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THE BIG SECRET ON WALL STREET

Ticking Time Bombs

✕ 10 Companies You Should Have Sold Yesterday



FROM THE DESK OF PORTER STANSBERRY

SPECIAL REPORT

Ticking Time Bombs

10 Companies You Should Have Sold Yesterday

Why We're Headed for an Economic Precipice...

I'm Porter Stansberry. I'm usually right.

That's not bragging. It's just a sober statement of fact.

If you've been with me for any portion of the past quarter-century (and some of you have been there for *all* of it)... you'll remember that I've consistently called major drops in the economy and collapses of major companies, well ahead of time.

My team and I predicted the dot-com crash. We warned of the demise of General Electric (GE), of General Motors (GM), and of Fannie Mae (FNMA) and Freddie Mac (FMCC). We predicted the Great Financial Crisis. Along the way, we made our subscribers a series of five-digit gains that paid subscribers can peruse in our Hall of Fame.

There's no magic to making these prescient calls – just years of experience, deep insight, and good pattern recognition. When I started Stansberry Research from my kitchen table, I had a crappy laptop and access to the same publicly available Security and Exchange Commission (“SEC”) documents and financial filings that anyone with an internet connection does. What gave us our edge was a dogged commitment to the truth – and a willingness to piss people off when they didn't like what we found.

My point is that I have a long history of successfully predicting disasters – and showing my readers how to stay out of trouble. And that's what I want to do for you today. My team and I will show you why another great recession is likely on the way... and reveal 10 stocks that you should dump now, before the carnage begins.

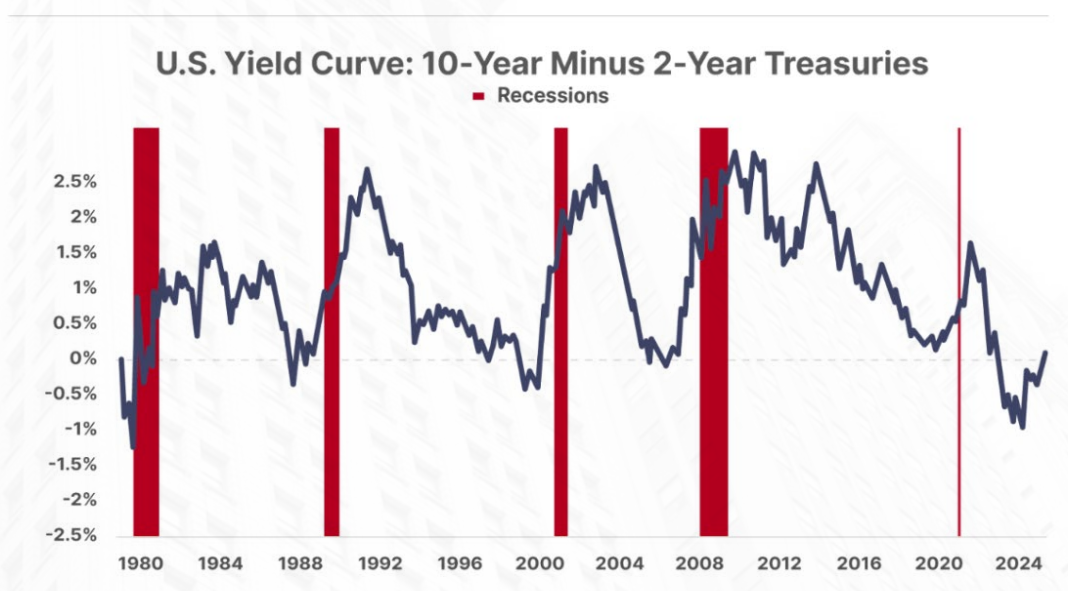
Another Crisis Is Unavoidable

The economic warning signs have been popping up for the past couple years...

But in just the last few months, we've seen mounting evidence that the economy is barreling toward a severe recession.

For example, Treasury yield-curve inversions – when the yield on short-duration U.S. Treasury debt trades above the yield on long-duration Treasuries – have correctly predicted every recession since World War II. However, it is only after the yield curve “uninverts” that those recessions have materialized.

That's exactly what happened in September, when the 2-Year U.S. Treasury yield moved back below the 10-Year Treasury yield, following one of its longest (two-plus years) and deepest inversions in history.



In addition, the U.S. consumer is now showing signs of significant distress. We first noted signs of **consumer weakness** in the quarterly reports of bellwether brands like McDonald's (MCD) and **Starbucks (SBUX)** early this year. Since then, weakness has begun to materialize in a growing list of companies, including such historically "recession-proof" businesses as PepsiCo (PEP) and Procter & Gamble (PG).

Consumer credit card charge-offs at U.S. banks have quietly risen to their highest level in 13 years, as persistent inflation (rising prices) has collided with dwindling COVID-era stimulus savings (which means less spending money). And with Americans now owing a record \$1.14 trillion in credit card debt – and paying a staggering average 22.8% interest on that debt – these problems are likely to get much worse.

But the most worrisome recessionary "red flag" has now shown up in the labor market...

Full-time employment fell by a massive 1 million workers in August, marking the seventh consecutive monthly decline. And this followed the unemployment rate jumping to a post-COVID high of 4.3% in July. This increase triggered another reliable recession indicator known as the Sahm Rule.

Created by economist Claudia Sahm, the rule states that if the three-month average of the unemployment rate rises by a half-percentage point or more over the lowest three-month average over the previous year, the economy is in recession. And September's rise in unemployment officially met that condition.

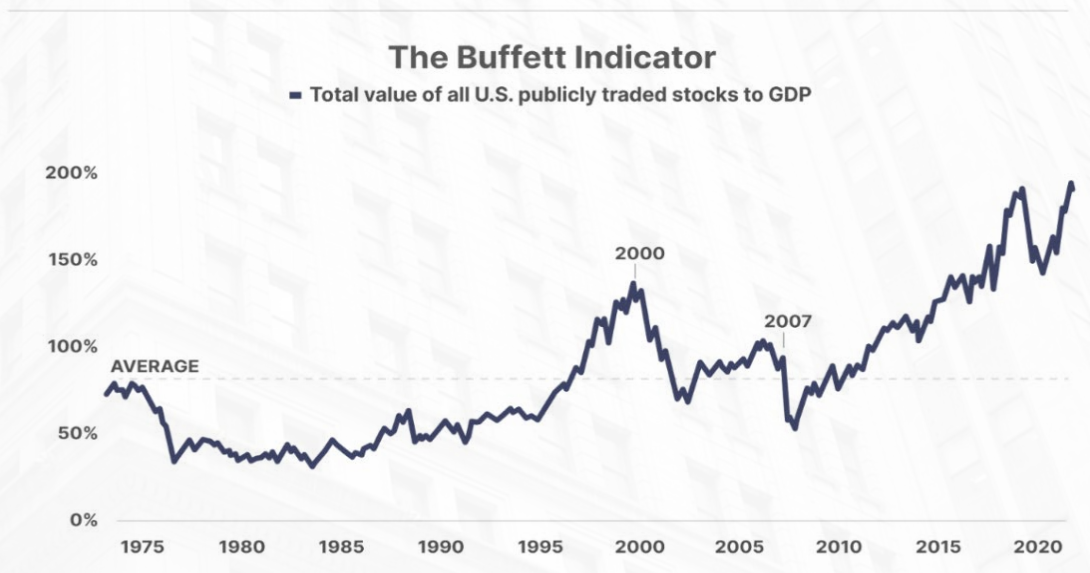
This combination of the job market cooling off (and unemployment rising) has historically been the key signal that a recession is imminent. In fact, according to the Sahm Rule, it could already be underway.

These warning signs are occurring against a backdrop of unprecedented government debt. U.S. federal debt recently surpassed \$35 trillion, and the government is now adding another \$1 trillion to the total roughly every three months.

The unbelievable size of U.S. debt and deficits have created a legitimate threat to U.S. dollar hegemony. The “End of America” has been happening for more than a decade as more and more central banks turn to alternative reserve assets, including gold, Bitcoin, and the new BRICS (Brazil, Russia, India, China, South Africa) currency. These factors will make it much harder for the Fed to prevent a recession in the U.S.

Meanwhile, the major stock market indexes are trading near record-high valuations by nearly every important metric.

A recent Bank of America analysis shows that the S&P 500 is trading well above its long-term historical averages in 19 out of 20 key valuation metrics. Total market capitalization divided by GDP (Warren Buffett’s favorite measure of value) is higher than at any point since data has been kept, starting in 1964... and the Shiller P/E, a longer-term price-to-earnings multiple that “smooths” valuation fluctuations over a 10-year period, is double its long-term average.



This potent cocktail suggests the potential for significant economic and market turmoil is arguably greater than at any time in recent memory.

To help you prepare, we've identified a list of 10 ticking time bombs that investors would be wise to avoid ahead of the next crisis. These stocks are likely to underperform even as the rally continues... and could absolutely plummet when the next bear market begins.

These "Naughties" Are in Trouble No Matter What Happens Next

The coming recession is likely to present tough conditions for even the highest-quality companies.

This is why we've been extremely selective with new additions to the Big Secret portfolio over the past year... and why we have created a subscribers-only watchlist of stocks to buy when prices get cheap. And all along, we have urged readers to be disciplined about investing only in those stocks they can purchase at reasonable valuations.

However, the next downturn could represent a life-or-death scenario for the companies below.

10 Ticking Time Bombs (\$millions)

Company	Ticker	Sector	Market Cap	Total Debt	Cumulated Net Income Over Last Three Years	Cumulated FCF Over Last Three Years	Trailing 12-Month Interest Expense
Sunnova Energy International	NOVA	Utilities	\$872	\$7,534	-\$693	-\$16,059	\$435
Clear Channel Outdoor Holdings	CCO	Communication Services	\$733	\$7,175	-\$472	-\$1,411	\$429
Spirit AeroSystems Holdings	SPR	Industrials	\$3,787	\$4,177	-\$2,314	-\$5,418	\$349
Bally's Corp	BALY	Consumer Discretionary	\$713	\$5,066	-\$962	-\$422	\$295
Opendoor Technologies	OPEN	Real Estate	\$1,294	\$2,534	-\$2,020	-\$2,878	\$151
Krispy Kreme	DNUT	Consumer Discretionary	\$1,784	\$1,443	-\$66	-\$292	\$54
Plug Power	PLUG	Industrials	\$1,979	\$600	-\$2,844	-\$14,176	\$44
Lyft	LYFT	Industrials	\$5,131	\$1,041	-\$2,235	-\$2,270	\$29
Lucid Group	LCID	Consumer Discretionary	\$7,931	\$2,355	-\$6,503	-\$33,478	\$25
Beyond Meat	BYND	Consumer Staples	\$406	\$1,217	-\$873	-\$3,329	\$4

Source: Bloomberg

To identify the stocks on this list, we started with the Russell 3000 – a broad index of roughly 3,000 stocks representing 98% of the investable U.S. market by capitalization, including all large-cap, mid-cap, and small-cap U.S. stocks, along with some microcaps.

We then filtered for those that owe money to creditors (i.e., that have some amount of total debt outstanding) and that are required to make regular annual payments on that debt to avoid default.

Finally, we screened for those companies with the largest negative earnings (cumulated net income... or loss, in this case) and largest negative free cash flows (cumulated FCF) over the past three years. This is a short enough time period to be current, but long enough to ensure we don't flag healthy companies suffering a temporary hiccup.

The individual circumstances of these companies vary widely...

Some are household names – such as donut maker Krispy Kreme (DNUT) and ride-sharing company Lyft (LYFT). Some are cash-burning “growth” companies that have rarely (if ever) turned a profit. But all the companies on this list currently have two critical problems in common...

They have significant debt burdens, and they don't earn enough cash (over and above operating costs) to cover even the interest on those debts today.

In fact, these companies don't currently “earn” anything at all. Each has posted significant net losses or has otherwise hemorrhaged cash over the past few years.

This combination represents a potentially existential threat in any scenario, let alone a severe economic downturn. However, it's important to note that these companies are already struggling – despite their still-historically-low financing costs – despite a soaring stock market and still officially growing economy.

That's unlikely to change even if the economy somehow avoids a hard landing in the year ahead. And importantly, because many of these companies financed their current debt at the record-low interest rates of the past decade, these problems are likely to worsen as those debts come due at today's higher rates (even if borrowing costs move lower from where they are now).

In other words, many of these stocks could be a “zero” – meaning equity investors are likely to be wiped out through default or reorganization – regardless of what comes next. (Some already are.. We previously included Spirit Airlines (SAVE) on this list. However, Spirit recently declared bankruptcy, and thus we've replaced it.)

We urge investors who own any of these “naughties” to consider selling them soon. And though we at Porter & Co. generally don't recommend shorting stocks, several of the names on this list could be strong candidates for investors looking to hedge.

Of course, recessions and major downturns in stock prices are also what every long-term investor should hope to see. These are made-to-order opportunities to buy the very best businesses at substantial discounts... and that's exactly what we'll help **Big Secret on Wall Street** subscribers to do.



Porter Stansberry

Porter & Co.
Stevenson, MD

P.S. If you'd like to learn more about the Porter & Co. team, you can get acquainted with us [here](#). You can follow me (Porter) on **X** here: [@porterstansb](#)