



Digital World Acquisition Is the Culmination of All Meme-Stocks

The meme-stock and SPAC phenomenon has gone to the extreme as Digital World Acquisition Corp (DWAC), a special purpose acquisition company (SPAC) announced plans to merge with Trump Media & Technology Group (TMTG). Digital World Acquisition Corp and TMTG have no revenue, no cash flows, no profits, or even a clear business plan, and DWAC's stock is up nearly tenfold in less than a week. Investors need to remain cautious and not get caught up in the trading fervor.

DWAC is a vehicle for TMTG to raise capital and has become a meme-stock target for speculators looking to prop up and cash in on Donald Trump's social media power. TMTG will have close to \$300 million in capital once the SPAC merger closes and no realistic plans on how it will operate a business. Given the stock price's meteoric rise, lack of fundamentals and no clear plans for the business, putting capital into DWAC now is gambling, not investing.

[Learn more about the best fundamental research](#)

The Meme-Stock to End All Meme-Stocks

DWAC's price and volume trends make the meme-stock trading frenzies for [GameStop](#) (GME) and [AMC Entertainment](#) (AMC) look mild. We cautioned AMC and GME investors at the time that neither business was worth anywhere near its stock price. Those businesses actually generate revenue and have concrete business plans. DWAC offers neither. Investors should be mindful that stocks can drop as fast and as far as they rise especially when they are not supported by fundamentals.

Figure 1: DWAC Stock Price Enters Meme-Stock Territory

DWAC Soars Despite No Cash Flows

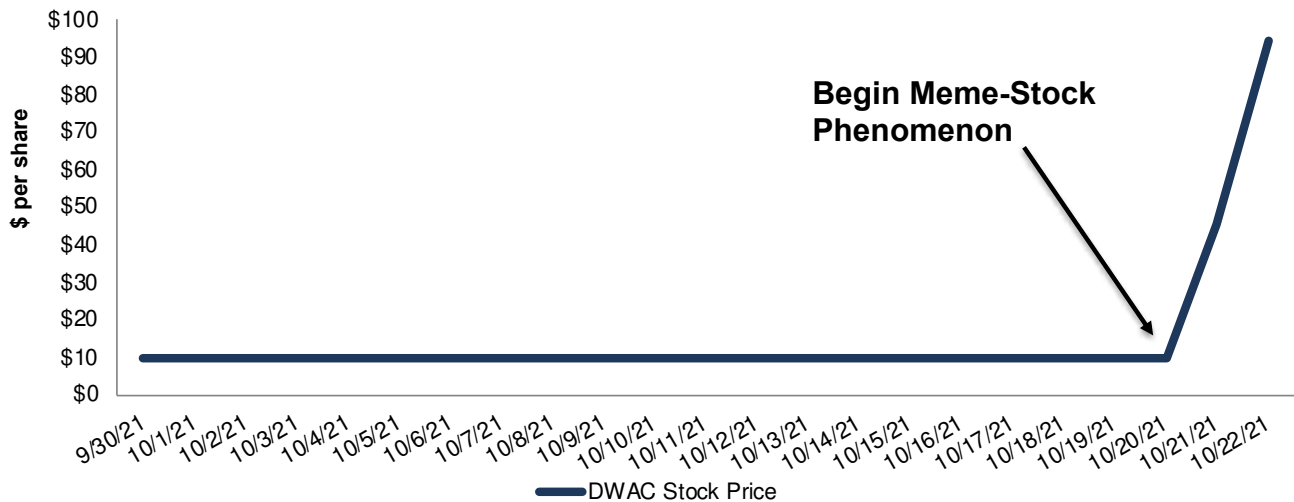


Image Source: New Constructs, LLC

Large Competition Comes with DWAC's Large TAM

Trump Media & Technology Group, in an [investor presentation](#) unveiled with the SPAC merger announcement, plans to create a social network called Truth Social, but its ambitions don't stop there. The presentation lays out vague "plans" of operating:

1. a news network that competes with the likes of CNN and iHeartMedia;
2. a streaming service, TMTG+, to go against Netflix (NFLX) and Disney+ (DIS); and



- 3. a “TMTG Tech Stack” to go up against Amazon (AMZN) Web Services, Google (GOOGL) Cloud, and Microsoft (MSFT) Azure.

Figure 2 shows TMTG’s “Corporate Competitive Structure”, as disclosed in its presentation. Each one of these markets is highly competitive. Breaking into them requires a clear, disruptive business plan, large capital investments, excellent execution, and lots of time. Disney and Amazon built their businesses over decades with billions of dollars of capital investment.

Figure 2: TMTG Aims for a Media Conglomerate

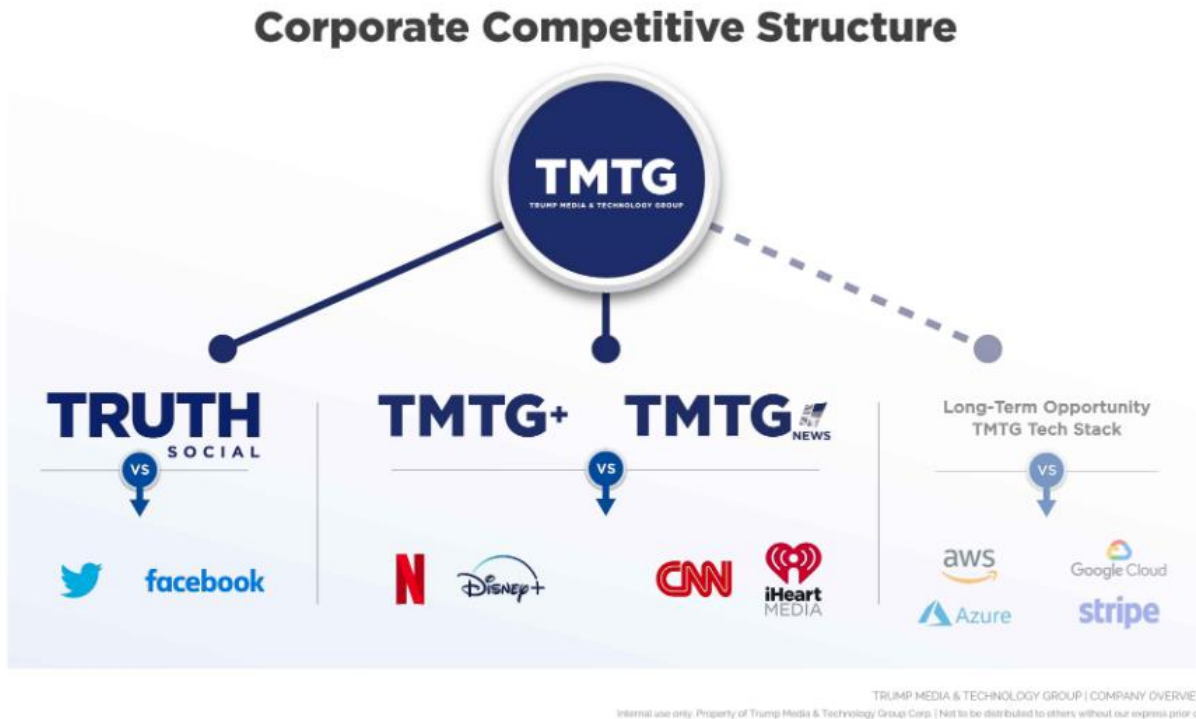


Image Source: [TMTG Corp](https://www.tmtgcorp.com/)

The presentation implies the company has a large total addressable market (TAM) as evidenced by the user bases of Netflix, Twitter (TWTR), Disney+ and the total number of podcast listeners in the United States. A large TAM normally gets investors excited, which is why most IPOs include large TAMs in their S-1s. Typically, TAM disclosures include specific plans for how the company will make money in those markets and how the capital it is raising will be deployed. The TMTG presentation offers no business plan and doesn’t even mention a single dollar figure.

Truth Social Is Not a Sure Bet

Truth Social appears to be TMTG’s key product, as evidenced by its prominence in its investor presentation. Investors should note that other social media networks founded to compete with Facebook and Twitter in the wake of Donald Trump’s ban from those platforms haven’t been clear hits. Since [returning](#) to the Apple App Store in summer 2021, Parler’s user growth slowed significantly and Gettr was [plagued](#) by security breaches and compromised/fake accounts in its early days.

It’s too early to tell if Donald Trump’s association with Truth Social will help TMTG outperform previous social media startups, but one thing is clear, launching a social media company, signing up millions of users, and securing user data is no easy feat.

How to Value Digital World Acquisition Corp? You Really Can’t

With no fundamentals to analyze, investors have no way to assess the reasonableness of DWAC’s valuation.

Our take is that the stock is extremely expensive as it trades with a market cap of ~\$3.5 billion with no revenue or profits or any management guidance for revenue or profits.



It seems crazy to us that anyone would invest at DWAC at anything close to its current price. The bottom line is that owning DWAC at anything close to its current price is not investing, it is gambling.

We believe investors, and especially advisors with a [fiduciary duty](#) to clients, should avoid DWAC entirely, or risk losing significant amount of capital. While the stock could stay elevated for quite some time, the risk/reward skews heavily towards risk, to say the least.

This article originally published on [October 26, 2021](#).

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

Follow us on [Twitter](#), [Facebook](#), [LinkedIn](#), and [StockTwits](#) for real-time alerts on all our research.



It's Official: We Offer the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. Legacy fundamental datasets suffer from significant inaccuracies, omissions and biases.
2. Only our “novel database” enables investors to overcome these flaws and apply [reliable](#) fundamental data in their research.
3. Our proprietary measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

Forthcoming in [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms’ data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by *S&P Global’s (SPGI) Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

A top accounting firm features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Indiana’s Kelley School of Business. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



DISCLOSURES

New Constructs®, LLC (together with any subsidiaries and/or affiliates, "New Constructs") is an independent organization with no management ties to the companies it covers. None of the members of New Constructs' management team or the management team of any New Constructs' affiliate holds a seat on the Board of Directors of any of the companies New Constructs covers. New Constructs does not perform any investment or merchant banking functions and does not operate a trading desk.

New Constructs' Stock Ownership Policy prevents any of its employees or managers from engaging in Insider Trading and restricts any trading whereby an employee may exploit inside information regarding our stock research. In addition, employees and managers of the company are bound by a code of ethics that restricts them from purchasing or selling a security that they know or should have known was under consideration for inclusion in a New Constructs report nor may they purchase or sell a security for the first two days after New Constructs issues a report on that security.

DISCLAIMERS

The information and opinions presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or solicitation of an offer to buy or sell securities or other financial instruments. New Constructs has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor and nothing in this report constitutes investment, legal, accounting or tax advice. This report includes general information that does not take into account your individual circumstance, financial situation or needs, nor does it represent a personal recommendation to you. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about any such investments or investment services.

Information and opinions presented in this report have been obtained or derived from sources believed by New Constructs to be reliable, but New Constructs makes no representation as to their accuracy, authority, usefulness, reliability, timeliness or completeness. New Constructs accepts no liability for loss arising from the use of the information presented in this report, and New Constructs makes no warranty as to results that may be obtained from the information presented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information and opinions contained in this report reflect a judgment at its original date of publication by New Constructs and are subject to change without notice. New Constructs may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and New Constructs is under no obligation to insure that such other reports are brought to the attention of any recipient of this report.

New Constructs' reports are intended for distribution to its professional and institutional investor customers. Recipients who are not professionals or institutional investor customers of New Constructs should seek the advice of their independent financial advisor prior to making any investment decision or for any necessary explanation of its contents.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would be subject New Constructs to any registration or licensing requirement within such jurisdiction.

This report may provide the addresses of websites. Except to the extent to which the report refers to New Constructs own website material, New Constructs has not reviewed the linked site and takes no responsibility for the content therein. Such address or hyperlink (including addresses or hyperlinks to New Constructs own website material) is provided solely for your convenience and the information and content of the linked site do not in any way form part of this report. Accessing such websites or following such hyperlink through this report shall be at your own risk.

All material in this report is the property of, and under copyright, of New Constructs. None of the contents, nor any copy of it, may be altered in any way, copied, or distributed or transmitted to any other party without the prior express written consent of New Constructs. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of New Constructs. Copyright New Constructs, LLC 2003 through the present date. All rights reserved.