

THIS TIME IT IS DIFFERENT

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

Recurring Themes From Bubbles Past

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

Disruptive Narratives/Technologies

The New World



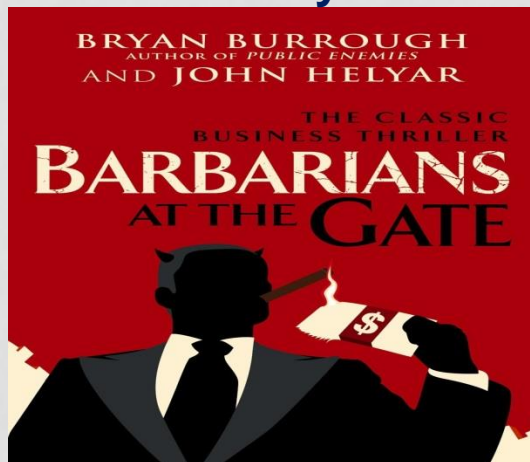
Transcontinental Railroad



1920s Euphoria



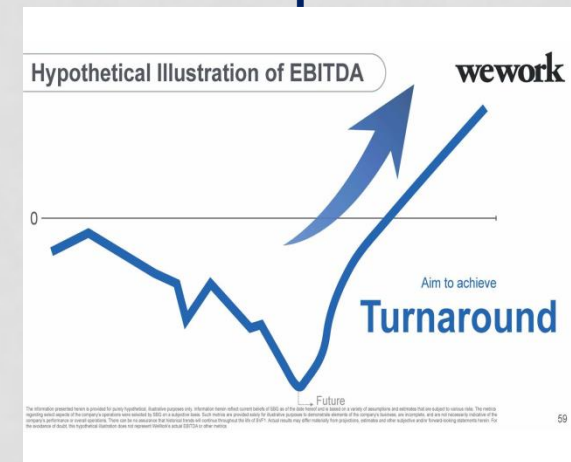
1980s Buyouts



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

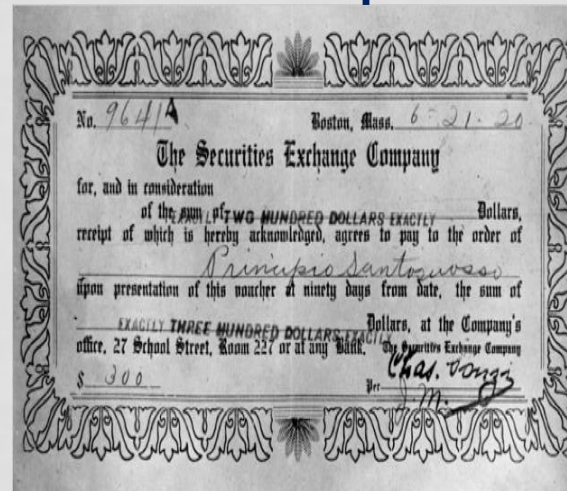


Financial Innovation

South Sea Stock



Ponzi Coupons









Kreuger Securities



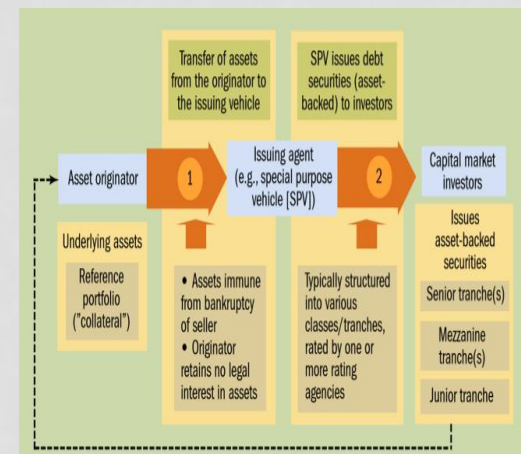
Milken's Junk Bonds



Weather Derivatives

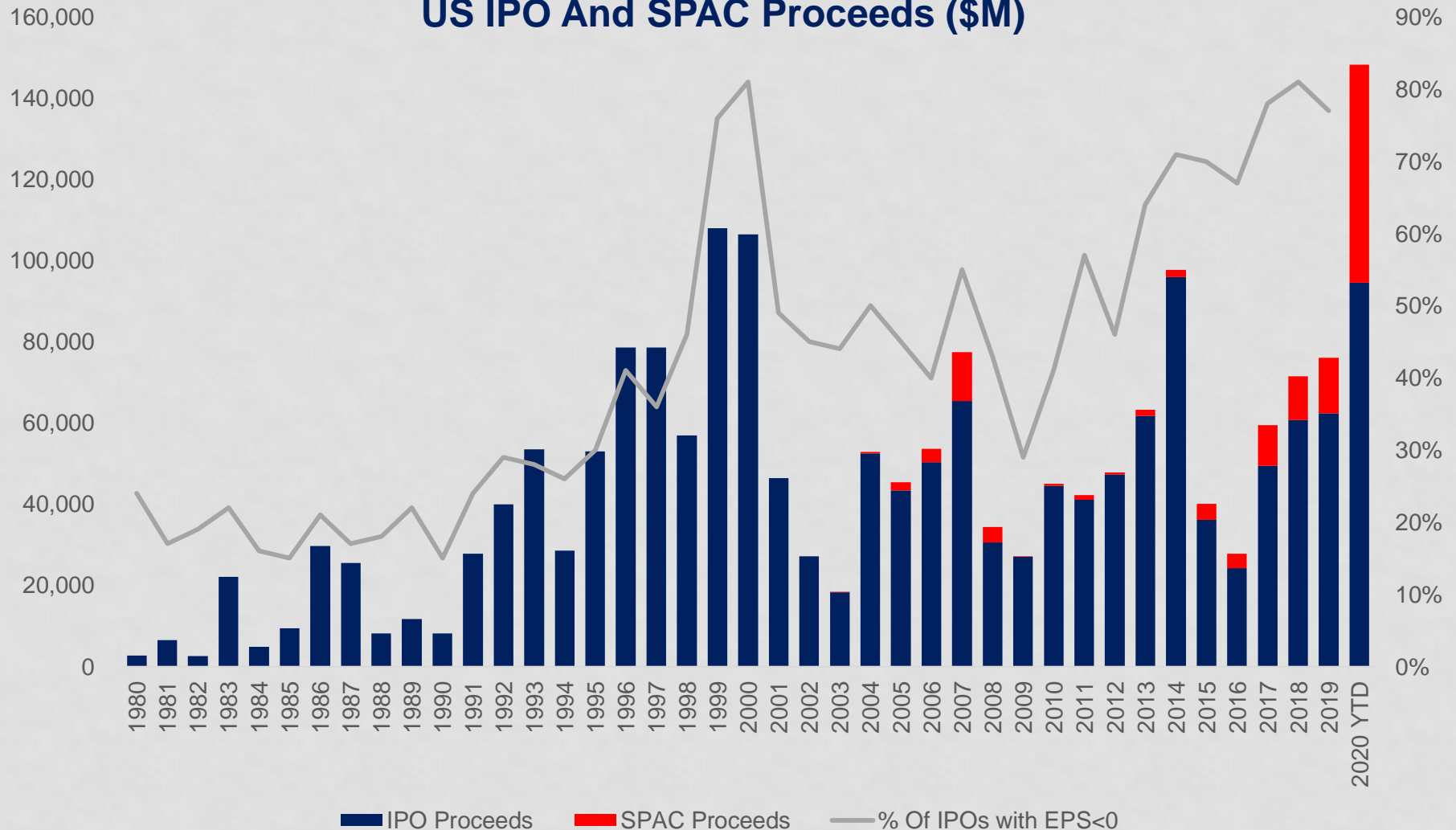
Items Sold	Preferred Weather	Risk Factor	Weather Derivative
			Managing risk to prevent rainy weather
			Managing risk to prevent sunny weather

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

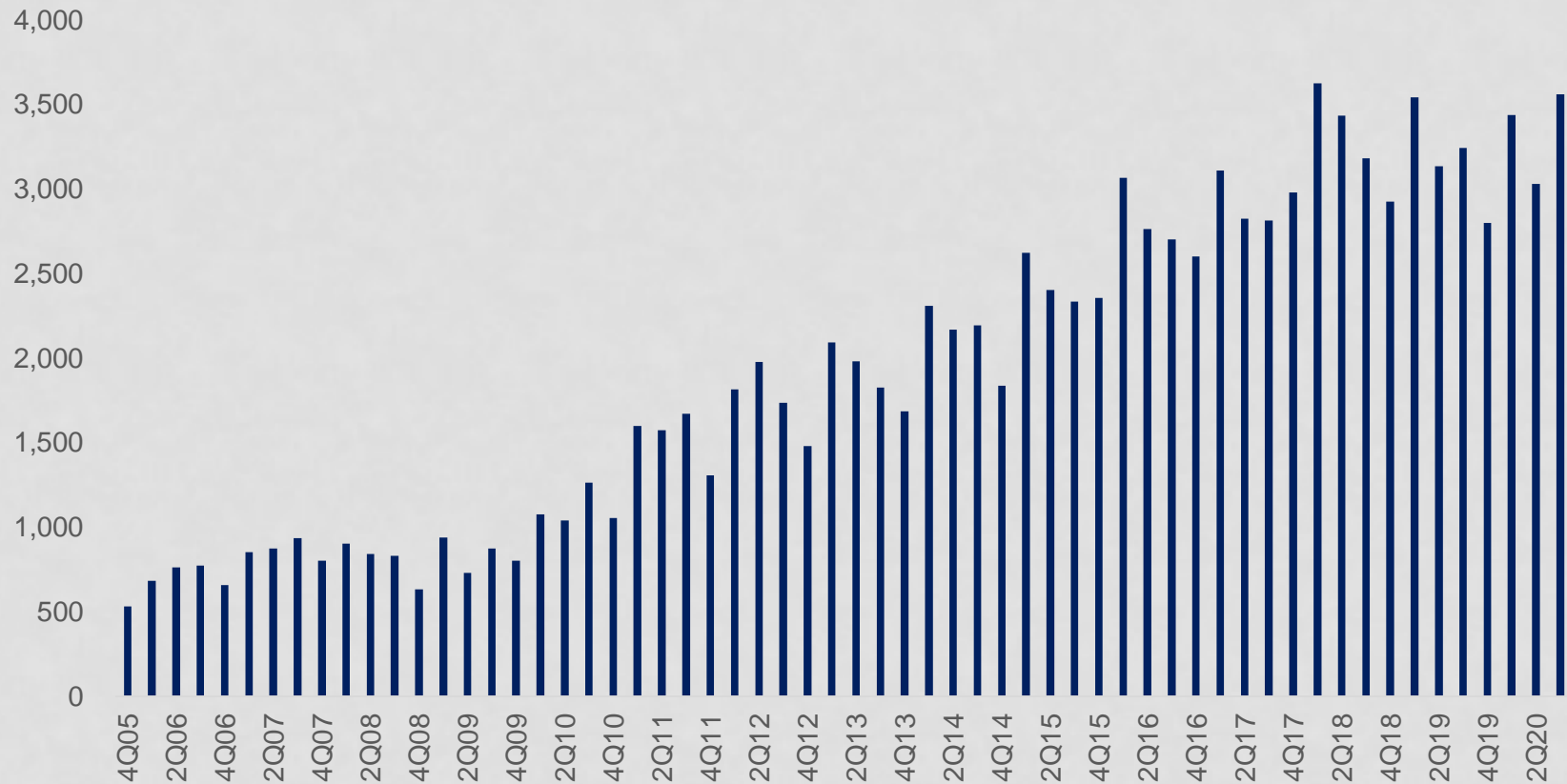
- 'Blank check' IPOs
- Reverse mergers circumvent traditional filing process to go public
 - Speed to market
 - Enables founders to provide earnings and growth forecasts
- Hidden dilution from warrants
- Sponsorship promotion greater than IPO costs
- \$54B in 2020 YTD SPAC proceeds exceeds the combined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

TAM Is A Manic Science

- 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?

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



Adelphia
COMMUNICATIONS

tyco

Sunbeam®

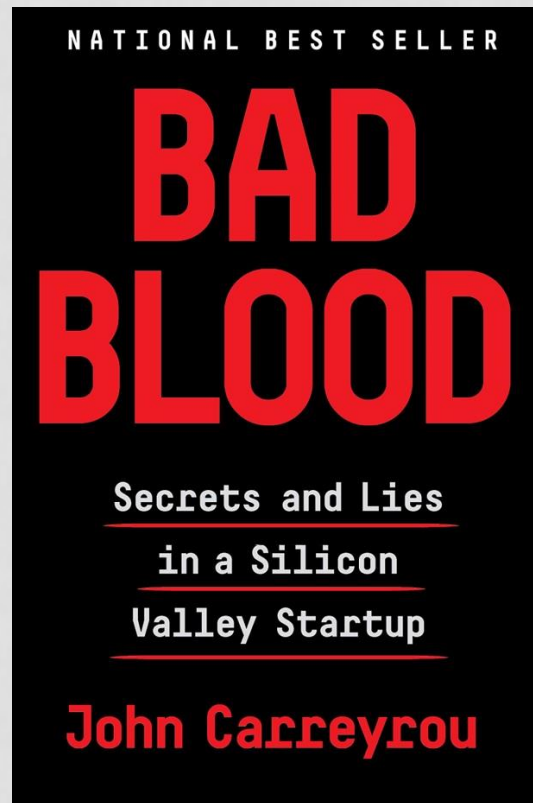
AOL Time Warner



WORLD COM

The WorldCom logo graphic consists of a stylized orange starburst or sunburst shape on the left, with a horizontal orange line extending to the right from its center. The word "WORLD COM" is written in a large, bold, blue, sans-serif font below the graphic.

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



STEINHOFF
INTERNATIONAL HOLDINGS N.V.

Where Should Investors Look?

- 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**

IMPORTANT DISCLOSURE

THIS DOCUMENT IS FOR PRELIMINARY INFORMATIONAL PURPOSES ONLY AND IS NOT AN OFFERING TO SELL INTERESTS IN THE STRATEGIES. AN OFFERING CAN ONLY BE MADE BY DELIVERY OF THE OFFERING MEMORANDUM AND ASSOCIATED DOCUMENTS FROM THE PROPER STRATEGY TO QUALIFIED INVESTORS. NEVERTHELESS, YOU ARE NOT TO RELY SOLELY UPON THE DATA HEREIN TO MAKE AN INVESTMENT DECISION.

QUALIFIED INVESTORS SHOULD CAREFULLY REVIEW THE RESPECTIVE OFFERING MEMORANDUM FOR A COMPLETE DESCRIPTION OF THE POTENTIAL MERITS AND RISKS INVOLVED.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

NO OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY WILL BE MADE IN ANY JURISDICTION IN WHICH SUCH OFFER SOLICITATION WOULD BE UNLAWFUL.

THIS DOCUMENT HAS BEEN PROVIDED FOR INFORMATIONAL AND ILLUSTRATION PURPOSES, IS FURNISHED ON A CONFIDENTIAL BASIS, IS INTENDED ONLY FOR THE USE OF THE AUTHORIZED RECIPIENT AND MAY NOT BE DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF KYNIKOS ASSOCIATES LP. CERTAIN INFORMATION PROVIDED HEREIN IS OBTAINED FROM SOURCES, INCLUDING PUBLICLY AND PRIVATELY AVAILABLE INFORMATION, THAT KYNIKOS ASSOCIATES LP CONSIDERS TO BE RELIABLE; HOWEVER, KYNIKOS ASSOCIATES LP CANNOT GUARANTEE AND MAKES NO REPRESENTATION AS TO THE ACCURACY OF SUCH INFORMATION. INFORMATION PROVIDED IS AS OF THE DATE(S) INDICATED AND IS SUBJECT TO CHANGE.

THIS DOCUMENT AND THE INFORMATION CONTAINED HEREIN ARE PROPRIETARY INFORMATION OF KYNIKOS ASSOCIATES LP AND MAY NOT BE REPRODUCED OR OTHERWISE DISSEMINATED IN WHOLE OR IN PART WITHOUT THE PRIOR WRITTEN CONSENT OF KYNIKOS ASSOCIATES LP.

CONFIDENTIAL – DO NOT COPY OR DISTRIBUTE

© KYNIKOS ASSOCIATES LP – ALL RIGHTS RESERVED.