Beware the Stocks in Our Zombie Stocks List

As market volatility reigns, there's no better time than now to share our Zombie Stock List. Originally, available only to Pro or higher members, we decided to release this model portfolio to the public to help more investors.

Successful investing is as much about avoiding zombie stocks as it is finding good stocks. Just one blowup could upend years of winners.

We launched our [Zombie Stock]list in [June 2022]. Of the 33 stocks added to the list, only 12 remain. These stocks could legitimately go to $0/share because they have flawed business models that will likely never generate enough cash pay equity investors a penny.

The damage these stocks could do to your portfolio is not hypothetical. Since our first Zombie Stocks report on June 23, 2022, the Zombie Stocks short model portfolio (up 3%) has outperformed the shorting the S&P 500 (down 29%) by 32%. See Figure 1.

Figure 1: Performance of Zombie Stocks List Through 4/7/25

Sources: New Constructs, LLC and company filings.

The most recent update to the Zombie Stock list was the removal of Trupanion (TRUP) due to it extending its cash runway beyond 24 months.

When we first named Trupanion a Zombie Stock it had enough cash to sustain its cash burn for another 23 months.

Trupanion slowed its FCF burn from -$109 million in 2023 to -$46 million in 2024. The lower, yet still negative, FCF means Trupanion no longer qualifies as a Zombie Stock because it has enough cash to sustain its 2024 FCF burn for 78 months from the end of March 2025.

Trupanion remains in the Danger Zone, and its stock is still very dangerous. Below we show why TRUP remains a very risky investment, and then we present the full Zombie Stock list in Figure 5 and 6. Figure 5 includes which stocks remain on the list. We're always looking for more Zombie Stocks to add to the list. Stay tuned for updates.

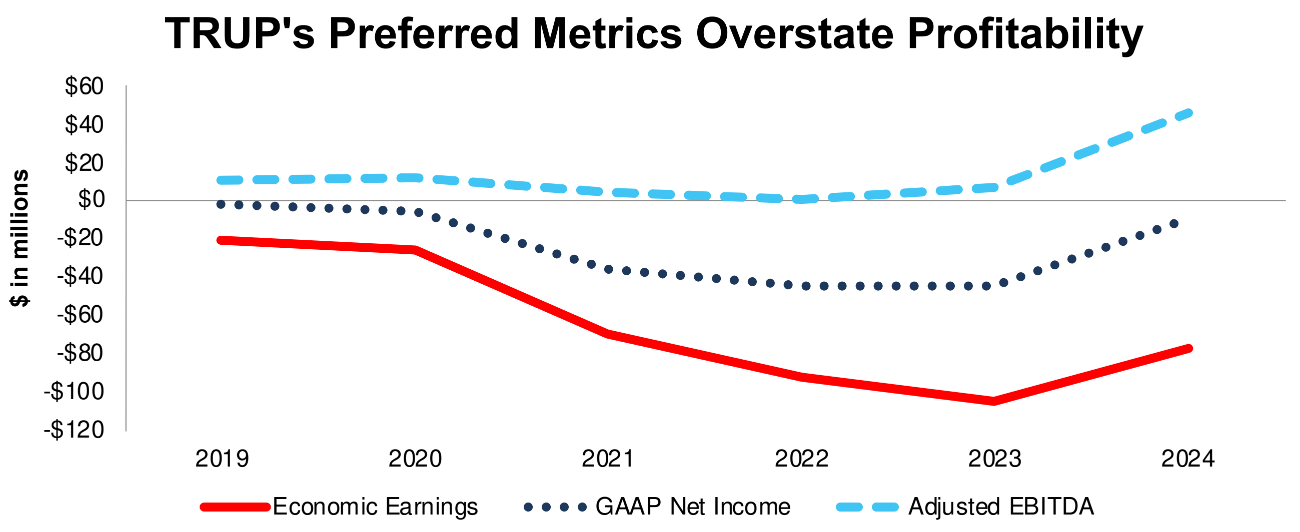
Adjusted EBITDA Misleads Investors

If one only listened to Trupanion, you would get a misleading view of the company's profitability. From 2019 to 2024, Trupanion's Adjusted EBITDA improved from $11 million to $46 million, while its GAAP net income fell from -$2 million to -$10 million.

Over the same time, the company's economic earnings, the true cash flows of the business, fell from -$21 million to -$77 million. It is a big red flag when the company's preferred non-GAAP metric is rising while its economic earnings are declining, or even worse, when its GAAP net income is declining as well.

The discrepancy between the metrics should come as no surprise since Trupanion openly admits in earnings releases that its non-GAAP metrics may "exclude expenses that may have a material impact on Trupanion's reported financial results." We further detail the issues with Adjusted EBITDA here.

Figure 2: Trupanion's GAAP Net Income vs. Economic Earnings vs. Adjusted EBITDA: 2019 - 2024

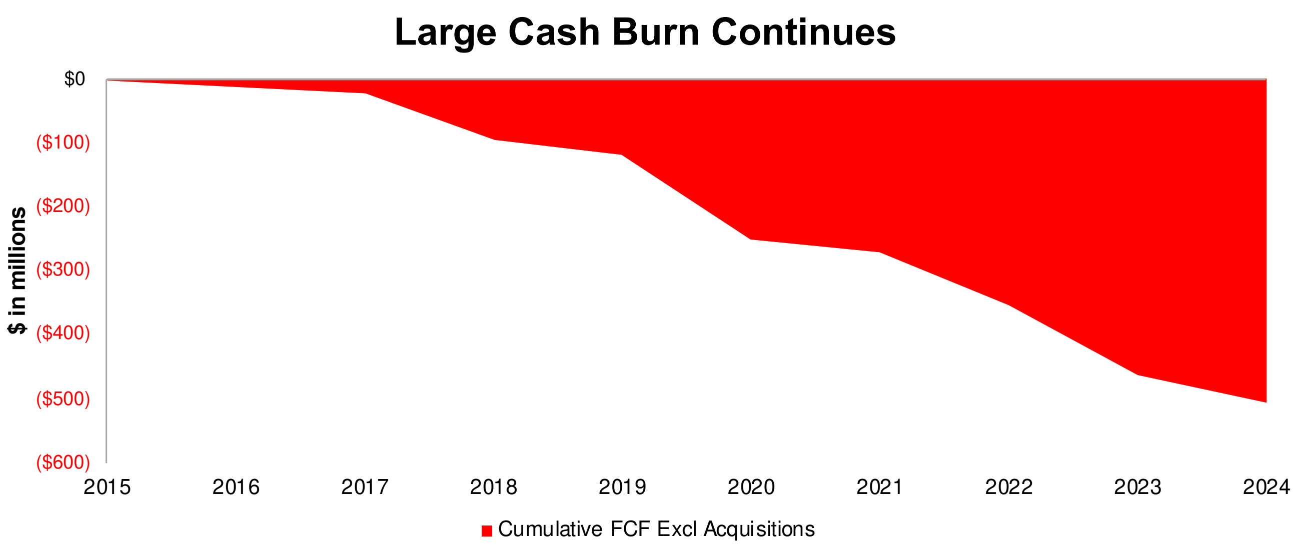


Sources: New Constructs, LLC and company filings.

Cash Just Keeps on Burning

Despite positive and increasing Adjusted EBITDA, Trupanion hasn't achieved a positive free cash flow (FCF) in any full year since 2015 (earliest data available). In fact, the company has only achieved a positive FCF in one quarter (3Q18) out of thirty-six in our model. Trupanion has burned $508 million (34% of enterprise value) in free cash flow (FCF) excluding acquisitions since 2015. See Figure 3.

Figure 3: Trupanion's Cumulative Free Cash Flow Since 2015



Sources: New Constructs, LLC and company filings.

Valuation Implies Trupanion Will Nearly Double its Market Share

Below, we use our reverse discounted cash flow (DCF) model to analyze the future cash flow expectations baked into Trupanion's stock price. Trupanion's stock is priced as if the business will instantly reach profitability, continue to grow revenue, and nearly double its market share, a feat that is highly unlikely. We also present an additional DCF scenario to highlight the downside risk in the stock if Trupanion fails to achieve these overly optimistic expectations.

To justify its current price of $35/share, our model shows Trupanion would have to:

- improve its NOPAT margin to 3% (equal to Prudential and Cigna's 2024 NOPAT margin and above Trupanion's -1% 2024 NOPAT margin) and
- grow revenue by 26% compounded annually (1.5x projected industry growth through 2032) for the next eight years.

In this scenario, Trupanion would generate $8.0 billion in revenue in 2032, which is more than 6x the company's 2024 revenue, and grow its market share in the global pet insurance industry from an estimated 12% in 2024 to 21% in 2032. This scenario also implies Trupanion's NOPAT would reach $272 million in 2032 compared to -$19 million in 2024. Contact us for the math behind this reverse DCF scenario.

Furthermore, companies that grow revenue by 20%+ compounded annually for such a long period are "unbelievably rare", making the expectations in Trupanion's share price even more unrealistic.

49%+ Downside at Industry Growth Rates

If we instead assume Trupanion:

- immediately improves NOPAT margin to 3% and
- grows revenue by 17% (projected industry growth) compounded annually each year through 2032, then

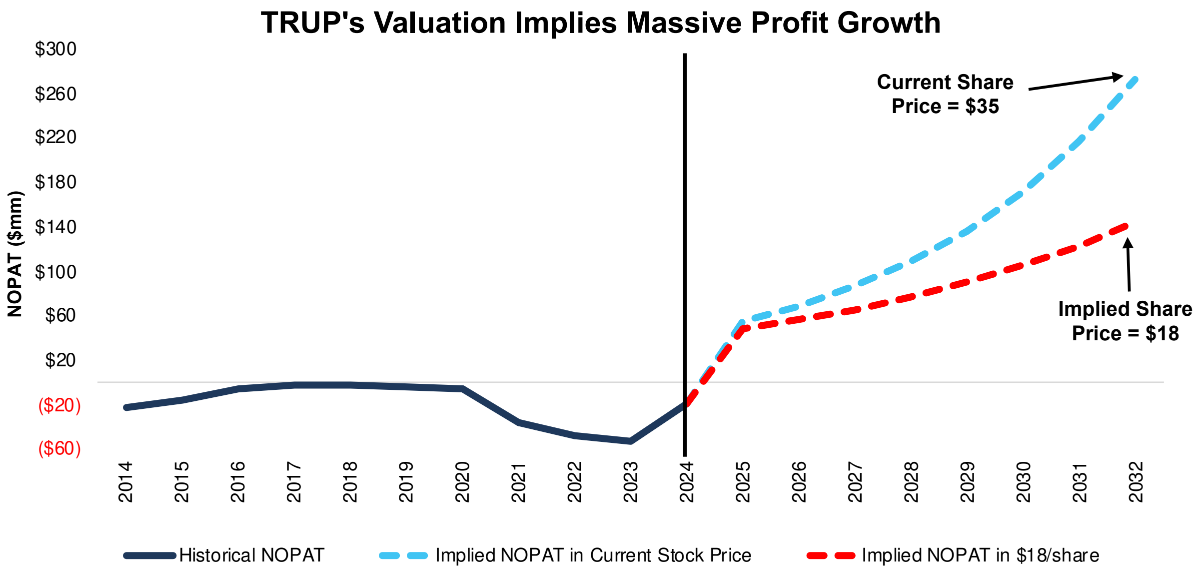
the stock would be worth $18/share today – a 49% downside to the current price.

This scenario still implies Trupanion's revenue would reach $4.5 billion in 2032, which is 3.5x higher than the company's 2024 revenue. In this scenario, Trupanion's NOPAT would reach $144 million in 2032, which is well above the company's best ever NOPAT of -$2 million in 2018. Contact us for the math behind this reverse DCF scenario.

Should the company fail to improve margins and grow revenue at a rapid pace, the stock could be worth $0.

Figure 4 compares Trupanion's implied future NOPAT in these scenarios to its historical NOPAT.

Figure 4: Trupanion's Historical and Implied NOPAT: DCF Valuation Scenarios



Sources: New Constructs, LLC and company filings.

Stock May Not Be Worth $1

Each of the above scenarios assumes Trupanion grows revenue, NOPAT and FCF without increasing working capital or fixed assets. This assumption is highly unlikely but allows us to create best-case scenarios that highlight the unrealistically high expectations embedded in the current valuation. For reference, Trupanion's invested capital grew 20% compounded annually in the last decade. If we assume Trupanion's invested capital increases at a similar rate in the DCF scenarios above, the downside risk is even larger.

Given that the performance required to justify its current price is overly optimistic, we dig deeper to see if Trupanion is worth buying at any price. The answer is no.

The company has $129 million in total debt, $2 million in deferred tax liabilities, $6 million in employee stock options, and no excess cash. Trupanion has an economic book value, or no-growth value, of -$7/share. In other words, we do not think equity investors will ever see $1 of economic earnings under normal operations, which means the stock would be worth $0 today. Though TRUP is no longer a Zombie Stock, it remains very dangerous.

The Full Zombie Stock List

When we select companies to add to the Zombie Stock list, we look for companies that have:

- less than 24 months of cash to sustain their high cash burn, and
- a negative interest coverage ratio (EBIT/Interest expense).

While being on the Zombie Stocks list, companies may no longer meet these criteria. We review such instances to decide if we believe the company has truly improved its business, or if the results look more like a blip while the issues with the business model remain in place.

For the companies we believe have improved their standing, we remove them from the Zombie Stock list. In fact, we've removed companies from the list because:

1. they have extended their cash runway before running out of cash,
2. their stock prices are near $0,
3. they have been acquired, thereby saved from going to $0, or
4. they have turned their businesses around and look like they will avoid bankruptcy.

See Figure 5 for all stocks currently on the Zombie Stocks List.

Figure 5: Current Zombie Stocks List – 4/7/25

Company	Ticker	Sector	Market Cap ($mm)	Economic Book Value ($mm)
Affirm Holdings	AFRM	Technology	$11,949	($2,456)
AMC Entertainment	AMC	Consumer Cyclicals	$994	($7,930)
Beyond Meat	BYND	Consumer Non-cyclicals	$221	($2,409)
BILL Holdings	BILL	Technology	$4,083	($2,382)
Carvana	CVNA	Consumer Cyclicals	$35,784	$763
Compass	COMP	Technology	$4,188	($1,369)
DoorDash	DASH	Technology	$69,862	$2,270
Peloton Interactive	PTON	Consumer Cyclicals	$2,008	($3,486)
RingCentral	RNG	Technology	$2,021	($1,624)
Sunrun	RUN	Energy	$1,486	($18,871)
Sweetgreen	SG	Consumer Cyclicals	$2,372	($1,237)
Wayfair	W	Consumer Cyclicals	$3,482	($7,482)

Sources: New Constructs, LLC and company filings.

Of course, the risk of running out of cash within 24 months makes a stock risky. But what makes Zombie Stocks particularly dangerous? Low and negative economic book values.

For the few companies that currently generate positive earnings or net operating profit after-tax (NOPAT), they have liabilities that more than offset the positive earnings. In other words we do not think equity investors will ever see $1 of economic earnings under normal operations, which means the stock would be worth $0 today.

Making matters worse, the disconnect between market cap and economic book value increases risk. These stocks trade so far beyond the no growth value of the business that should the stock price correct, as we're seeing in the current market, it could create a contagion where confidence in the business follows suit and pushes the company towards bankruptcy even quicker.

All Zombie Stocks – Current and Removed

Figure 6 shows all 33 Zombie Stocks. We mark those that have been removed from the list with an asterisk.

Prior reports where we removed stocks from the Zombie Stock List are here, here, here, here, here, here, here, here, here, and here.

Figure 6: Zombie Stock Reports: With Performance Since Publish Date Through 4/7/25

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	-53%	83%
Carvana Co.	CVNA	6/23/22	433%	-403%
Snap Inc.*	SNAP	7/22/22	9%	36%
Beyond Meat, Inc.	BYND	8/1/22	-91%	115%
Rivian Automotive*	RIVN	8/8/22	-61%	94%
DoorDash, Inc.	DASH	8/10/22	114%	-93%
Shake Shack, Inc.*	SHAK	8/10/22	112%	-75%
AMC Entertainment	AMC	8/15/22	-99%	116%
GameStop Corporation*	GME	8/15/22	-68%	69%
Chewy Inc.*	CHWY	8/17/22	-55%	57%
Uber Technologies*	UBER	8/17/22	146%	-112%
Robinhood Markets*	HOOD	8/22/22	307%	-261%
Tilray Brands*	TLRY	9/7/22	-49%	92%
Affirm	AFRM	9/19/22	70%	-38%
Sunrun	RUN	9/21/22	-79%	116%
Blue Apron *	APRN	9/26/22	-79%	95%
RingCentral	RNG	10/3/22	-48%	81%
Allbirds Inc.*	BIRD	10/17/22	-71%	89%
Wayfair	W	11/14/22	-35%	62%
Atlassian*	TEAM	11/16/22	43%	-32%
Bill.com	BILL	11/16/22	-66%	94%
Okta*	OKTA	11/16/22	47%	-2%
Oatly*	OTLY	11/21/22	-62%	71%
Twilio*	TWLO	11/23/22	39%	4%
Ceridian*	CDAY	11/23/22	-3%	11%
Redfin*	RDFN	11/30/22	107%	-68%
Five9 Inc.*	FIVN	12/5/22	-37%	72%
Opendoor*	OPEN	1/30/23	-9%	50%
Compass Inc.	COMP	2/6/23	91%	-70%
Sweetgreen Inc.	SG	3/13/23	189%	-160%
Lucid Group*	LCID	4/10/23	-23%	31%
Trupanion*	TRUP	5/1/23	4%	34%
Overall Portfolio Return			**-3%**	**29%**

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.

This article was originally published on [April 8, 2025](#).

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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