

THIS TIME IT IS DIFFERENT

GRANT'S FALL 2020 CONFERENCE  
OCTOBER 20, 2020  
JIM CHANOS  
KYNIKOS ASSOCIATES LP

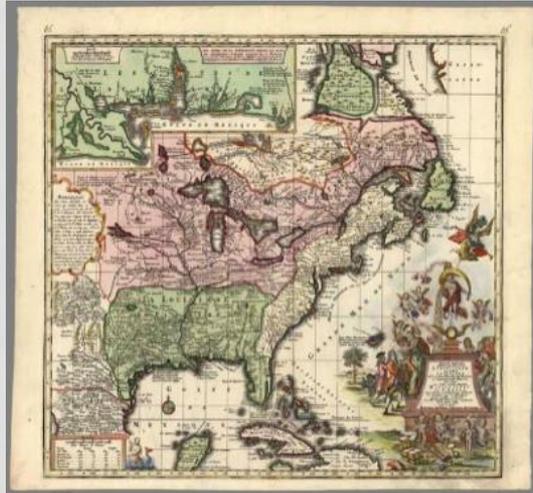
# Recurring Themes From Bubbles Past

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- Disruptive Narratives/Technologies
- State Sponsorship/Involvement
- Larger-Than-Life Pied Pipers
- Financial Innovation

# Disruptive Narratives/Technologies

## The New World



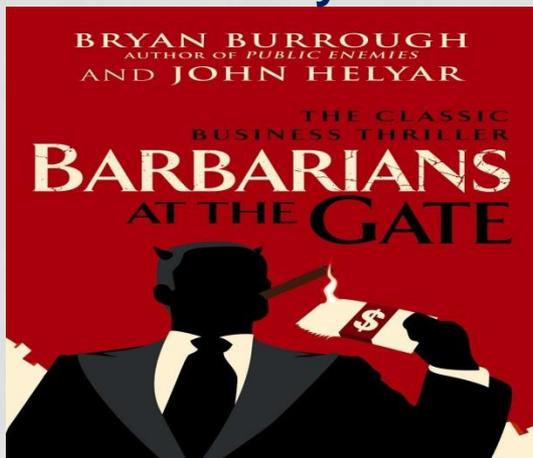
## Transcontinental Railroad



## 1920s Euphoria



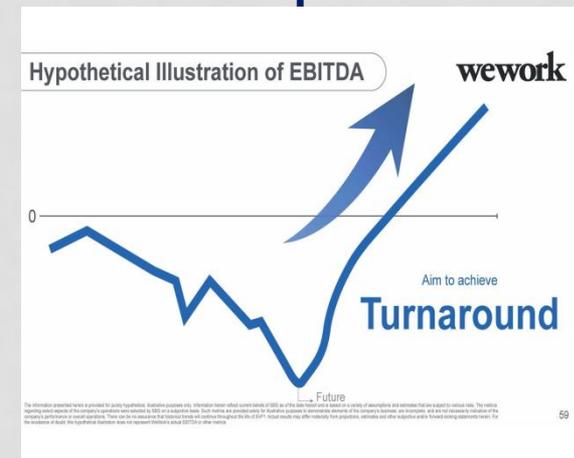
## 1980s Buyouts



## Internet Boom



## Disruptors



# State Sponsorship/Involvement

## Mississippi Scheme South Sea Routes



## Uncle Sam



## Central Bankers



# Larger-Than-Life Pied Pipers

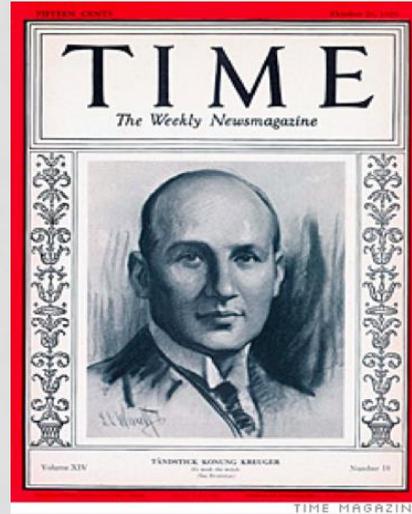
John Law



“The Committee”



Ivar Kreuger



Jeff Skilling & Ken Lay



Mike Milken

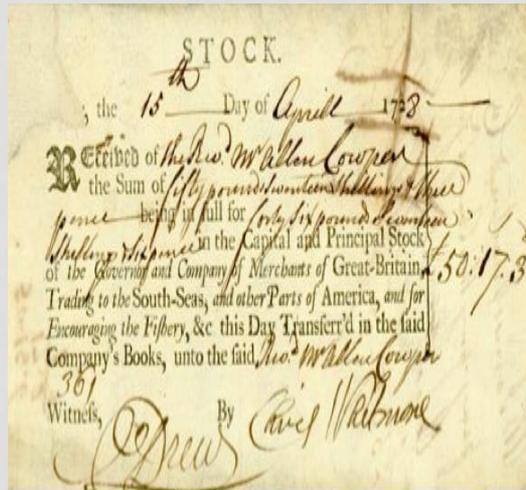


Elon Musk



# Financial Innovation

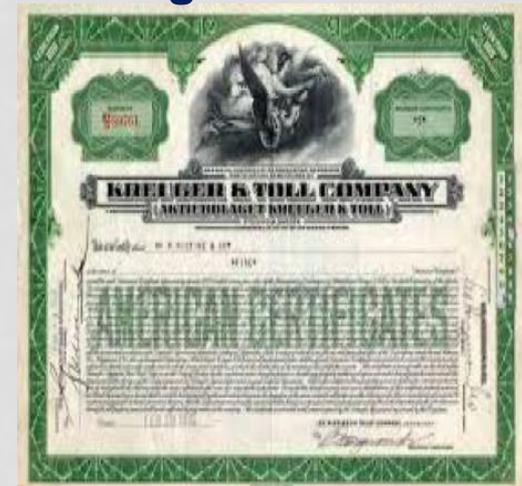
## South Sea Stock



## Ponzi Coupons



## Kreuger Securities



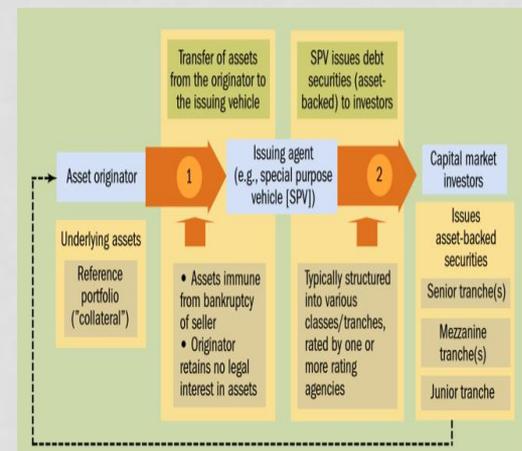
## Milken's Junk Bonds



## Weather Derivatives

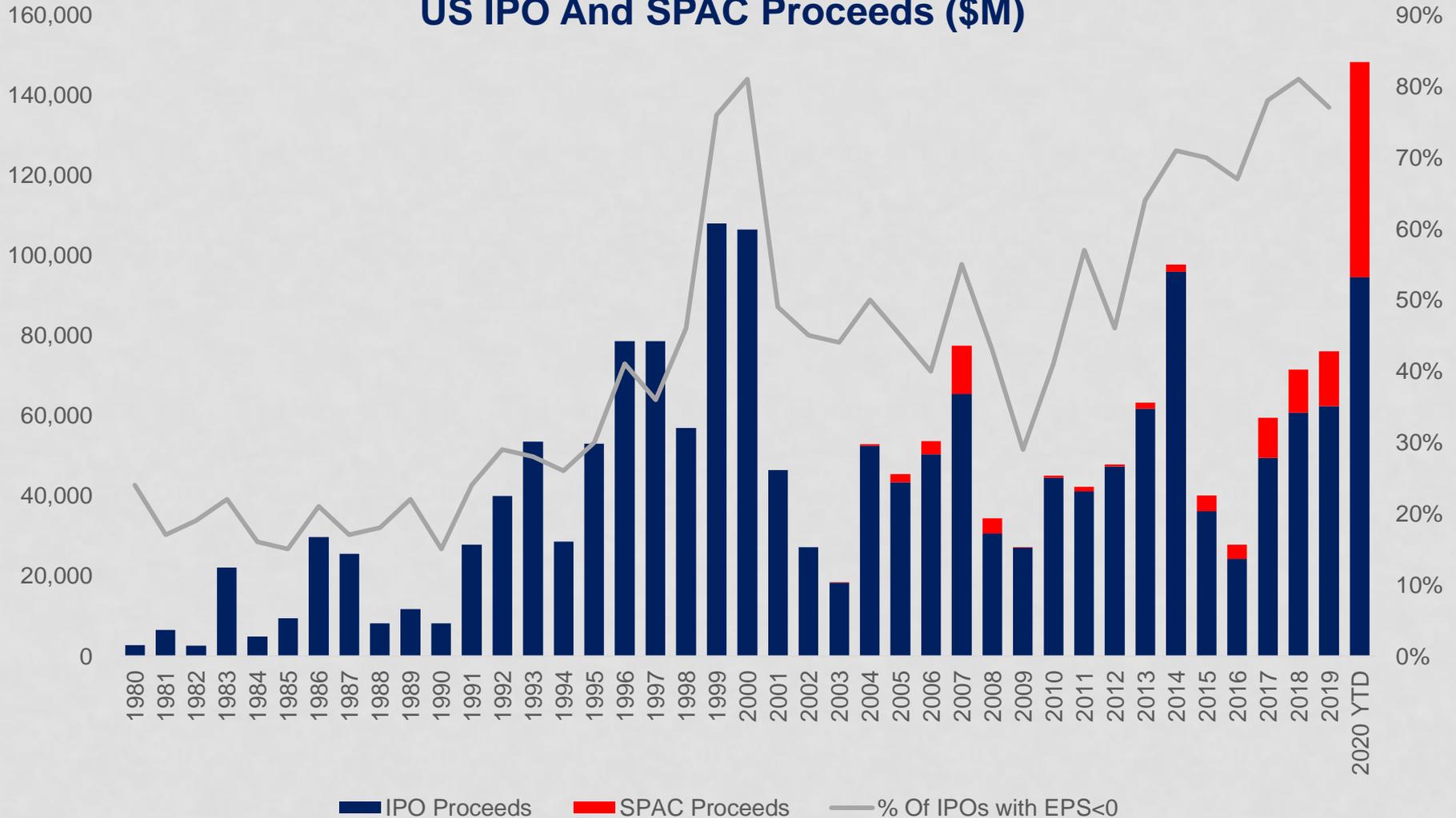
Items Sold	Preferred Weather	Risk Factor	Weather Derivative
			Managing risk to prevent rainy weather
			Managing risk to prevent sunny weather

## Securitizations



# When The Ducks Quack, Feed Them

## US IPO And SPAC Proceeds (\$M)



Source: Jay Ritter; University of Florida, SPACInsider, SPACData, Wall Street Journal

# SPAC Mania

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- 'Blank check' IPOs
- Reverse mergers circumvent traditional filing process to go public
  - Speed to market
  - Enables founders to provide earnings and growth forecasts
- Hidden dilution from warrants
- Sponsorship promotion greater than IPO costs
- \$54B in 2020 YTD SPAC proceeds exceeds the combined \$51B raised during 2008-2019

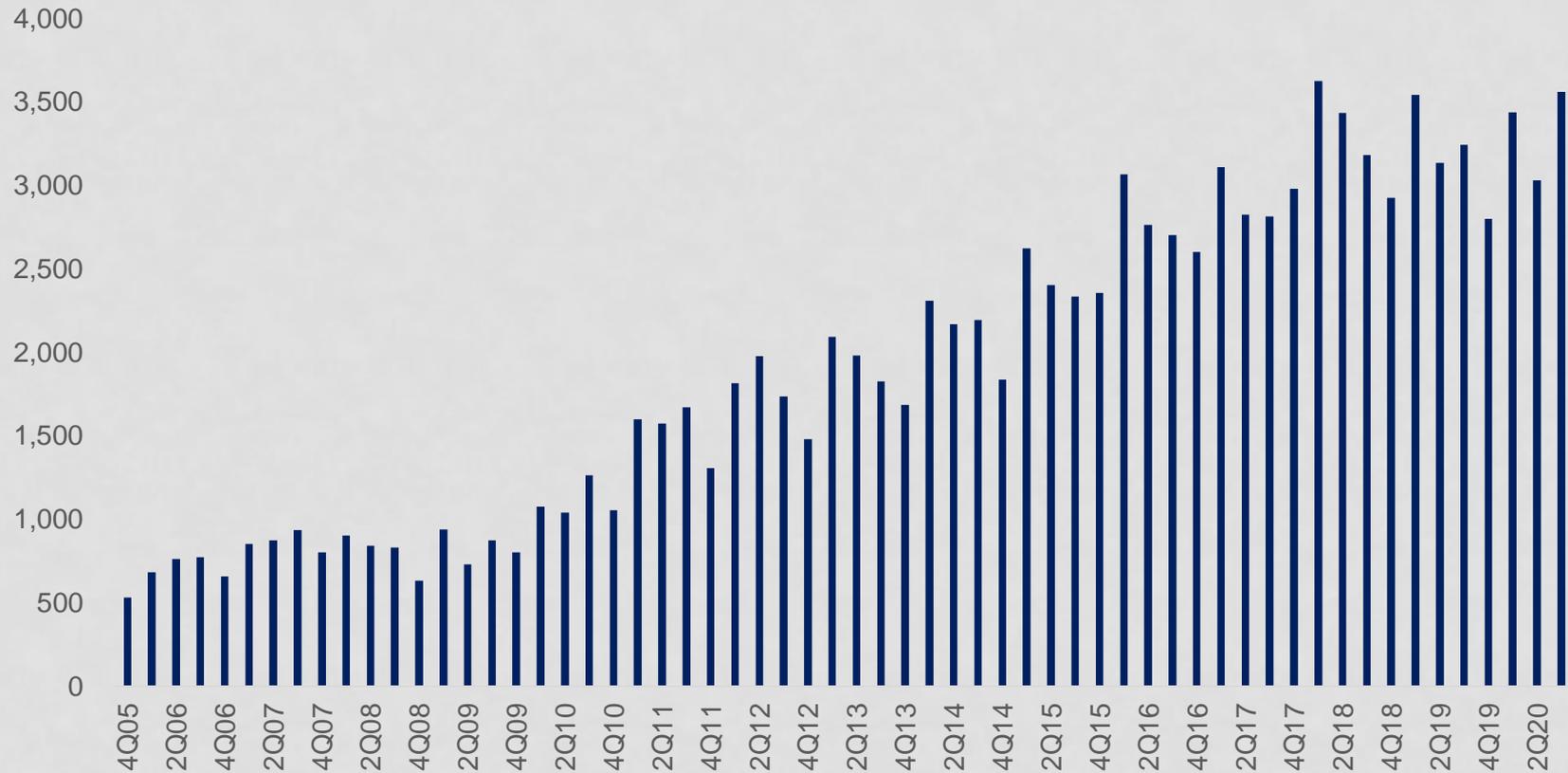
# TAM Is A Manic Science

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- Narrative matters more than fundamentals
- Traditional valuation methods do not apply
- Capture revenue growth and market share at all costs
- Profitless disruption
- Joel Greenblatt: “If you bought every company that lost money in 2019 that had a market cap over \$1B (~261)...you’d be up 65% so far this year”
- Silly examples:
  - NFLX CEO Reed Hastings defines TAM as “all people on the planet” on 3Q17 earnings call
  - UBER S-1 highlights \$12.3T TAM across Mobility, Food, and Trucking... equivalent to 14% of global 2019 GDP
  - TSLA goal of selling 20M cars/year implies 25% global market share using peak SAAR of 80M...relative to current market share of ~1%
  - The ‘Pizza Arbitrage’

# When The “TAM” Bursts

## Corporate Filings Mentioning “TAM” Or Equivalent



# Déjà Vu All Over Again?

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## 2000

- \$108B in US IPO proceeds in 1999, still the largest in history
- Retail focused
  - 36x increase in E\*Trade accounts between 1996-2000
  - Yahoo message boards
- Popularization of non-GAAP metrics
- 10-year notes yielding ~6%
- 220 S&P members with 5-year trailing sales growth of 15%+

## Present

- \$95B in US IPO proceeds YTD through 9/23/2020
- Retail focused
  - 13x increase in Robinhood accounts since 2016
  - r/WallStreetBets
- Ubiquitous use of non-GAAP metrics
- 10-year notes yielding <1%
- 60 S&P members with 5-year trailing sales growth of 15%+

# It's Different This Time...The Dot.com Bull Market

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**Adelphia**  
COMMUNICATIONS

***tyco***

***Sunbeam***®

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**AOL Time Warner**

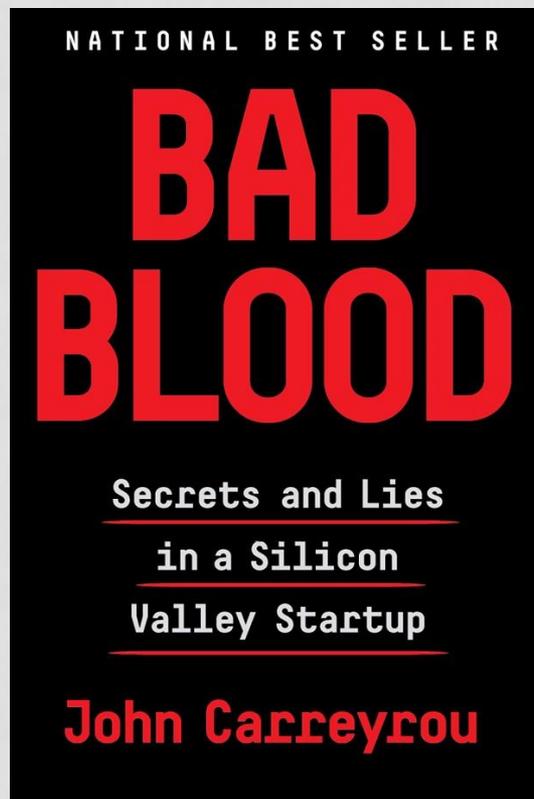
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The WorldCom logo features a stylized orange starburst graphic above a horizontal orange line. Below the line, the word "WORLD COM" is written in a bold, blue, sans-serif font.

**WORLD COM**

# It's REALLY Different This Time...We Promise

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wirecard



VALEANT  
Pharmaceuticals International, Inc.



luckin coffee

1MDB  
1Malaysia Development Berhad



STEINHOFF  
INTERNATIONAL HOLDINGS N.V.

# Where Should Investors Look?

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- The 'Gig' Economy
  - Ridesharing
  - Food delivery
- ESG investing gone wrong
- TAM-sanity losing money on every transaction but making it up on volume
  - House flipping
  - Used cars
- Infinite TAM: Space travel

**THANK YOU TO GRANT'S  
FALL 2020 CONFERENCE**

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