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The Trump Media Stock Bubble



Photo by Jonathan Cooper

Just when you thought it was safe to get back into the stock market, Donald Trump has managed to hack into the National Association of Securities Dealers Automatic Quotation System (aka NASDAQ, an over-the-counter stock exchange) and make it an accomplice to his latest pump-and-dump scheme: hyping worthless assets on Wall Street until he can sell his shares and walk away from the dumpster fire. And while he's at it, candidate Trump can use a listed company to funnel dark money into either his presidential campaign or his legal entanglements, depending on which squeaky wheel needs the most grease.

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Here's the back story:

Until recently Digital World Acquisition Corporation (DWIC) was a special purpose acquisition company. Known in the trade as a SPAC, its “special purpose” as a listed company was to raise acquisition funds and then go in search of an idea on which to blow the money.

SPACs are popular because they have little regulation and fast track access, once they have acquired assets, for trading on a public exchange.

In this case, after raising its \$300 million stake, DWIC had only one idea, which was to merge with Trump Media & Technology Group (TMTG), the owner of Truth Social, the social media mouthpiece that the former president uses to shout into the void. He started it after Twitter (aka X) closed his account following what Trump called “a beautiful day” (January 6):

In a prospectus, Trump Media boasted:

Truth Social is designed to provide a “Big Tent” alternative to existing social media platforms that are dominated by the big tech monopoly (Twitter and Facebook). While we expect that initial users will be catalyzed by the existing Trump universe, the future of the platform audience lies in being open and inviting to a wide range of ideologies. Content from news and politics to sports, comedy, and entertainment aims to unite independents, liberals, libertarians, and conservatives alike.

In reality, TMTG is a broken radio with one channel tuned 24/7 to the World According to Trump.

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Under the terms of the recent merger, Trump contributed Truth Social—his struggling/tapped out/floundering one-man social media group—to the joint enterprise while DWIC came to party with its \$300 million in cash and its NASDAQ listing. The ticker stock symbol was changed to DJT, the initials of someone who shall always be named.

A big reason—besides old-style influence peddling—for DWIC to throw its \$300 million at Trump’s dead-on-arrival tech firm is that one of the DWIC investors is Jeff Yass, the so-called richest man in Pennsylvania who directly and indirectly owns 15% of TikTok, that which Democrats’ pending legislation would force its Chinese shareholders to sell. Here Yass is buying a little professional liability insurance for his Chinese partners.

Since the TMTG-DWIC deal went through in mid-March, shares in DJT have soared and are now trading at between \$60 and \$70 a share, which values Donald Trump’s personal stake (58%) in the combined new company at close to \$4 billion, which is a good day’s work considering that Trump put up nothing (other than his tweets) to found Truth Social in 2022.

Presumably, that windfall will come in handy when he has to pay off E. Jean Carroll and Tish James, or when he has to buy loose cigarettes, the currency of choice in most Club Fed prisons.

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According to U.S. law, individuals (Jeff Yass among them) are limited to giving a presidential candidate \$3,300 per election cycle, but the magic of merging a \$300 million SPAC with Trump's money-losing TMTG media company is that it allows anyone with a brokerage account to give Donald Trump unlimited amounts of cash—without anyone at the Federal Election Commission asking to inspect the fine print on the contribution checks.

Think about it: Saudi sovereign funds, Russian oligarchs, Sicilian mobsters, Nigerian oil ministers, hedge-funders, private-equity bros, and MAGA-loving billionaires now have a direct, unregulated money pipeline into the presumptive Republican nominee. And the last time we checked, Trump was so short on cash that he was begging the court to reduce the amount he needs to post as a bond to appeal the judgment of Justice Arthur F. Engoron, who ruled that the Trump Organization needs to pay \$454 million in restitution for fraud committed against New York state.

In theory (at least according to that text book you read in a class on corporate finance), money invested in open-market DJT shares does not immediately go into his excellency's shallow pockets or fund more hush-money payments to porn stars.

But in reality, DJT is nothing more than a special purpose corporation in which investors can buy shares in the former president, the first candidate to list his soul in an initial public offering.

Let's hope his presidency can deliver \$7 billion in intangible assets to his shareholders (they used to be called voters), because the TMTG media company in which they are nominally investing their money at \$60-70 a share is most likely another Trump castle in the air.

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Granted, the stock market valuation for TMTG is (as I write) \$7.65 billion, but let's look closer at the current financial statements—although not much is available on Truth Social, other than accumulated losses.

In the first nine months of 2023, Trump Media reported revenue of about \$3.4 million while reporting, according to *Fortune*, a \$49 million loss in the same period, which would have wiped out any capital that the company had accumulated.

When it started broadcasting Trump’s tweets to the world in 2022, Truth Social had about \$38 million in liabilities (debt and equity) raised from various Trump campaign stalwarts (but not Trump himself).

According to Reuters, “Truth Social’s early backers include six businessmen outside of the Silicon Valley mainstream — including two executives from an oil company and a gym chain, several Republican donors, a former U.S. ambassador to Portugal and the head of a mail-order fruitcake company.”

It noted that as of October 2023, “Trump had 4.37 million followers on Truth Social...compared to the more than 88 million followers he had on Twitter when the platform permanently suspended him.”

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When panhandling (the fruitcake market?) for clients and investors, Trump Media boasted that it would have 56 million users by 2024 and 81 million by 2026. To date the company has less than 5 million “users”, and it is difficult to see how Trump plans to monetize someone who swipes past one of his crazed posts. As in:

I’m not running to terminate the ACA, AS CROOKED JOE BUDEN DISINFORMATES AND MISINFORMATES ALL THE TIME, I’m running to CLOSE THE BORDER, STOP INFLATION, MAKE OUR ECONOMY GREAT, STRENGTHEN OUR MILITARY, AND MAKE THE ACA, or OBAMACARE, AS IT IS KNOWN, MUCH BETTER, STRONGER, AND FAR LESS EXPENSIVE...

Assuming TMTG does have five million “users”, by the company’s own admission only about a quarter of that number, or 1.25 million, will become paying subscribers.

According to the company’s economic models, on average such subscribers will spin off \$5.56 per head, which means that Trump Media is currently generating average annual revenue of about \$6-7 million, not nearly enough to cover the company’s gold-enameled expenses.

Yet the stock market values DJT today at \$7 billion, which gives Trump Media an enterprise-to-revenue ratio of about 1,666 times. By comparison, Walmart’s EV/revenue ratio is less than 1 times. In the overall stock market, the average ratio of EV to sales is 3.23 times. We’re in the realm of Dutch tulip pricing.

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Why is a stock—with accumulated losses and a capital infusion of only \$300 million—now trading at a \$7 billion valuation?

I will give you both a technical and political reason for the exaggerated value:

Technically, DJT is what is now called a meme stock—a darling of that network of day traders (sitting in windowless rooms in their grandmother’s basement?) who speculate on anything—cryptocurrencies, stocks, options, pork bellies, Monday Night Football, you name it—that looks vulnerable to price manipulation.

In this case, what has drawn in the meme day traders is the TMTG short position (it has over 10% in what is called “short interest”) and the relatively low percentage of outstanding shares that constitute the DJT “float,” the shares that are not restricted and can be freely traded. Another incentive: Trump’s own shares in the company (58%) cannot be traded for six months, unless he’s given permission by his board.

Here the meme day traders have “squeezed” the short sellers who are betting (quite sensibly) that Trump Media is a bucket shop with few customers and lots of Trump insider trading, not even worth the cash on its balance sheet.

To sell shares short, traders need to hold physical shares (not easy to find in this illiquid market). Then when they come to close out a position going against them in a rising stock market, the “shorts” can be caught out and “squeezed” to pay exorbitant prices to cover. It is these events that can create a stock price bubble, such as we’re seeing today.

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For now, the short-squeezing memes are feasting, but they are benefitting too from Trump godfathers who have a political interest to use DJT as a market drain to funnel money into the presumptive Republican nominee who might otherwise be heading toward a liquidity crisis, if not bankruptcy, and jeopardize electoral success in November.

Trump’s previous grift on his supporters cash was to raise money for PACs and other campaign vehicles, and then to use that bacon to pay his lawyers, court fines, porn stars, and personal expenses. But—to invert Austin Powers—why make millions when you can make billions in “pumping-and-dumping” publicly-traded shares?

Plus by IPO-ing himself, Trump has finally managed to slip the bonds of campaign finance regulation, and in promoting DJT he can raise money from anyone interested in acquiring a stake in his coming presidency or, more likely, predator’s ball (similar to what the American writer Edgar Allan Poe described in his 1842 story “The Masque of the Red Death”).

It’s unlikely that MAGA supporters in red hats showing up at Iowa rallies with flags have pushed the price of TMTG to a \$7 billion valuation (when on paper the company looks worthless), but assume that dark money lobbyists, Republican rounders, PAC middlemen, influence peddlers, and Yass players—both domestic and foreign—are all in the game of “*Who Wants Donald to be a Billionaire?*”

Sadly, there is no prospectus for such a public offering, but would it not be fitting to see these words printed in a 10-K report: *“For sale are fractionalized shares in a forthcoming American presidency, in which investors can directly own a percentage of the chief executive officer, who will run the country according to the wishes of his shareholders.”*

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How does the DJT story end? Let’s put it this way: it will not be pretty.

If Trump wants to cash in his newfound billions to pay off the likes of Tish James or E. Jean Carroll, he will need the permission of his board of directors, which is the usual collection of Trump placemen, including his pliant son Don Jr. So they will rubber stamp any decision to let Trump get around his six-month “lockup” on selling shares.

But here’s the catch: the moment the basement memes get wind that Trump (a 58% owner) is himself a block seller, they will vanish from their chat rooms and their day trading in the shares, and the DJT price will collapse. My guess would be from around \$70 today to under \$1, as no model I run for the enterprise makes the company worth even \$1 a share—unless it is as a warrant to a political pay off.

Why should a poorly-managed online company that is losing millions annually with just one windbag client—a tired old man on his way to jail, even if it is via the White House—be worth anything?

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The other way that DJT ends, in both farce and tragedy, is when the existing shareholders begin fighting like cats in a bag—unhappy that in exchange for no invested capital (other than some of his nastygram tweets) Trump wound up with 58% of the shares in a \$7 billion dollar company and then decided to stiff some of the footmen who brought him to Cinderella’s ball.

We know from the January 6 caper that Trump refused to pay his “personal attorney” Rudolph Giuliani, and I am sure among the angel investors (who put up the seed money for Truth Social) there will be some bitterness when Trump’s forced sale of his shares tanks the company, rendering their stakes worthless.

Keep in mind too that Trump views public companies as vehicles that exist to absorb his debts, not to share his gains, and he will do his best to turn TMTG into a private overdraft checking account.

Given Trump’s controlling 58% shareholding in DJT, chairmanship of the board filled with yes men and family members, and presidential candidacy, you might well think that regulators such as the Securities and Exchange Commission would open an inquiry into the

propriety of these “pump-and-dump” arrangements, although for the moment the SEC seems to be blessing all this celebrity stockjobbing.

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Here’s another hint that all might not be well in TMTG’s capital accounts. A report in *Fortune* indicated that last year Truth Social incurred interest costs of \$37 million, a figure that makes zero sense when trying to analyze the company’s balance sheet (which, as best as I can see, showed little third-party debt in 2023).

But it may indicate the Trump’s angel investors have used Truth Social promissory notes as a way to drain money from the start up, on the good chance that if it were to fail, their money would be that of a preferential stakeholder, not chump equity holders last in the creditor line.

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To the financial press, the \$7 billion run-up in the share price of Trump Media is a rags-to-riches story of a down-on-his-luck former president who is being hounded in the courts striking it rich with brilliant market timing and an unshakeable belief in the American dream. Instead, all that’s for sale at DJT is out-of-the-money call options on a future Trump presidency—from which he will cash the premiums today. Down the road, investors, voters, and citizens of the republic will be left holding his empty, faux Louis Vuitton bags.

Matthew Stevenson is the author of many books, including [Reading the Rails](#), [Appalachia Spring](#), and [The Revolution as a Dinner Party](#), about China throughout its turbulent twentieth century. His most recent books are [Biking with Bismarck](#) and [Our Man in Iran](#). Out now: [Donald Trump’s Circus Maximus](#) and [Joe Biden’s Excellent Adventure](#), about the 2016 and 2020 elections.

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