

Google: The King of Search Exceeds Wall Street Targets

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The word Google is a household name today and synonymous for the word 'search' or even 'research' for most people around the world. The name itself originated from the word 'Googol', coined by Milton Sirotta, meaning the number 1 followed by 100 zeros; basically an extremely large number. It represents the vast universe of information that Google makes available to the world.

Starting with a simple search interface in 1996 (formerly known as Backrub), Google today is a diversified internet services company, providing services ranging from internet searches to communications software. One of its latest products, the Android, is an open source mobile platform. The company took the world by storm with its fast, simple search engine, later adding on services such as Google talk, Gmail, Google Checkout and Google Earth. One of the greatest breakthroughs made by Google was Google AdSense, its revolutionary 'matching' technology which enabled advertisers to target specific keywords that defined its audience in terms of subject matter and geography.

Today Google is the undisputed global leader in search engines, with an estimated market share of 71%, up from about 60% in 2006. Its competitors such as Yahoo!, MSN and AOL lag far behind, primarily on account of its sheer simplicity and speed.

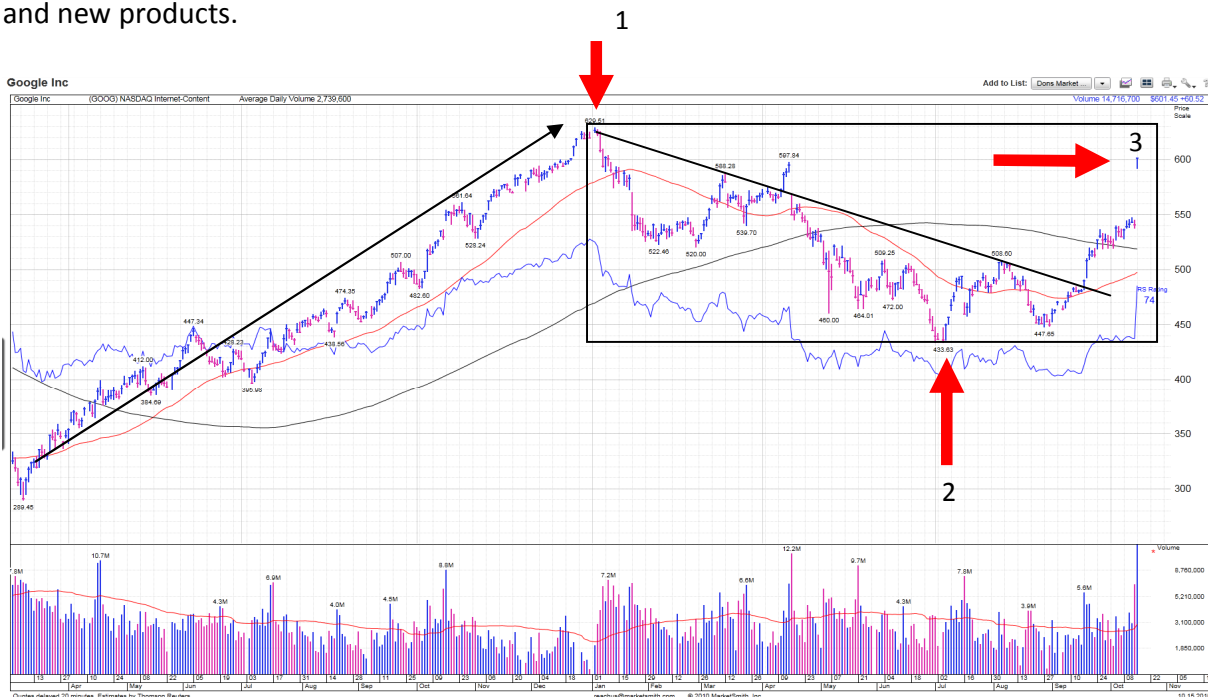
Since Google went public in 2004, investors have made an absolute return of over 400% through October 1, 2010. This is not including the high of \$792 and low of \$250 it saw during the last 6 or so years. During this period, Google has consistently provided growing returns as measured in terms of EPS. Its profit margins are relatively stable and revenues are growing at a healthy rate. Google recently announced a jump of 23% in its revenues as a result of increased ad-sales through newer businesses, accompanied by a 32% jump in profits.

Despite its obvious diversification, its search engine is its bread and butter, with about 90% revenues coming from Adwords. It is important to note that its Android platform has seen very healthy growth in a short period of time, capturing an estimated 34% market share and the highest number of apps for any mobile platform, including Apple and Blackberry.

Google has been involved with a large number of acquisitions (about 11 since July 2010) and is pegged to acquire a new company every 2 weeks! The management has clearly identified this as a part of their business strategy, with social media at the forefront of their priorities.

Technical Analysis

From the November 2008 bear market low, Google climbed 150% reaching a high in January of this year (Point 1). Google entered into a 30% normal correction (See rectangle) which has lasted for nine months. It found a low in July (Point 2) and has since climbed the right side of a sound technical base. In the **Free Investment Clinic (Phuket, Thailand)** on September 11, 2010, I profiled Google and noted it was forming a powerful inverse bottom formation and if the stock moved above \$480 it would soon climb back to its January high. On October 14, 2010, Google gapped 11% higher (Point 3), after reporting third-quarter sales and profit that topped analysts' estimates. It closed at \$601 and now sits only 4% below its January high. Google now trades above its 50 and 200-day moving averages which is also a positive technical sign. Google and many other technology related stocks currently have all the characteristics of past winning stocks: Annual earnings increases, new highs, institutional sponsorship, and new products.



Source: www.dailygraphs.com

Figure 1 Google

Does your portfolio need exposure to Google? Consider investing in the following Exchange-Traded Funds which have at least a 5% weighting: First Trust DJ Internet Index Fund (FDN), PowerShares NASDAQ Internet Portfolio (PNQI), iShares Goldman Sachs Technology Index Fund (IGM) and Vanguard Information Technology Fund (VGT).

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