
DISCUSSIONS AROUND PLATFORM BUSINESSES AND EARNINGS TRENDS

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01/20/2021

We released two separate *Behind the Markets* podcasts last week, touching on two important issues for the market:

1. Developments in content platforms like Twitter, given the recent political discourse.
2. The latest readings on earnings from New Constructs, our data provider on core earnings, who also has released some expanded features into the [credit](#) markets. Here, we also touched on how much success is priced into Tesla, banks and other major themes for [valuations](#).

Platform Business Model Performance in 2020

Alex Moazed believes the latest censorship from Twitter was a big strategic misstep and could enable more startup competition that impales their leadership. Twitter has “only” 30 million active daily users, and Moazed will be watching their earnings closely, as he anticipates a big drop in engagement metrics.

Many platform [IPOS](#) came out recently in the \$20 to \$50 billion range, and these [mid-sized](#) platforms have a lot of upside potential, in Moazed’s view.

The conversation also touched on gaming platform growth. Roblox is doing a direct listing after seeing their prices quadruple their expected IPO price just four months ago—this is another area of platforms that will be interesting to watch in the future.

Moazed’s thesis is that platforms are the most robust business model and 2020 was another year that emphasized their dominance.

New Constructs’ Earnings Reading

One hot topic is Tesla. Tesla recently reported profits from non-recurring regulatory tax credits they purchased from companies unable to complete production goals, but these companies—like BMW, Daimler, Volkswagen and others—are ramping up production in big way.

David Trainer’s reverse discounted [cash flow](#) model implies Tesla will have a car production rate of 45 million cars sold by 2030, when the total electrical vehicle (EV) market size is projected to only be about 30 million cars. Today, they only produce 500,000 cars per year, and he admits that his model’s lofty forecast is not realistic.

We discussed whether it makes sense to remove intangibles or R&D spend from the calculation of earnings, but Trainer thinks that presents additional challenges.

Lastly, we discussed Trainer’s [valuation](#) work and the reason he founded New Constructs. It backs out what type of earnings growth is factored into current prices using reverse discounted cash flow models.

WisdomTree discussed valuations across [large-cap and small-cap indexes](#) in one of our recent blog posts.

Please listen to these two great discussions below.

Behind The Markets Podcast: AppliCo CEO Alex Moazed

Behind the Markets Podcast: CEO of New Constructs David Trainer

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

view the online version of this article [here](#).

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DEFINITIONS

Credit: A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some date in the future.

Valuation: Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

Initial public offering (IPO): The first sale of stock by a private company to the public.

Mid-Cap: Characterized by exposure to the next 20% of market capitalization (after the top 70% have been removed) within the Value, Blend or Growth style zones with the majority of the fund's weight.

Valuation: Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.