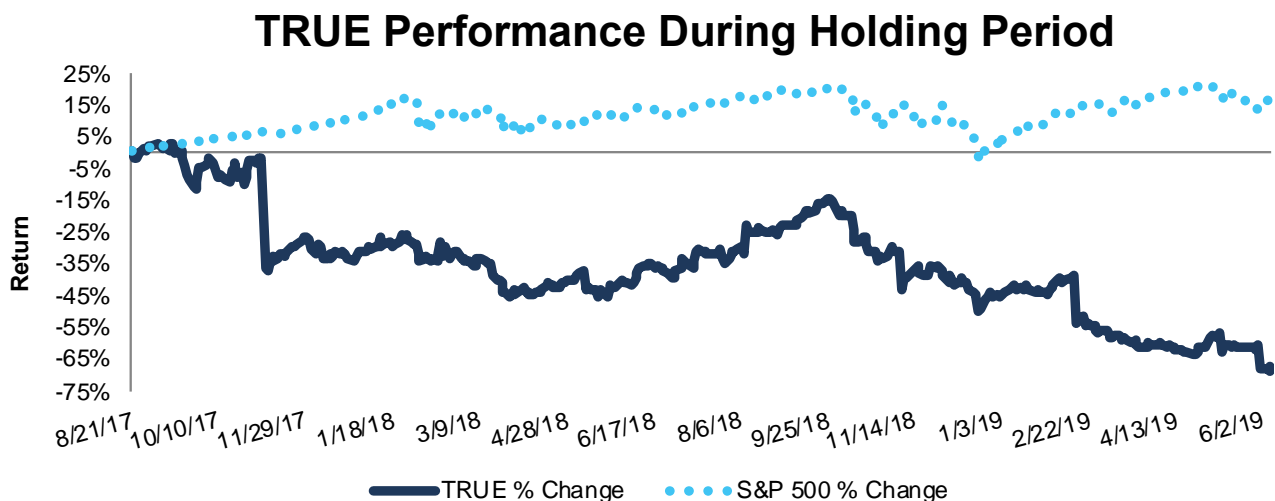
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During the 658-day holding period, TRUE outperformed as a short position, declining 67% compared to an 18% gain for the S&P 500.

We first put TRUE in the Danger Zone in [August 2017](#) when we noted its business model couldn’t profitably serve two user groups with conflicting interests. We reiterated TrueCar’s downside risk in [March 2019](#) after the company doubled down on this broken business model. The stock remains overvalued, but its risk/reward profile shifted after CEO Chip Perry [announced](#) his retirement. Perry was one of the driving forces behind TrueCar’s prioritization of dealers at the expense of consumers. Now, shares could respond positively if TrueCar replaces him with a more consumer-focused CEO.

Given the management change (and potential business model change) we believe it is time to take the robust gains and close this short position.

Figure 1: TRUE vs. S&P 500 – Price Return – Successful Short Call



Sources: New Constructs, LLC and company filings

Note: Gain/Decline performance analysis excludes transaction costs and dividends.

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Disclosure: David Trainer, Kyle Guske II, and Sam McBride receive no compensation to write about any specific stock, style, or theme.

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