

Hindenburg shorts Dorsey's Payments Firm [UPSC Current Affairs]

Hindenburg Research disclosed short positions in Block Inc and alleged that the payments firm led by Twitter co-founder Jack Dorsey overstated its user numbers and understated its customer acquisition costs. In this article, you can read more about this development. It is a topic relevant for the [IAS exam](#) current affairs segment.

Hindenburg shorts Dorsey's payments firm, shares plunge

- The U.S. short-seller said in its report that former Block employees estimated that 40% to 75% of accounts they reviewed were fake, involved in fraud, or were additional accounts tied to a single individual.
- Shares of Block slid 20% to \$58.39 after this report.
- Dorsey co-founded Block in 2009 with the goal to shake up the credit card industry, and is the company's largest shareholder with a stake of around 8%.
- The report comes at a time when the outlook for the payments industry has been clouded by worries over the strength of consumer spending in the face of stubbornly high [inflation](#) and expectations of an economic downturn.
- Short sellers have made over \$400 million in paper profit, according to data from financial analytics firm Ortex. Short interest was 27.96 million shares, or 5.21% of free float.

Hindenburg Research had also accused India's Adani Group of stock manipulation and accounting fraud scheme over decades. Read more about the [Adani Hindenburg issue](#) in the linked article.

- Founded in 2017 by Nathan Anderson, Hindenburg is a forensic financial research firm that analyzes equity, credit and derivatives.
- Hindenburg invests its own capital and takes short positions against companies. After finding potential wrongdoings, the company usually publishes a report explaining the case and bets against the target company, hoping to make a profit.
- Short sellers typically sell borrowed securities and aim to buy these back at a lower price.