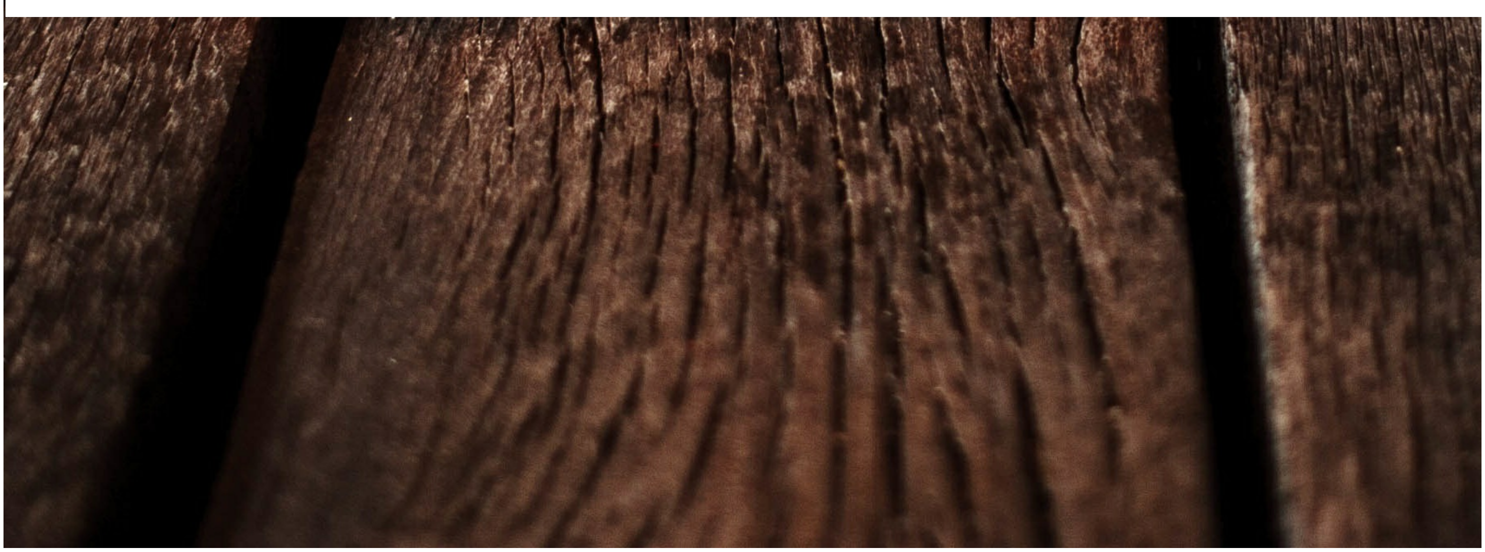
PersonalFinance

Make Up to 48x Your Money Riding the $3.5 Trillion Beacon Gold Rush



Make Friends with this Digital Dynamo

Many of the best-performing investments are those in companies riding a gigantic wave of change. Facebook, Apple, and Google are all examples of the success to be had when a company finds itself in the center of seismic shifts in consumer behavior.

Criteo (NSDQ: CRTO) is on the precipice of such geometric growth. Consider the following statistics:

- E-commerce spending is expected to reach $3.5 *trillion* dollars over the next five years, more than double the level anticipated in 2016.
- By 2020, mobile transactions will account for $1.57 *trillion* of those dollars, almost half of e-commerce purchases and triple the current level.
- Digital advertising will grow 55% in the next four years to almost $90 *billion* dollars. Ads delivered to mobile devices will explode 220% and make up almost three quarters of that spending.

We initiated a buy on Criteo on March 8 and have already raised our price target three times due to increasing estimates. We currently have a $70 target on Criteo, up from $59 when we first started tracking it.

But things could get far better for this company – and for you.

Because Goldman Sachs, not one for off-the-cuff predictions, put Criteo on a short list of candidates that could be acquired at any minute…

And so did Evan Wilson, a respected analyst from research firm Pacific Crest Securities. In fact, he went as far as to say Criteo is a "most likely acquisition" with a "wide number of potential acquirers."

In my presentation, I told you that if Facebook pays 10x Criteo's sales to lock up its technology, it would lead to gains of 386%... which is good enough to turn $10,000 into $48,681.

But what I didn't show you was the math to prove it.

So let's take a moment to do that now, because it's critical that you understand it.

Criteo currently has sales of $1.8 billion.

So if Facebook – or any company for that matter – pays 10x sales to own Criteo's powerful technology, they'd have to pay $18 billion for the 63.3-million-plus shares that are outstanding.

And it would mean share prices would instantly soar from their current value to $284 a share ($18 billion divided by 63.3 million shares).

Then again, at some point in the future Amazon or some other internet titan like Google could end up paying far more to lock up the technology that could increase traffic to their site by 7x AND help them make $7 more in sales for every $1 they spend to get it.

In fact, it's not out of the realm of possibility that one day this company could be worth 100x its current sales! If that happens, it would cost a potential acquirer $180 billion dollars to snatch up this company. Now, it's unlikely that could happen this year, or even next year, but it wouldn't surprise me to see a company like Criteo rise to that sort of valuation someday.

If it does, it would make each of Criteo's 63.3 million shares today worth $2,843 apiece.

If you pick up shares now at just north of $50, that would mean you made a staggering 56x your money.

Look, before I show you the proof of why it COULD happen… I need to be perfectly clear about something…

I'm not promising you gains of that magnitude WILL happen.

I'm a conservative person. And for over 30 years, I worked in hyper-competitive financial houses that gave me access to deals most investors never see… so I know better than most how cosmically rare a winner like that really is.

But I'm not going to tell you it's impossible either.

After all, the internet is a gargantuan market that has churned out massive winners like 2,000% on eBay, 2,275% on the online payment processor Fiserv and even 6,060% on Priceline.

And Criteo could very well be the next in line to see gains like that.

But even if it isn't, I think after you see the details below, you'll easily understand why it's my number one pick right now… and why I'm recommending every new *Personal Finance* member pick up shares immediately.

Mobile on the Move

Consumers are now spending almost three hours per day on their mobile phones compared with less than half an hour a few years ago. A simple glance around the local Starbucks tells us this three-hour estimate is way too low. Our mobile phones are the lifeblood of information and our connection to the world.

Facebook COO Sheryl Sandberg agrees. Mobile ads make up 84% of Facebook's ad revenue, up 70% from the previous year. As Sandberg readily admits, "Consumers have shifted to mobile, and businesses know they need to catch up,"

With so much of consumers' attention glued to these little screens, advertisers are realizing they MUST find a way to target consumers on their mobile devices.

Generation Z, those born from the late 1990s to the present, are the first generation raised on mobile technology. Most of these kids played with an iPhone while still in their car seats and entered nursery school with a full menu of Nickelodeon games loaded on their iPads.

This generation, now in high school, thinks nothing of paying for Spotify, lattes, and movie tickets with their phones. (Yes, they still go to the movies! How quaint.) They purchase apparel, books, and even airline tickets via their mobile phones without batting an eye.

Yet members of this generation are somewhat disillusioned with technology and will quickly turn tail if they feel they are being manipulated. Ads delivered to this quirky group must be interesting and relevant. Advertisers are desperate to find a way to accomplish this.

Criteo has just the solution.

Special Sauce

Criteo generates revenue when the explosive trends above coincide. Criteo's software tracks consumer behavior across multiple devices and feeds that data into its unique predictive software engine. That patio furniture that you were eyeing online at your desk? Criteo helps deliver the teak table ad that pops up in your Facebook feed while you scrolled on your cellphone.

Dynamic delivery of digital ads is not a new concept. Companies like DoubleClick (one of the hottest IPOs of the late 1990s and subsequently acquired by Google), initiated the process 20 years ago. But in internet time, two decades might as well be two centuries. Predictive ad placement based on your search patterns is radically different today. If you've been searching Google for the best off-trail routes in Cambridge, you're a likely candidate for an ad highlighting Nike Dual Fusion running shoes.

But Criteo has a special advantage. It is one of the early movers in aggregating and coordinating data from consumers' desktops, laptops, and mobile devices. An elaborate web of data woven from reams of information helps Criteo develop what the company calls a device graph, which identifies the same consumer across different devices.

This process, named Universal Match, is as close to a bull's-eye for companies hoping to target customers ready to buy their products. It follows a shopper's journey across channels and devices to deliver the most relevant ads. In its most recent quarter, matched users generated 52% of Criteo's revenue, up significantly from 25% in Q1 2016.

Universal Match is a product and a process that only Criteo offers. As competitors breathlessly try to catch up, Criteo has the scale of data built up over years of relationships with Web publishers that is hard to match.

Pay as You Go

Advertisers love Criteo because they pay for performance. Only after a consumer clicks on an ad or, even better, purchases its product from that ad, does Criteo get paid. Using Criteo to deliver ads is so effective for advertisers that Criteo's customer retention rate tops 90%.

Most of Criteo's customers consider the service an everyday cost of doing business online as opposed to a special marketing cost. This helps insulate Criteo from dramatic swings in marketing budgets.

State of the Numbers

Criteo's revenue growth accelerated to 33.7% in the most recent quarter, up from 4% in the previous quarter.

Earnings for the fourth quarter grew 1.6% year-over-year. With no sign of a slowdown, estimates for annual earnings growth of only 18% look low. Management has guided revenue to grow between 27% and 31% for full year fiscal 2017 with profitability growing at about the same rate.

The company has net cash of $270 million and generates abundant cash flow from operations.

Put Criteo on Your Favorites List

Criteo is currently my number one pick. The company has stellar operating numbers and a gigantic opportunity sitting on the horizon. It has spent years fostering and developing an algorithm to feed advertisers' and retailers' urgent needs to market products on mobile devices.

Usually when you find a stock with trillions and billions dancing in front of market size, it has an equally elephantine valuation. Not so for this rare find.

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Published by Investing Daily, a division of Capitol Information Group, Inc., 7600A Leesburg Pike, West Bldg., Suite 300, Falls Church, VA 22043. Customer Service: 800-832-2330.

March 2017