Hindenburg Unveils Short Position In Icahn Enterprises, Says Company "Inflated By 75%+"

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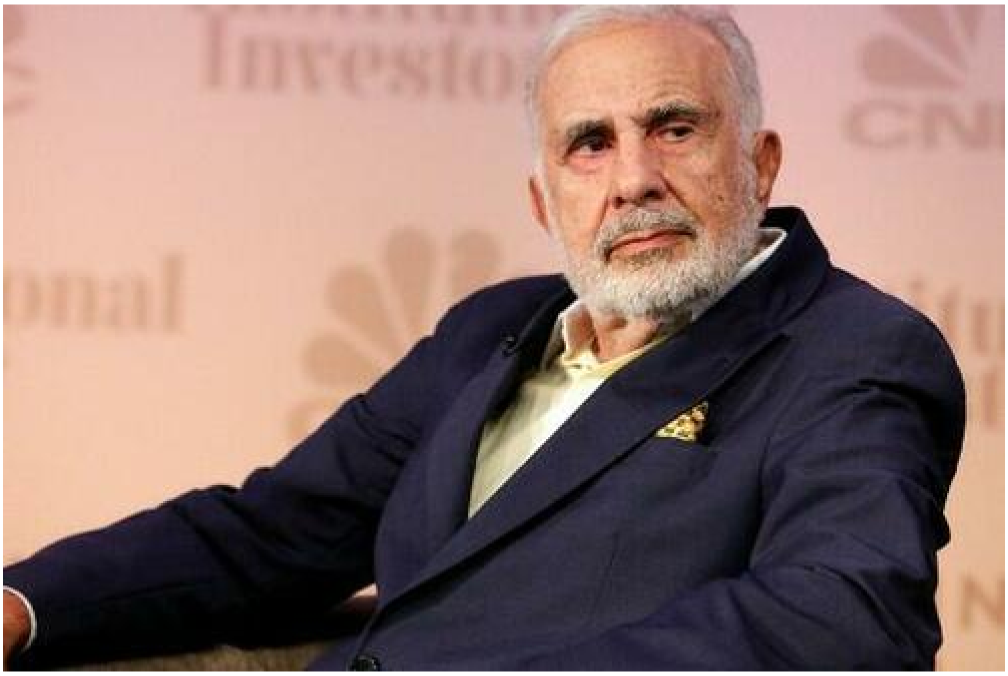
First it was Gautam Adani, then Jack Dorsey, now it's Uncle Carl Icahn. Shares of Icahn Enterprises are falling in the pre-market session, as research firm Hindenburg Research is taking aim at the legendary corporate raider's holding company in a report that **accuses Icahn of "throwing stones" from his own glass house.**

The firm says shares of IEP are inflated by more than 75% and, while referring to Icahn as a "legend", says he ***"has made a classic mistake of taking on too much leverage in the face of sustained losses: a combination that rarely ends well."***

"Our research has found that **IEP units are inflated by 75%+ due to 3 key reasons:** (1) IEP trades at a 218% premium to its last reported net asset value (NAV), vastly higher than all comparables (2) we've uncovered clear evidence of inflated valuation marks for IEP's less liquid and private assets (3) the company has suffered additional performance losses year to date following its last disclosure," Hindenburg writes.

The research firm also called out the alleged unsustainability of IEP's dividend, stating:

> "The company's outlier dividend is made possible (for now) because Carl Icahn owns roughly 85% of IEP and has been largely taking dividends in units (instead of cash), reducing the overall cash outlay required to meet the dividend payment for remaining unitholders."



Hindenburg takes exception with IEP needing to raise cash to pay its dividend, calling it a "ponzi-like" economic structure.

Hindenburg asserts:

> "The dividend is entirely *unsupported* by IEP’s cash flow and investment performance, which has been negative for years. IEP’s investment portfolio has lost ~53% since 2014. The company’s free cash flow figures show IEP has cumulatively burned ~$4.9 billion over the same period."

The firm also called out Jefferies for its positive coverage of IEP:

> *"Supporting this structure is Jefferies, the only large investment bank with research coverage on IEP. It has continuously placed a “buy” rating on IEP units. In one of the worst cases of sell-side research malpractice we’ve seen, Jefferies’ research assumes in all cases, even in its bear case, that IEP’s dividend will be safe “into perpetuity”, despite providing no support for that assumption."*

And the report concludes that Icahn will eventually have to cut its dividend: "Given limited financial flexibility and worsening liquidity, we expect Icahn Enterprises will eventually cut or eliminate its dividend entirely, barring a miracle turnaround in investment performance."

We'll update this piece as more information becomes available or Icahn Enterprises responds.