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#1 Rated Shortseller Skewers Jim Cramer For Ignoring Risk Of Sudden Death

By [Mark W. Gaffney](#) • on July 26, 2017 4:30 pm • in [Top Stories](#)

Universal Display Corp (NASDAQ: OLED) shares have surged over 118% year-to-date in 2017, fueled by widespread reports that [Apple's iPhone 8](#) will offer a new cutting edge display based on organic light emitting diode (OLED) technology licensed and supplied by Universal Display.



Television personality [Jim Cramer](#)'s vocal support has been a key factor in UDC's rise. Cramer first recommended OLED stock when it traded in the mid 50s last September. And as recently as May 8 on CNBC's Stop Trading, with OLED stock already up over 100% for the year, and trading with a PE of about 100, Cramer reiterated his bullish case for UDC in a one minute segment, saying:

I would not get in front of this juggernaut. I would not short it, as so many people are telling me. Forget it, this is a [great company](#) that's been held down a long time. It's got the right product. It's pretty amazing."

A co-host notes, "You've been pretty resolute in your conviction."

Cramer: "Yeah I like these guys, they're really, really good. They're real scientists, that's what people miss. They're not hype artists, they're scientists and engineers. Just cause they're not in Silicon Valley doesn't mean they're idiots."

But while Cramer pounds the "buy, buy, buy" button on OLED, renowned activist short seller [Manuel P. Asensio](#), founder of [asensio.com](#), has a starkly different view of the company. Asensio believes that after 2017 it's the house of pain for Universal Display. Even worse, the short-seller expects 2018 to begin a "terminal decline" in OLED shares as key patents and contracts expire.

In a phone interview with ValueWalk last week, Asensio — [an activist short seller with a career dating back to 1992](#) — said that Jim Cramer's promotion of OLED shares has been "irresponsible" and that the Mad Money host, by not presenting all the facts about UDC, has "not acted in the best interest of his viewers and UDC shareholders."



The market is valuing OLED stock at about \$5.7 billion – \$3 billion of that added in 2017 alone – based on the premise that Universal Display is THE player in the OLED industry. Investors are assuming UDC has the patent rights and agreements to secure – and expand – that position going forward.

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However, Asensio is convinced that impending patent expirations and extensive OLED competition will soon reduce UDC to a bit player in the OLED market. He believes currently soaring OLED stock it destined to trade much lower.

OLED panels are made from organic (carbon based) materials that emit light when electricity is applied through them. Unlike LCD displays which require a backlight to produce images, each pixel in an OLED display creates its own light. OLED displays are more efficient, simpler to make, and much thinner. In fact, the tech world is abuzz about flexible, and even rollable OLED designs under development.

If reports are accurate and Apple (NASDAQ: AAPL) introduces its first [OLED iPhone](#) this fall, Universal Display will benefit via its licensing and supply agreements with Samsung. Apple has reportedly already placed large orders for OLED screens with Samsung.

UDC reported blow-out earnings of \$10.4 million, or \$0.22 per share for its first quarter of 2017. Cramer and others have attributed the upside surprise to Apple OLED orders – though the company is tight-lipped about Apple's contribution to its business.

With Apple watchers viewing OLED iPhone displays as the Next Big Thing, and Universal Display seen as a prime beneficiary, UDC stock has been a focal point for speculation by investors. It hasn't hurt that the company's ticker and the acronym for organic light emitting diodes are the same. In a shrewd move, Universal Display changed its ticker from PANL to OLED in 2013. It couldn't be easier – if you're excited about OLED technology, buy OLED stock.

As Asensio sees it, UDC shares are being priced by investors not only ignorant about the company's patents but also oblivious to the basic facts about its key technology – an iridium based OLED compound. In addition, OLED investors are complacent about Samsung's relationship with UDC, expecting it not only to continue, but increase.

But Asensio says there's a double blow coming that Cramer and OLED investors are ignoring: On December 31, 2017

Universal Display's key patent will expire, as will its big licensing agreement with Samsung. In 2018 other companies will be free to move into the OLED space.

While Universal Display says it has "4,200+ patents", its key patent involves the use of the rare-earth element iridium in OLED displays. UDC's licensing deal with Samsung – which accounts for nearly 2/3 of [the company's sales](#) – is based upon this patent.

According to Asensio, when that patent expires this year, a long list of companies – with much deeper pockets than UDC – will be competing with the company. LG, Koninklijke Philips, Panasonic, BASF and Merck KGaA are among the companies eyeing the OLED market, which could approach \$50 billion by 2021.

There's yet another problem facing UDC that Cramer, Goldman Sachs and others are "willfully blind to" according to Asensio: The iridium-based OLED technology that put Universal Display on the map will soon be obsolete.

There is a problem with using iridium in displays – it doesn't emit blue light very well. Displays with iridium can only convert about 40% of electricity used into blue light, but for red and green the efficiency is 100%.

A superior OLED technology – that doesn't use iridium – is coming to market. TADF, or Thermally Activated Delayed Fluorescence, is a new class of OLED emitter material that is just beginning commercialization.

Jim Cramer: "Yeah I like these guys, they're really, really good. They're real scientists, that's what people miss. They're not hype artists, they're scientists and engineers."

Manuel Asensio: "These guys were brought public by a penny stock firm. They're not scientists. They haven't invented anything. They're flimflam artists and patent trolls."

Using [artificial intelligence software](#) developed by Harvard University, Chihaya Adachi, co-founder of Kyulux Inc., was able to create hundreds of carbon compounds that never existed before – in only a week’s time. In 2012, this research led to a breakthrough – TADF, which promises much lower costs, less power consumption, and OLEDs with purer colors.

Asensio believes TADF will soon supplant Universal Display Corp.’s iridium-based OLED technology as the standard for the industry.

But of course the thousand pound gorilla in the OLED discussion is Apple. And the short-seller says that “You’d have to be crazy to believe the company with the most valuable product in the world hasn’t carefully thought through the OLED supply chain.”

Asensio asserts that he “knows what’s going on in the iridium market with the iridium refiners that have spoken to Apple. So there’s no doubt that Apple’s aware of the risk of iridium. Iridium can’t produce blue. And iridium has had a competitor, yet Samsung has not bought from that competitor.”

