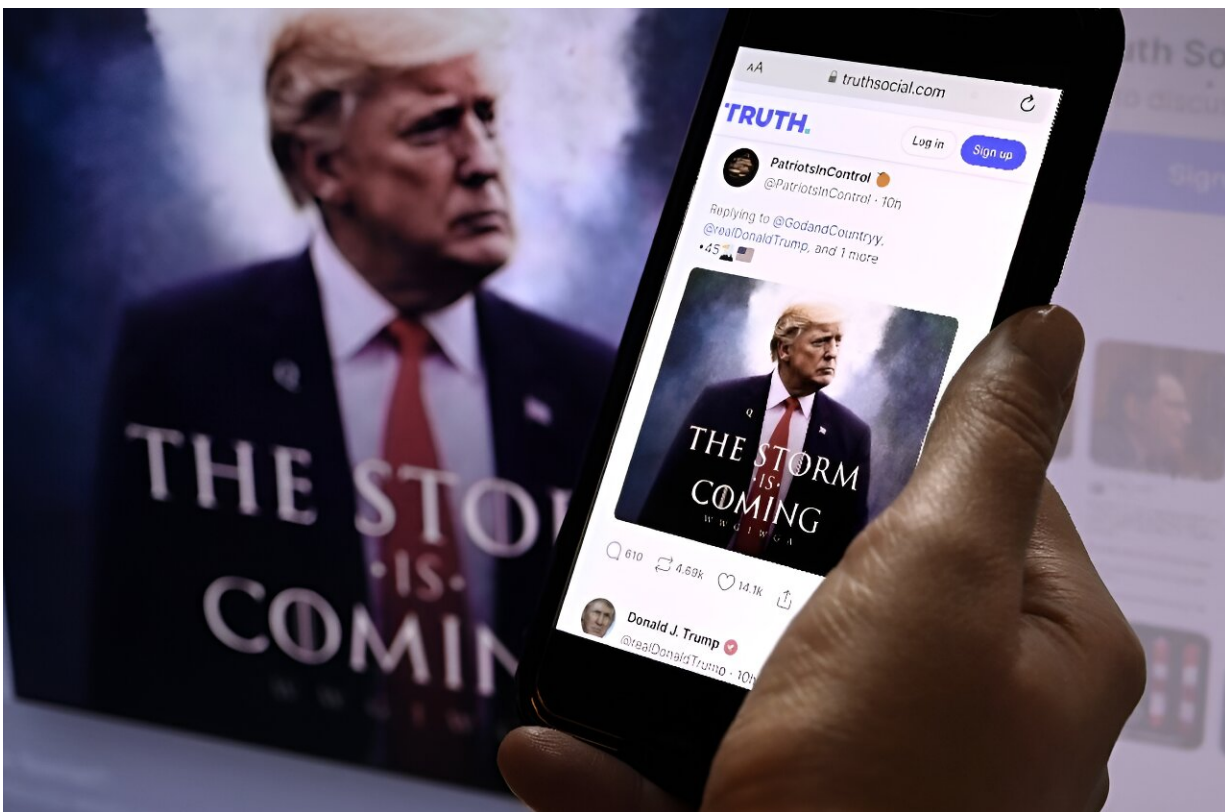


Market correction: Trump stock tumbles after buoyant debut

April 13 2024, by Thomas URBAIN



Donald Trump still stands to make plenty of money with the listing of his media group, which owns the app Truth Social.

After a winning debut on Wall Street last month, Donald Trump's media group has suffered a bruising retreat, denting the Republican candidate's wealth as he faces legal challenges.

Since entering public markets on March 26, Trump Media and Technology Group has seen its [market value](#) plummet from around \$11 billion to under \$4.5 billion.

That's an unhappy reversal for the former White House inhabitant and current presidential candidate, who faces around a half billion dollars in civil court judgments if his appeals are unsuccessful.

Trump holds 57.3 percent of the [company](#), which was successfully merged into a shell company known as Digital World Acquisition last month; equity owners in such transactions are typically required to hold the stock for six months before cashing out.

TMTG's ticker is "DJT," Trump's initials. The company's principal asset is "Truth Social," the social media platform launched for the ex-president after he was kicked off Twitter and Facebook in 2021 in the wake of the January 6 attack on the US Capitol.

Market watchers aren't quite sure what to make of the stock's trajectory.

"Nothing would surprise me about this stock's trading," said Matthew Kennedy, senior IPO Market strategist at Renaissance Capital. "It could jump to \$100 or drop to \$1 and I would be unfazed."

Though far below its peak valuation, TMTG's stock price is an anomaly in the sense that the company generated just \$4 million in revenues in 2023 and lost \$58 million, according to a securities filing.

"I can't think of any companies that currently have such a wide gap between revenue and market cap," Kennedy said.

To justify such a valuation, a company would normally be expected to produce significant growth and profitability in the near-

future—scenarios that are considered highly unlikely, if not impossible.

"It's very hard to tell any story that could justify a valuation, at today's price," said Jay Ritter, a finance professor at the University of Florida.

"There's just no plausible story where that's going to be happening," Ritter said. "The media business has been on the decline. And with this company being so closely aligned with Donald Trump, he's not going to live forever."

True believers

Even so, TMTG maintains a valuation above a group of established companies that includes Goodyear and Shake Shack, a phenomenon market watchers struggle to explain.

"I'd say this is a meme stock," said Kennedy, alluding to GameStop and a handful of other equities that caught fire in early 2021 after being embraced by users of the Reddit platform.

"It's a combination of some short-term speculators, but ... there's also a committed number of retail investors who wanted to believe in the company, believe in the stock and weren't paying attention to valuations," Ritter said of the meme stock group, which also included movie theater chain AMC.

With speculators, the play is to benefit from a short-term positive move before selling and cashing out the gains.

Expecting "lots of volatility," one anonymous investor who bought low said on Reddit he "took those profits and rolled them into put options, because of how overvalued the stock was."

Some investors likely sold out after TMTG's securities filing revealed the paltry revenues. Others may fear a sudden sale by Trump of a huge number of shares to raise money.

But some holders are "buying with an ideological motivation where they wanted to show support," Ritter said.

Bet on 2nd term?

Most of the commentators on Reddit have come out swinging against TMTG.

"My dad says he wanted to buy into this for the long-term stability of his grandchildren, and I just had to laugh," said one person on Reddit

Kennedy calls TMTG a "unique stock" and sees one scenario where the investment could take off.

"While voters may have concerns over conflicts of interest, shareholders of DJT would no doubt benefit from a second Trump term, especially if he continues to use it as his official platform," Kennedy said.

"In fact, in a recent client note we called this stock a multi-billion dollar bet on a second Trump term."

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Citation: Market correction: Trump stock tumbles after buoyant debut (2024, April 13) retrieved 2 May 2024 from <https://techxplore.com/news/2024-04-trump-stock-buoyant-debut.html>

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