



## A Zombie Stock Gets a Lifeline

We're taking one stock off our Zombie Stock list but leaving it in the Danger Zone. While we believe the risk of going to \$0/share is diminished, the stock remains significantly overvalued.

We started our Zombie Stock list in [June 2022](#) and have added a total of 33 stocks to the list. Post this report, 23 stocks remain on the list.

See [this index](#) and the end of this report for performance details on all of the Zombie Stocks.

### Rivian Automotive (RIVN: \$13/share) – Removing From Zombie Stock List – down 63% vs. S&P up 33%

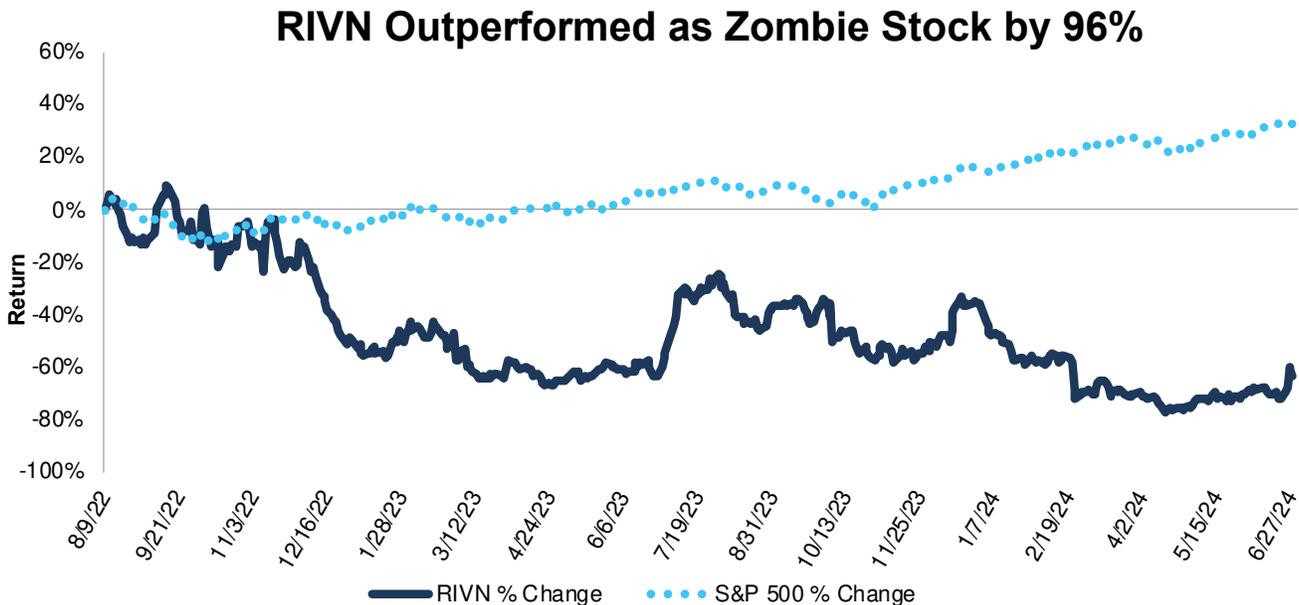
We named Rivian Automotive a Zombie Stock on [August 8, 2022](#) due to its lack of profits, massive cash burn that was likely to accelerate as the company ramped up vehicle production, and overvalued stock price.

Since naming Rivian a Zombie Stock in August 2022, RIVN has outperformed as a short by 96%, falling 63% compared to a 33% gain for the S&P 500. Since we first placed Rivian in the Danger Zone, the stock has outperformed as a short by 104%, falling 87% compared to a 17% gain in the S&P 500.

Volkswagen's [recently announced](#) investment – up to \$5 billion – in Rivian, along with the software joint venture between the two companies significantly diminishes the likelihood RIVN goes to \$0/share.

The joint venture and investment extend Rivian's runway before it will run out of cash or need another (potentially) dilutive capital raise. However, it is yet to be seen if the venture will help Rivian lower costs and increase margins. Without such improvement, Rivian remains an unprofitable EV manufacturer with an overvalued stock price, which is why it remains in the Danger Zone.

**Figure 1: RIVN vs. S&P 500 – Price Return – Successful Zombie Stock Short Call**



Sources: New Constructs, LLC and company filings

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

### The Full Zombie Stock List

23 stocks remain on the Zombie Stock list. These stocks have a real risk of going to \$0/share, especially as markets adjust to a “higher for longer” interest rate environment that will challenge many of these companies.



Figure 2 shows all 33 Zombie Stocks. We mark those that have been removed from the list with an asterisk.

**Figure 2: Zombie Stock Reports: Performance Since Publish Date Through 7/1/24**

Company Name	Ticker	Date Added	Return Since Add Date	Return as Short Vs. S&P 500
<a href="#">Freshpet Inc.*</a>	FRPT	6/23/22	-16%	9%
<a href="#">Peloton Interactive</a>	PTON	6/23/22	-70%	110%
<a href="#">Carvana Co.</a>	CVNA	6/23/22	295%	-255%
<a href="#">Snap Inc.</a>	SNAP	7/22/22	61%	-23%
<a href="#">Beyond Meat, Inc.</a>	BYND	8/1/22	-60%	94%
<a href="#">Rivian Automotive*</a>	RIVN	8/8/22	-62%	95%
<a href="#">DoorDash, Inc.</a>	DASH	8/10/22	39%	-9%
<a href="#">Shake Shack, Inc.</a>	SHAK	8/10/22	67%	-37%
<a href="#">AMC Entertainment</a>	AMC	8/15/22	-98%	125%
<a href="#">GameStop Corporation*</a>	GME	8/15/22	-68%	69%
<a href="#">Chewy Inc.*</a>	CHWY	8/17/22	-55%	57%
<a href="#">Uber Technologies</a>	UBER	8/17/22	136%	-108%
<a href="#">Robinhood Markets</a>	HOOD	8/22/22	148%	-116%
<a href="#">Tilray Brands</a>	TLRY	9/7/22	-51%	85%
<a href="#">Affirm</a>	AFRM	9/19/22	35%	7%
<a href="#">Sunrun</a>	RUN	9/21/22	-65%	113%
<a href="#">Blue Apron *</a>	APRN	9/26/22	-79%	95%
<a href="#">RingCentral</a>	RNG	10/3/22	-31%	75%
<a href="#">Allbirds Inc.*</a>	BIRD	10/17/22	-71%	89%
<a href="#">Wayfair</a>	W	11/14/22	20%	17%
<a href="#">Atlassian*</a>	TEAM	11/16/22	43%	-32%
<a href="#">Bill.com</a>	BILL	11/16/22	-55%	94%
<a href="#">Okta</a>	OKTA	11/16/22	93%	-54%
<a href="#">Oatly*</a>	OTLY	11/21/22	-62%	71%
<a href="#">Twilio</a>	TWLO	11/23/22	17%	19%
<a href="#">Ceridian*</a>	CDAY	11/23/22	-3%	11%
<a href="#">Redfin</a>	RDFN	11/30/22	6%	28%
<a href="#">Five9 Inc.</a>	FIVN	12/5/22	-32%	71%
<a href="#">Opendoor</a>	OPEN	1/30/23	-18%	53%
<a href="#">Compass Inc.</a>	COMP	2/6/23	-21%	52%
<a href="#">Sweetgreen Inc.</a>	SG	3/13/23	320%	-280%
<a href="#">Lucid Group*</a>	LCID	4/10/23	-23%	31%
<a href="#">Trupanion</a>	TRUP	5/1/23	-17%	50%
<b>Overall Portfolio Return</b>			<b>-28%</b>	<b>68%</b>

Sources: New Constructs, LLC and company filings.

\*Stocks removed from the Zombie Stock List. Performance tracked through the date each was removed. Linked report goes to the report in which the stock was removed.

Since our first report on June 23, 2022, the Zombie Stocks have fallen over 28% while the S&P 500 is up 40%. See Figure 3.



**Figure 3: Combined Performance of Zombie Stocks List Through 7/1/24**

**Zombie Stocks Outperform as Shorts by 68%**



Sources: New Constructs, LLC and company filings.

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

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## ***It's Official: We Deliver the Best Fundamental Data in the World***

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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. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

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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, 1<sup>st</sup> 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, 2<sup>nd</sup> para.

### **Superior Models**

Ernst & Young 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, 5<sup>th</sup> 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, 2<sup>nd</sup> para.

### **Superior Stock Ratings**

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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, 3<sup>rd</sup> para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3<sup>rd</sup> para.

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