



# The Goldman Guide

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## How Facebook Affects Your Stocks

Believe it or not, I started writing this on Thursday. This thesis is that important. Yes, the market sucks, terrible week, going down, blah, blah, blah. We will touch on that a little later. This is actually bigger.

For the uninformed, Facebook is going public on May 18 and based upon the suggested range, it looks like it will be valued at just under \$100 billion.

Investment banks and even unaffiliated analysts are readying promotion. Institutions are preparing their indications of interest. The retail public wants in. Companies in related fields, directly and indirectly, are working on news releases that will coincide with Facebook's trading debut, in order to ride the giant's coattails.

Let's start looking at the promotion. The underwriters are certainly going to be very positive on the stock and probably believe that if it is valued at the top end of the range, \$96 billion, it will jump at least 30% if not more on the first day of trading. Analysts at sell-side firms (investment banks and brokerage firms) are going to universally bullish, or at least very close to it.

When a Facebook comes along, the lucky analyst that gets the nod to cover almost has no choice (logically not by coercion) to be outright bullish. To hell with metrics, valuation, etc. It is an undisputed leader, will be owned in large chunks by clients and in the future may choose to do business with the firm you represent.

And it has already begun. An analyst at Wedbush Securities has initiated coverage with a Buy and a price target that is 25% above the high-end of the stated IPO range. By the way, I am not saying he is wrong. And kudos for being early. More will follow.

(cont'd on next page)

### Key Takeaways

- ⇒ **Why Facebook affects everything**
- ⇒ **This IPO's success is written in permanent ink**
- ⇒ **Market sucks but this is the scary indicator**
- ⇒ **The Avengers will drive this stock higher**
- ⇒ **Good move by NVLX and LIGA is the gift that keeps on giving**

## How Facebook Affects Your Stocks (cont'd)



**A rising tide lifts all boats. Look for all kinds of stocks to move higher, including ZNGA.**

Let's look at another angle. I say that the near-term success of the IPO is already written in permanent ink. It's like Apple. Who doesn't want to own it? If you are an institution/mutual fund you have to own a piece. So, not only is there no risk with analysts being positive since they know their institutional clients will be buyers, but since it will likely become a core holding for some of these buy-side firms, sell-side research coverage will be sought after.

So, the major buyers have to own it, and be catered to with research coverage the sell-side firms are happy to provide, and use as a lever for prospective investment banking business from Facebook. What a business.

The retail investor (who the sell-side guys don't give rat's ass about) will also wish to own a piece, at all costs. Can you say feeding frenzy? To hell with **Zynga (NASDAQ—ZNGA)** and **Groupon (NASDAQ—GRPN)**.

Two questions I ask though...is new money going to be committed here, or will stocks be sold off to buy Facebook stock? I am convinced that retail investors will sell their losers, so look them for to be chucked. They could come from a variety of sectors but probably not anything that might coincide with the Facebook reach or model.

To that end, look for companies to ride the Facebook wave. The release of news and the proliferation of rumors that Company X will be attached somehow to Facebook will give these stocks a short-term boost. I expect to see a slew of this activity. Of course ZNGA is going to get some play, and might be a good idea for you to get a taste of ahead of the IPO.

Ahead of the deal, look for the market to move higher as people latch onto the deal. It is going to make people feel warm and fuzzy inside, even if it is short-lived. It will probably last for a couple of days before the hangover sets in.

Some of the stocks we have written about in these pages and other sites such as **Gluu Mobile (NASDAQ—GLUU)** and **Gravity (GRVY)** got great play around the time of the Facebook IPO talk and may yet again. Anything remotely in the Facebook space should benefit. Careful of the valuation hype from my sell-side analyst brethren and review their metrics and directional guidance carefully.

### Key Statistics

<u>Index</u>	<u>Close</u>	<u>YTD</u>
DJIA	13,038	7.6%
S&P 500	1370	9.6%
NASDAQ	2956	13.5%
Russell 2K	792	7.3%

(figures are rounded)

## Random Thoughts, Plus NVLX & LIGA

**Ok, the market is terrible. Worst week of the year. Brilliant observation, Goldman, right? Here are the important takeaways of the recent past and near-term future...**

Aside from the Facebook deal, we are back to Europe concerns. France in the hands of the socialists is not a positive, Spain has ridiculous unemployment, and Greece is still teetering. Growth in Europe? Forget it...

On the home front, joblessness will not go away anytime soon, and neither will the poor real estate market. The biggest surprise and indicator that we really may be in for anemic growth again? The huge drop in oil prices. Watch it closely. If it persists it will take the market down with it but might reach a level where the market bottoms faster, providing a good re-entry point...

I saw The Avengers twice this weekend. It rocked. Cost me nothing. It was streamed on Justin.tv by who I assume was someone in Europe. Why? Someone was streaming it and another movie that hit Europe first earlier. I actually saw a bit of it mid-week. Awesome website. Regardless, the ridiculously large first weekend box office sales will help **Disney's stock (NYSE-DIS)** which reports Tuesday....

### In case you missed it...

**Nuvilex, Inc. (OTCQB-NVLX-\$0.0695)** announced it has signed a consulting agreement with Dawson James, which is a well-regarded investment bank that has had success in guiding early-stage biotechs. This should be viewed as the final stage before the SG Austria closing...

**LIG Assets, Inc. (OTCPK-LIGA-\$0.08)** is turning into the gift that keeps on giving. On Friday, LIGA announced it has selected a transfer agent for the distribution of SuiteMagic (SM) shares. SM is expected to file an S-1 for an IPO this year. In a surprise move, management also stated that 2 more similar dividends for other firms are in the offing and the Company may even declare a one-time cash dividend. What a deal for investors....

Until next week...



**Market sucks, Europe sucks, but The Avengers movie rocked. Course this version did too, even if I am dating myself.**



**LIGA: The gift that keeps on giving.**

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