



Position Close Update: Zombie Stock Up in Smoke

We started our Zombie Stock list in [June 2022](#) and have added a total of 33 stocks to the list. Post this report, 21 stocks remain on the list. See the end of this report for performance details on all of the Zombie Stocks.

Tilray Brands (TLRY) – Closing Short Position: down 92% vs. S&P up 103%

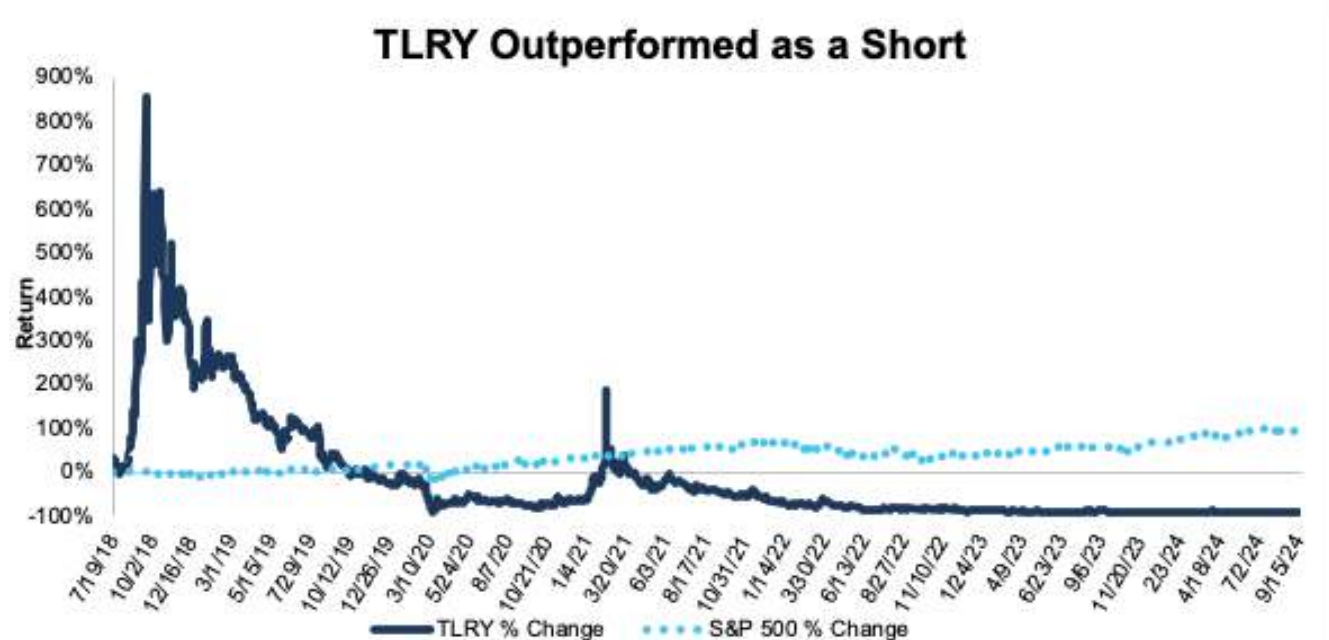
We first put Tilray Brands (TLRY: \$2/share) in the Danger Zone on [July 16, 2018](#) and added it to our Zombie Stock list on [September 8, 2022](#). Our thesis highlighted Tilray's misleading GAAP earnings, soaring expenses, falling economic earnings, negative FCF, and overvalued stock price.

In the five plus years since we published our original Danger Zone report, TLRY outperformed as a short by 196%, falling 92% compared to a 103% gain for the S&P 500. In the past year alone, TLRY is down 30%.

Tilray's fundamentals continue to look weak. The company generates a -2% ROIC over the TTM. The company's NOPAT margin is down from -11% in 2020 to -13% in the TTM and its invested capital turns fell from 0.3 to 0.1 over the same time. Additionally, TLRY has a market implied GAP of over 100 years in the default scenario in our dynamic reverse DCF model and an economic book value of -\$1.56/share. In other words, TLRY is likely not worth \$0/share.

Today, Tilray still meets the requirements of a Zombie Stock, and has 17 months before it runs out of cash at its current cash burn rate. However, with the stock now below \$2, we're taking it off the Zombie Stock List. We're taking the 196% outperformance as a short, and 90% outperformance as a short since naming it a Zombie Stock, as a win. Lastly, the lower valuation increases [stupid money risk](#). As a result, we believe it's time to close this successful Danger Zone and Zombie Stock pick.

Figure 1: Danger Zone: TLRY vs. S&P 500 Price Return Since July 2018



Sources: New Constructs, LLC and company filings

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

**The Full Zombie Stock List**

After removing Tilray, 21 stocks remain on the Zombie Stock list.

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 9/20/24

| Company Name | Ticker | Date Added | Return Since Add Date | Return as Short Vs. S&P 500 |
|---------------------------------------|--------|------------|-----------------------|-----------------------------|
| Freshpet Inc.* | FRPT | 6/23/22 | -16% | 9% |
| Peloton Interactive | PTON | 6/23/22 | -56% | 102% |
| Carvana Co. | CVNA | 6/23/22 | 450% | -404% |
| Snap Inc. | SNAP | 7/22/22 | 1% | 43% |
| Beyond Meat, Inc. | BYND | 8/1/22 | -60% | 100% |
| Rivian Automotive* | RIVN | 8/8/22 | -61% | 94% |
| DoorDash, Inc. | DASH | 8/10/22 | 79% | -43% |
| Shake Shack, Inc. | SHAK | 8/10/22 | 104% | -68% |
| AMC Entertainment | AMC | 8/15/22 | -98% | 131% |
| GameStop Corporation* | GME | 8/15/22 | -68% | 69% |
| Chewy Inc.* | CHWY | 8/17/22 | -55% | 57% |
| Uber Technologies | UBER | 8/17/22 | 146% | -113% |
| Robinhood Markets | HOOD | 8/22/22 | 150% | -111% |
| Tilray Brands* | TLRY | 9/7/22 | -45% | 77% |
| Affirm | AFRM | 9/19/22 | 103% | -55% |
| Sunrun | RUN | 9/21/22 | -40% | 94% |
| Blue Apron * | APRN | 9/26/22 | -79% | 95% |
| RingCentral | RNG | 10/3/22 | -29% | 80% |
| Allbirds Inc.* | BIRD | 10/17/22 | -71% | 89% |
| Wayfair | W | 11/14/22 | 25% | 18% |
| Atlassian* | TEAM | 11/16/22 | 43% | -32% |
| Bill.com | BILL | 11/16/22 | -55% | 100% |
| Okta | OKTA | 11/16/22 | 55% | -10% |
| Oatly* | OTLY | 11/21/22 | -62% | 71% |
| Twilio | TWLO | 11/23/22 | 30% | 12% |
| Ceridian* | CDAY | 11/23/22 | -3% | 11% |
| Redfin | RDFN | 11/30/22 | 134% | -94% |
| Five9 Inc.* | FIVN | 12/5/22 | -37% | 72% |
| Opendoor | OPEN | 1/30/23 | -7% | 47% |
| Compass Inc. | COMP | 2/6/23 | 46% | -9% |
| Sweetgreen Inc. | SG | 3/13/23 | 413% | -367% |
| Lucid Group* | LCID | 4/10/23 | -23% | 31% |
| Trupanion | TRUP | 5/1/23 | 22% | 17% |
| Overall Portfolio Return | | | -15% | 61% |

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 15% while the S&P 500 is up 46%. See Figure 3.



Figure 3: Combined Performance of Zombie Stocks List Through 9/20/24



Sources: New Constructs, LLC and company filings.

This article was originally published on [September 23, 2024](#).

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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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.

Best Fundamental Data in the World

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

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, 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 Harvard Business School. 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.

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