April 8, 2012

Volume 2, Number 46

The Goldman Guide

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What's Happening?

No rest for the weary. We have been spoiled with market closings for the past five months and we now have no breaks until the end of May. Given the time of year, news will be dominated by first quarter company earnings, which are not expected to be stellar. Employment numbers, which for March were below forecast are likely to remain in the subpar to ho-hum category, which as we have contended, will be a drag on stock performance. Despite an incremental decrease in the unemployment rate, fully 88 million Americans are not in the work-force and percentage of unemployed in Europe dwarfs that of the U.S. Finally, even with a return to slow growth, it appears that gas prices will continue to trend higher. This is due not only to supply/demand and speculation factors, but potentially higher taxes imposed by states and municipalities in an effort to grow revenue.

But, hey, it is the start of baseball season. The long, never-ending, baseball season.

Relax…

The market had its worst week of the year and after the poor March employment figures, it looks like a tough start to the beginning of this week. Of course it is not the end of the world. Selling is healthy. Frankly, down markets are healthy. This year's buying has not been with particularly heavy volume and we hope that the selling is not accompanied by heavier volume on the downside. We should be able to weather such a storm. April is historically a strong month and we think it will be modestly positive, for the most part.

I am most curious to see how Apple (NASDAQ—AAPL), Facebook and Wal Mart (NYSE—WMT) impact the market, along with big financials. Apple is trying to crush the whole mobile and computing spaces, Facebook social media, and Wal Mart everything bricks and mortar.

An old colleague at Piper Jaffray had some wild things to say about some big name stocks this past week. The more these bold predictions impact stocks, the more often they will occur, which could mean some volatility. The moves are usually short-lived though the stories tend to remain for a while. Enjoy the fun.

Key Takeaways

⇒ Down week in market + bad employment numbers = tough start to the week

⇒ Apple, Facebook and Wal Mart may tell the market tale

⇒ Will investors get RIMM'ed?

⇒ This name brand stock is cheap

From High Flyers to Losers

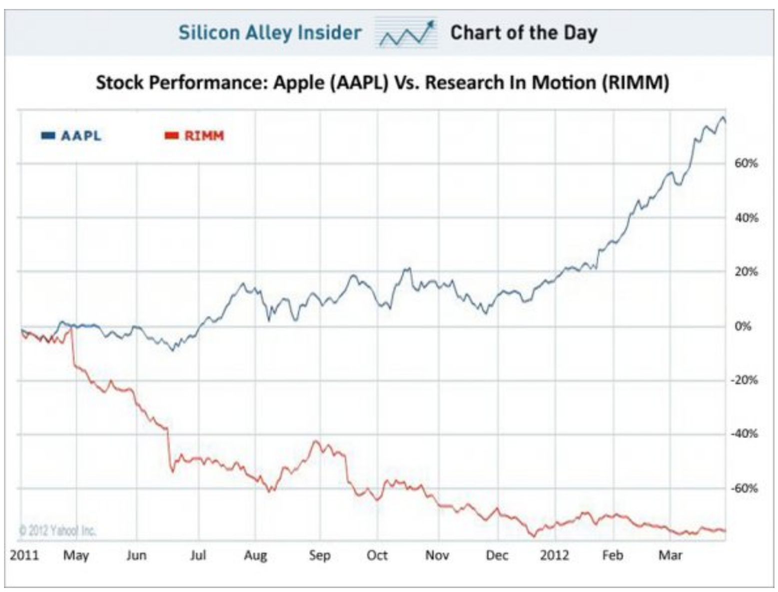
This how RIMM (Blackberry) investors may feel soon.

Five months ago we highlighted a handful of big name companies that we believed, because they were so screwed up, that were potential takeover candidates. Two of them, Research in Motion (NASDAQ—RIMM) and Yahoo! (NASDAQ—YHOO) were in the news last week for all of the wrong reasons. RIMM is throwing in the towel on the consumer, engaging in big changes at the top and is hoping it can recover its lost glory as a whole. My old Piper Jaffray colleague Gene Munster referred to the company as going out of business. I do not know if he is right but they should have sold in late 2011 when they may have had greater value in its patent portfolio. Google (NASDAQ—GOOG) paid a boatload for Motorola Mobility (subsidiary of Motorola –NYSE-MOT) and a consortium led by Apple and others paid several boatloads for Nortel Networks' IP. RIMM management certainly hopes to keep investors hopes up. If it doesn't work, and it probably won't, I am sure investors will be screaming about the RIMM job management will have played on them.

Key Statistics

Index	Close	YTD
DJIA	13,060	7.7%
S&P 500	1398	11.8%
NASDAQ	3080	18.3%
Russell 2K	818	10.8%

(figures are rounded)



(Source: Silicon Alley Insider)

Separately, Yahoo also decided it was going to sue Facebook for patent infringement. Facebook countersued. The timing is just awkward given Facebook's pending IPO. Moreover, Yahoo still cannot build and execute any semblance of a business plan so this looks like a last ditch effort to return to its own former glory.

GSCR Select Research: Survey Says!

If you are a political news buff then you no doubt have heard of Harris Interactive Inc. (NASDAQ – HPOL $1.21.) The Company is a highly regarded market research firm well known for its Harris Poll. The Harris Poll is used in political surveys as well as for custom market research and surveys in virtually every industry. A product of numerous acquisitions over the past 16 years, HPOL boasts clients in 215 countries and is a go-to source for market research and surveys large and small.

The Company's financials indicate that Harris isn't exactly setting the world on fire. Revenue is declining and the Company has announced restructuring charges as the environment remains challenging.

Low valuation, stock buyback and insider buying are 3 factors in the Company's favor.

However, now is the time when the story gets interesting. First, management recently announced that it expects to record EBITDA (excluding charges) of between $9.5 million and $11.5 million for the fiscal year ending June 30. If the Company achieves EBITDA of $10.5 million, which would be in the middle of the stated range, this $10.5 million EBITDA figure would be a 54% increase over results for 2011.

From the valuation perspective, we believe that the stock should trade up to 10x FY12E EBITDA of $10.5 million, which, on a per share basis, equates to a target of $1.85, or 50% higher than current levels.

To further illustrate the confidence in the Company's prospects and its valuation, management recently engaged in a stock buyback program of up to $3M worth of shares over the next 24 months. Based on historical trading trends, HPOL trades roughly $2.5 million worth of stock per month, which indicates that if management reaches its goal, it could account for a not-so inconsequential portion of overall trading.

Another interesting factor to note is that despite the low (under $70M) market cap, HPOL has significant institutional ownership, including some of the leading small cap GARP (Growth at a Reasonable Price) and small cap value investors in the country. According to the Company's website, 50% of the stock is held by these institutions, which leaves roughly 6 to 7 million shares left in the public float.

Low float and heavy institutional ownership don't hurt, either.

Finally, management has clearly put their money where their mouths are. In addition to the stock buyback, in the past few weeks alone, there have been a ton of buys by 5 different officers and directors!

Management may be done with their individual buying but the company buys are just set to begin. These transactions, coupled with the already low float and valuation could result in strong gains for the savvy investor.

Until next week...

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Rob Goldman founded Goldman Small Cap Research (GSCR) in 2009. Rob has over 20 years of investment and research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, he was a senior member of Piper Jaffray's Technology team. Prior to joining Piper, Rob led Josephthal & Co.'s Emerging Growth Research Group. Rob has also served as Chief Investment Officer of two boutique investment management firms, where he managed Small Cap Growth and Balanced portfolios and *The Blue and White Fund.* As an investment manager, Rob's model portfolio was once ranked the 4th best small cap growth performer in the U.S. by *Money Manager Review*. In addition to his work at GSCR, Rob is the editor of Penny Stock Junction (www.pennystockjunction.com.)

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