

Breakthrough Tech Profits

# Three Hot Stocks for the \$150 Billion Virtual Reality Revolution



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By: The team of analysts at Investing Daily's Breakthrough Tech Profits

If you think you've missed the boat on millionaire-making opportunities in Silicon Valley, well... think again.

In this special report, we examine an emerging technology that's about to transform the world just as radically as the iPhone, the personal computer, and the search engine. The time to invest in this breakthrough technology is now, before the investor stampede. One of the surest ways to make money over the long haul is to invest in unstoppable technological trends. Imagine if you had been able to invest in **Apple** (NSDQ: AAPL) during its infancy in the early 1980s or Google, now **Alphabet** (NSDQ: GOOG), when the Internet was taking off in the late 1990s. You'd be rich beyond your dreams.

Here's new technology that will outdo the iPhone in magnitude and it's no dream: virtual reality/augmented reality (VR/AR). The technology is a staple of science fiction but now it's a moneymaking fact.

Among all the mind-bending possibilities for the future offered by science fiction, the *Star Trek* franchise's holodeck is perhaps the most exciting. The holodeck is a room that projects anything you can imagine in life-like 3D, whether it's a tropical island paradise, a raging battlefield, a ski slope, or a parachute jump.

But you don't have to wait for the 25<sup>th</sup> century. VR/AR is increasingly pervasive for a wide range of commercial and personal uses.

Get one thing straight: VR/AR isn't just for video games. The capability is a multi-billion-dollar business that's revolutionizing a host of industries.

Several sectors are integrating VR/AR for everyday use, with practical every-day applications that include engineering, auto manufacturing, drug development and testing, medical diagnostics, supply chain monitoring, field inspection, Hollywood movie-making, enterprise collaboration, architecture, telecommunications, building construction, cockpit simulation, field inspection, battlefield tactics... the list goes on.

## Full Immersion... in Profits



We're living in what the legendary management guru Peter Drucker called the era of three C's — accelerated change, overwhelming complexity, and tremendous competition.

The emergence of VR/AR reflects this dynamic. Real-world applications of this technology are outrunning our most outlandish fantasies.

Bet on it: VR/AR will sweep the world. The must-have hardware and killer software are coming down the pike of progress. As with our smartphones, we'll all wonder how we ever got along without VR/AR.

First, let's clarify our definitions. Virtual reality refers to computer-simulated reality that's an immersive experience. Video games are the most common examples.

Augmented reality is a real-time view of an actual physical environment whose elements are supplemented by computer-generated sensory input such as sound, video, or graphics. AR increasingly entails enterprise applications for practical commercial uses.

**Goldman Sachs** (NYSE: GS) estimates that the VR/AR market will reach \$80 billion by 2025, with the potential for that figure to actually soar much higher, to more than \$150 billion.

Your best bet isn't to invest in the mega-cap tech titans that are exploring VR/AR. These stocks are pricey and don't afford the same opportunities for rapid growth as their smaller brethren. That's why we've pinpointed the entrepreneurial pure plays on the trend.

We've promised readers three hot stocks to leverage VR/AR, but the trend is



so explosive, we've also come up with a fourth stock as a bonus. Read on to learn more.

## NVIDIA (NSDQ: NVDA)



No company would stand to gain more than NVIDIA. Two years ago, the company was seen as just a video game graphics specialist... a lucrative niche within the tech arena, but still just a niche.

But it turns out that the parallel processing architecture most suitable for accelerating video game graphics is also optimal for helping machines see, learn, and reason.

Learning, thinking robots can't use a glorified laptop for a brain. Laptops and other PCs take their marching orders from the CPU, or central processing unit, which can be further subdivided into a few multiple cores. These are great at logic sequences but less efficient at the brute-force math needed to render graphics, simulate reality, or stimulate artificial intelligence (AI) learning and pattern recognition.

The human brain doesn't have the equivalent of a CPU; instead, its processing gets done in parallel by neural networks, each made up of thousands of neurons. That's also how a GPU, or graphics processing unit, handles the extra math required to, for example, deliver immersive virtual reality visuals. It does out the work to thousands of autonomous processors that work in parallel just like neural networks, sharing their calculations to assemble the full picture.

NVIDIA is the undisputed champ of the GPU at the moment, dominating the high-end gaming market that still accounts for a bit more than half its revenue. Demand for GPUs should keep soaring as virtual reality becomes more commonplace, since immersive VR requires seven times more graphics processing power than a PC video game.

NVIDIA need not care who wins the race to bring virtual reality to the masses; whoever does will likely need a lot of NVIDIA processors to make it happen. And while the company faces competition of its own, its chips' industry-leading performance and popular software tools for application

developers give it a big leg up on rivals like **Intel** (NSDQ: INTC) and **Advanced Micro Devices** (NSDQ: AMD).

The company's diversification beyond gaming and into major augmented reality end-uses such as the automotive market is a shrewd strategic move that will continue to propel growth.

Promising NVIDIA technologies for business include IrayVR, which allows users to make visual and physically correct predictive designs.

Not only is NVIDIA venturing further into the autonomous car space, it's also developing driverless trucks. The applications for the transportation industry are huge. By 2035, as much as 15% of all trucks sold are expected to be self-driving. **Buy NVDA.**

## **MicroVision (NSDQ: MVIS)**



MicroVision's PicoP technology can transform a smartphone into a media projector as well as a laser 3D scanner. This is a red-hot growth business as marketers wake up to the commercial possibilities of augmented reality.

MicroVision recently landed a development contract worth up to \$24 million from an unspecified "leading technology company" for a laser beam scanning system.

Based on recent management statements, this contract could prove to be the proverbial foot in the door if the customer ends up marketing a product incorporating MicroVision's technology.

The company also landed a \$6.7 million order from a Chinese phone maker for a display (projection) engine in the phone maker's flagship model. That order has been filled and the phone successfully rolled out.

With several new technology designs recently completed and shared with potential partners, the company is expecting additional contract wins in

the months ahead.

As for virtual reality, the company's patented virtual retinal display technology could one day make clunky headsets obsolete by imprinting images directly on viewers' retinas.

MicroVision's 500-plus patents give it a leading intellectual property portfolio for laser beam scanning. As the technology takes off, so should the portfolio's value. **Buy MVIS.**

## Immersion (NSDQ: IMMR)

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Immersion is a developer of haptic technology that provides tangible feedback for users of electronic devices. The sense of touch is essential for a truly immersive virtual reality experience.

The company's TouchSense Haptic Enabling Kits are mainly found in smartphones and smartwatches but also in cars and medical equipment.

What started with jarring vibrations in video game controllers evolved into more subtle jangling for texters. The technology has since moved into smartwatches and other wearables, and the next logical step will be VR/AR devices.

The Bay Area-based company has partnered with the likes of Google, **Microsoft** (NDDQ: MSFT), and **Nintendo** (OTC: NTDOY), as well as automobile brands such as Acura, Lexus, and Mercedes. These marketing partnerships allow Immersion to maintain high profit margins.

Royalty revenue has trended downward in recent quarters, but the company is spending heavily on patent infringement lawsuits against Apple, **Samsung Electronics** (OTC: SSNLF), **Motorola Solutions** (NYSE: MSI), and **Fitbit** (NYSE: FIT) to uphold its intellectual property rights.

About half of Immersion's licensing revenue in the most recent quarter came from cell phones, a quarter from gaming, and nearly a quarter from

autos, with medical devices accounting for the remainder.

Immersion's more than 1,100 active patents have been validated by 150 licensees paying to use the technology in billions of devices.

The stock is undervalued. A single legal victory in any of the current proceedings would likely trigger a breakout in share price. **Buy IMMR.**

## An Additional Bonus Pick: Himax Technologies (NSDQ: HIMX)



Himax continues to be a standout investment in the VR/AR industry.

Founded in 2001 and based in Taian, Himax supplies, or is expected to supply, display circuits to three of the most-popular VR/AR headset brands: **Facebook's** (NSDQ: FB) Oculus Rift, Microsoft's HoloLens, and the second generation of Alphabet's Google Glass.

For VR/AR apps to achieve full potential, they must be stingy with power. Himax took an important step in meeting that challenge when it recently announced a strategic investment in Emza Visual Sense Ltd., an Israeli company that develops highly efficient visual sensors that exponentially reduce power consumption.

Sales of Himax's devices should ignite once VR/AR headsets and smart glasses achieve sufficient economy of scale to bring prices down to a broader segment of consumers. As the supplier of the chips that manage the displays in these devices, Himax stands to be one of the first component suppliers to benefit from increased sales.

Himax Technologies is on the cusp of high earnings growth. The consensus forecast is bullish, with earnings per share (EPS) estimated to double over the next two years. Himax in recent quarters has racked up impressive top and bottom line growth across all major product categories.

Particularly encouraging is the company's joint announcement with chip maker **Qualcomm** (NSDQ: QCOM), to launch its 3D sensing product.

Qualcomm plans to use Himax camera technology in its smartphones to leverage growing demand for apps requiring 3D graphics. This end-use goes beyond gaming and offers many industrial, enterprise-wide applications.

3D sensing is a game-changing tech breakthrough for Himax that should prove a growth driver in future quarters.

As VR/AR applications expand from games and entertainment to communication, manufacturing, education, and telemedicine, Himax's entrenched position with its mega-cap customers puts it in the "sweet spot" for continued market dominance. **Buy Himax.**



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