

Frank Curzio's FRANKLY SPEAKING



Frank Curzio:

How's it going out there? It's Friday March 23rd. I'm Frank Curzio, host of the Frankly Speaking podcast where I answer all of your questions. About the market, stock, accounting, sports, and anything else you want to throw at me. I created this podcast to answer more of your questions that you were sending me to my Wall Street Unplugged podcast, which I host every Wednesday.

If you have any questions you want answered, just send me an email at frank@curzioresearch.com. That's frank@curzioresearch.com. Be sure to put Frankly Speaking in the headline. You never know, your question may be the one I read on this podcast.

Now before I get to your questions, just two quick announcements. The first is, we're looking to hire an experienced copywriter. It pays very, very good. You could be working directly with me, Michael Alkin, and Barry Cohen, turning our best ideas, which you'll have a ton of since we're always on the road, have very big Rolodexes, by turning those ideas into packages. So if you're interested, email me at frank@curzioresearch.com, that's frank@curzioresearch.com. Get experienced copywriters, know a lot of you out there. Also, know a lot of you guys listen to this podcast. I've worked with some of the best. If anybody's interested, not happy, give us a call. We're looking to build our copy team, now expanding. Just want to throw that out there. Rather it come from you guys, the podcast listeners. Been working like a charm for us, getting some great employees through this podcast. Hopefully we can continue that with a hard, experienced copywriter.

Also, real quick here. We're opening up Curzio Venture Opportunities, my newsletter, for four dates. So the special offer is only going to be available to you, my podcast listeners. It's not gonna be sent anyplace else, so if you're on our list, you probably already got an email about it. If not, you'll get an email today. But we're closing this offer in just a few days. And why were we opening up? For one reason, because I found a small cap idea that I'm in love with. It's trading in low single digits, it's really exciting. This is not a sales pitch, it's just a company that not only has upside potential, but limited downside and very little risk.

You guys know me, you trust me, you never hear me say that usually. And a lot of people won't say that. They'll tell you about the gains you can make. There are a thousand percent, ten thousand percent, hundred thousand percent gains here, there, cryptocurrencies, and they don't talk about the risk. This company's different. They're a small cap technology company that has proprietary technology that's being beta tested by top five smartphone manufacturer, okay? I can't make this up.

So it's technology. You know, smartphone companies like Apple and Samsung, are in dire need of this technology right now. It's a fascinating story, and I spent a month and a half researching it, talking to my best contacts in the industry. It's a technology that can make it, it's a literally five billion devices. I know it sounds crazy, I know it sounds like a sales pitch, it's not. It's why nine of the top eleven shareholders just added to their position. Including their largest shareholder, who already has a massive position, just added 450,000 shares. The other two shareholders maintain their position. Also the CEO, chairman just bought shares in the stock as well.

So for me, it's very rare when I see a lot of these things line up. And there's always exciting stories, and usually, to be honest with you, the more exciting the story it just feels like, well the stock's gonna get nailed. That's some people's stories. I mean, you always want what's hot, right? This is a stock that hasn't been hot, it's been declining a lot, that's why it's trading at a great price. And the fact that everyone's loading up kind of at the same time, and you don't really know about it, has me excited. And there's no guarantees. I mean, thought GE was a great buy at 21, right? Where is it? 14, 15.

I have no idea where the stock will go from here, but it's not often you get a chance to risk maybe 10, 15% and get a return that could be 10 times or more. And it could happen pretty quickly if the small company announces that this top five smartphone manufacturer is gonna use their technology in all their phones. And this is a technology, don't think of an app guy, it's not like an app or anything like that. It's because of wireless charging, which is gonna be in every phone, new and recent upgrades. And these are things you're gonna see in every high-end smartphone for the next five to ten years. This needs to happen. They're scrambling to find this technology, because it's gonna be noticeable, and every single customer's gonna complain about it.

So it's kind of amazing when you know the details and the story behind it, and that's why some of these smartphone manufacturers are testing this type of technology to prevent this,

because everybody who buys their high-end phones are gonna notice it right away. And it needs to be fixed.

So nobody knows the name of the top five manufacturer, not even the company themselves. I mean, that's normal. And if you look at Seneca and other companies, they never disclose the names of their customers. Other technology companies as well, or parts manufacturers, they don't disclose the products they're working on. So it could be Apple, Samsung, whoever, but we're talking about a company with a \$150 million market cap that I never heard before until 45 days ago. That's pretty telling, since I researched over 2,000 names a year when I worked for Cramer for four years. I probably researched over a thousand names a year at Curzio Research right now. That's including screens, international stock, small caps, large caps, everything. And how many stocks I mention on each podcast, maybe two a week.

So I'm only gonna open this up to a limited amount of people. It's four days only. There's only gonna be to my best and most loyal people, and that's you, my listeners, who helped me launch Curzio Research. It's something I'll never forget. Those of you who said that, Frank, you know what, the price point's a little high, I don't know if I want to get in it, we create a special monthly subscription for you. So you pay monthly this way, you don't have to pay a lump sum.

So if you're interested, which I know a lot of you, I get a lot of emails on it, here's your chance to get in at a real good rate. You can have a couple days. We're limiting the amount of subscribers, so you, we'll open it for four days, it could be only two days. If you're not interested, that's cool. But this is for you. I mean, seriously, hundreds of emails come in. Frank, you know, could you open a membership up that provides a discount off the retail price, and here's your opportunity. I mean, this is a service I'm really proud of. This is my featured service, if you want to call it. Since I travel all over the world, find unique ideas that you're not gonna see on the front page of any newsletter or blog.

Curzio Venture, it's just unique, since I also send members special private placement deals you can't find anyplace else. It's very rare for newsletters to have that, since a lot of those are not available to the general public. If you're a current member, don't worry, this membership's not gonna be cheaper than you got in. You're the one that literally launched my service, right? Getting it at that amazing price, could be a tiny bit high, but much, much lower than the retail price.

Again, so this is your chance to get in. If not, no worries. I just get a ton of emails. I'm listening to you guys. I want to present something that I really like. This way, if you get in, you have a good shot. I don't know where the stock's gonna go, but this is one I'm pretty excited about. Actually send it to other people, when I'm excited just say hey, does this make sense here? A lot of these guys like it as well. Looks pretty cool here.

So I'd love to see the opportunity. Again, if it doesn't make money, you're gonna cancel your subscription, whatever. But it's a pretty cool opportunity I'd like to share, and again, I'm gonna share it with a limited amount of people. And guys, if you're listening to this and you have like less than \$5,000 in the market, don't subscribe to this product, this product's not for you. That's not what we're looking for here. Just a lot of people have emailed, and said, "Hey, I'd like to try the product, let me know when it comes out at a discount." So this is what we put together.

If you're interested, you'll get an email from us, you can subscribe. If not, no worries, but I like to pass on these offers once we start marketing them, and I just want to market this to you. You're not gonna see this offer, or a chance to buy this stock through a marketing campaign from us anywhere outside of [inaudible 00:08:37] listeners only.

So, now, enough of that. Let's get to some of your questions. This one's from Kel. Says, "Frank, thanks for your podcast. I'm a member of one of your newsletters, and I want to be the first to share my predictions about one of your picks. Not that it matters. Amazon, I believe, is going to take a big dive sometime in the next 12 months. Here's why. I originally knew Amazon as a book provider, then they got into general merchandise as well. At this time I would check Amazon's prices compared to where I was shopping, and nine times out of ten Amazon was more expensive, until about two years ago. Right around winter of 2016, when the trailing PE was around 600, they dropped prices or they changed merchants. And I really don't know, but you couldn't beat Amazon's prices for the last two years.

"Maybe Amazon has put enough companies out of business, or maybe they made their name big enough, or maybe they've captured enough market share that they believe customers will no longer compare prices. It may be true that Amazon has expanded enough as far as diversification and proprietary products that it won't make a difference, but their competitive edge when it comes to pricing and general merchandise, I can attest through experience, has been significantly reduced. I've compared prices

in several major retailers with Amazon, when I went out with the family, we've moved five times now," actually, he says been 15 times now, "and Amazon has been either equal to or more expensive. This may be nothing but just a pattern I've seen emerging for a loyal Amazon customer. Thanks."

Little bit of a long question there, talking about comparing prices with Amazon, but why can't Amazon lower their prices during the holiday season? Another thing with Amazon, have you compared prices with delivery charges? Because not too many people could offer two-day Prime for free shipping, right, two days for Prime members.

More important to your point, I mean, retail's becoming a secondary business to Amazon. Isn't that crazy? In the next 10 years, you're gonna see their cloud services be bigger than retail. That's where the main growth's coming in. Amazon has the best distribution system, the best platform. Even Walmart, and this was during our last conference call almost ... yeah, waving the white flag. It's just tough to compete.

Yeah, I've noticed that too, the prices at Amazon, I'm an Amazon customer, are sometimes a little bit higher. You might be able to get it lower at different places, and that's cool, I get it. But if you're looking at Amazon as a whole, Alexa, smart homes, cloud, I mean you can't really compete with them in the holiday season, they destroy everybody. By comparing some prices, you know, I wouldn't say Amazon's stock is going to fall just because of several prices of things that you've checked. I mean, I think, you know, last time, they probably sell about 20, 30,000 items on their site. Maybe you checked 300, maybe you checked a thousand, or 2,000.

But they're so far ahead of everyone else when it comes to big data analytics, what people want, how to advertise, when most of these firms are just trying to still establish an online presence. It's not establishing an online presence for them anymore, it's all about data collection, knowing exactly what their customers like, what they're going to pay for it, when they need it the most. Right now, believe it or not, you're looking at prices that are expensive in maybe your top 50 items, and they're gonna know when you're gonna want to buy that item most, and you're gonna go on some stupid website and it's gonna come up and says, here, here's that vacuum cleaner at a 15% discount that you were looking at. You're like, wow, I was just gonna buy that, amazing.

It's not amazing, they know it. They know everything. I'm gonna get to that in my next question in a minute.

When you're coming to Amazon, you've got to look at the big picture, though. I know that's what you want to look at, and say, well, you know, I'm comparing a few prices here and there. And I love you're doing the research. I'm not making fun of you at all. But when you take the whole entire picture of what they're capable of doing, very few companies can compete. Best Buy figured out how to do it. A few other companies are figuring it out. Department stores are trying to figure it out, they're getting better finally, using big data analytics to manage inventory. That's crushed them. And this year they had a good holiday season, last year was a joke, where they said, you know what? We're gonna be like Amazon and match their prices. Which resulted in more sales, and their margins got destroyed because they just couldn't deliver it at the same time, they couldn't really afford it, they couldn't really squeeze their supply as much as Amazon can.

But this growth trend is far from being over at Amazon. If you see a market come down, yes, you'll say ... But they can literally enter any market they want and control prices in that market. Look at Whole Foods. 3% of the one trillion dollars that's spent on groceries, on food, is only done online. Only 3%. Think about how much that's going to change now that Amazon has teamed up and bought Whole Foods. What happens if they buy Best Buy, which is like nothing to them? It's like you taking out a dollar out of your pocket and giving it to somebody who, you know, a homeless person or whatever. That's how much it would take for them to buy Best Buy, and they'll control the entire retail electronics industry, if they really wanted to. I don't know if the Justice Department would allow that or not.

But it's very dangerous betting against Amazon, especially when you're not talking about their cloud, especially when you're not talking about smart home technology and Alexa. And Alexa is the ultimate data collection item, and it's gonna be in almost every household, every single appliance, everything is going to be connected to the internet. And Alexa's going to be compatible with almost everything. Just a way to find out what you need, when you need it.

But for Amazon, listen, I'm still on that train, we're up a ton on that stock in a very short time period, and I'm not getting off yet. There's no evidence to me to suggest that. But we'll see and revisit it. Maybe you're right, maybe the stock comes down, that'd be interesting. Just giving you my opinion, from someone who really knows this industry well, and looks at, you know, all these kind of analytical trends and technology trends. Amazon is just one of the

greatest companies and greatest stocks you could own, even at these levels. I mean, people are dying for that thing to pull back so they can add more to their positions.

So a good question, I appreciate the research, and let's move on to the next one, which is from Joe. "Hey, Frank, are you concerned with the recent news on Facebook, including the data leak of 50 million users to Cambridge Analytica? Stock got hit hard Monday, and I'm wondering if I should take profits after being in the stock for over two years thanks to you."

Joe, first of all, I love to see my subscribers are making money. And if you bought this over two years ago, you're in at around a hundred bucks, probably. And it's 170, over 170 with the latest decline. But I've been recommending Facebook since 2013 when it traded under \$50 a share. I still own it personally. But I love to see my subscribers make money, that's what I do this for.

Now getting to your question, Facebook, we found out about basically Cambridge Analytica ... If you're not familiar with Cambridge, you should Google it. This company is pretty amazing. The most highly intelligent big data analytics company on the planet, able to predict that Trump was going to win the presidency before he basically announced that he was running and seriously announced it. I mean, he was like, yeah I could run for president, like whatever, 15 years ago. But when he seriously threw his hat in the ring, they knew, and they went to Donald Trump. They knew we were ready, basically. The country was ready to elect someone from the outside.

And you could do your research on it, this is pretty cool stuff. It's scary as well. So Cambridge had Facebook data, they were able to get on tens of millions of people. They were targeting ad campaigns based on their voter records, psychological profiles, ages. And Facebook found out about it, they basically asked Cambridge to destroy the data, Cambridge never did, and now Facebook's in hot water. Not that people post their entire lives on Facebook, and every single thing they basically do every minute of the day, you know. They're not in hot water. But Facebook is in trouble.

First of all, this story's pretty funny. I mean, Facebook, they're trying to get ahead of the story and they can't. They're so far behind it that they're struggling. You know, it's a PR nightmare for them, because they never followed through with their request to Cambridge to make sure they destroyed all the data. They never followed through, it was kind of like a one page report, hey, you

know, please. Yeah, okay. But they never followed through. They're crossing the street, and the cop passing by said, hey buddy don't do that anymore. That's how they follow it up, that's how it was.

But the funny thing about it, when you look at Facebook, is Cambridge you can't steal our data, right? You're not allowed to. Only we're allowed to, we have this data, right? You can't take our data and basically target people, only we're allowed to do that, right? That's how we make a fortune off the stupidity of 2.6 billion registered users who post where they're gonna be, where they are, every minute I'm checking in. This is where I am right now, right now, right? Right this second, here, this is the store I'm in, here's where I'm hanging out with my friends, I'm at a movie. Here's what I like, since I clicked that like button a million times a day. They have groups of moms where they share pictures of their kids 25 times a day. What they just bought them, where they go on vacation every year, what school they attend.

Full disclosure, I'm one of those idiots on Facebook as well, I'm in that party. I'm not complaining, when everyone knows basically everything about me, because that's the point, since I own my own business and I'm trying to scale operations.

But Joe, getting back to your question here. What are we looking at? It's mostly headline risk. That will probably push the stock lower in the short term, especially since the FTC's gonna get involved. And look, guys, I know a lot about this industry. It's something I've followed for a very long time. You have no idea what these companies know about you. No idea. No idea. If you think I'm crazy, go to the settings on your phone. Seriously, go into the settings on your phone right now. When you settings, scroll down to Safari, that's for Apple users. Anybody else, whatever you use to search the internet. Then hit advanced. In advanced is a tab called website data. Click it, and you're gonna see the 1,000 companies that are tracking you everywhere you go, everything that you do, and I guarantee you 90% of them you've never heard of.

It's a company that you went on their website, you didn't even realize it, maybe you hit an ad. All of a sudden they have your information, they sold it to third parties you don't even know, because it says in their private policy that you didn't even have to click, all you had to do is go to that website. Now they have everything on you, all this information. They're following you, they're tracking you because your location services are on. Your microphone's on so they can hear you. This isn't a joke. I'm not a paranoid person. You've been listening to me for how many years, I'm not paranoid. I'm usually the one that's saying guys relax, relax.

This isn't paranoia, this isn't me on a rant going crazy. This is fact. It's insane. It's not a danger, they're just trying to find out as much information so they can market to you. They can sell this stuff to advertisers. That's everyone in the world advertises, right? Every business, that's how you make money, you want to advertise, you've gotta spend money. People need to know your brand.

Right now we've launched Curzio Research, we launched it to pretty much everybody that knows what Curzio Research is. Been selling our products. Now our job is to get our name out to people that don't know us. How do we do that? Well, we want to know as much about them. And a great client for me is someone who subscribed probably to 90% of the newsletters out there that you paid over \$2,000 to, because I know you're probably getting crushed and losing money. If I could find that list of 5 million people, my company would be huge. Because we have a good track record, we have analysts that are amazing, at 20 years experience at hedge funds that have the track records. That is incredibly valuable, if you could find that information out.

So there's something valuable to everybody, it's your target market. That's what they're looking for. But it's scary. And for Facebook, I would use a pullback as a buying opportunity. I mean, it's trading at 19 times forward earnings. The market's trading at, what, 17 times forward earnings, 18 times forward earnings? But Facebook is growing earnings by more than 45% year over year. 45%. To put that in perspective, Nike's trading at 24 times forward earnings, and their earnings growth actually decline 9% year over year. McDonald's is trading at 20 times earnings, their earnings also decline year over year. Colgate trading over 20 times earnings, saw a negative growth in earnings as well. Year over year, all these companies. I mean, what would you rather buy?

And this growth of Facebook's not slowing anytime soon. They're expected to grow earnings more than 20%, close to 25% annually over the next three years. That's what, four, five times faster than the average S&P 500 company? Trading at near a market multiple? You're looking at a company that has huge pricing power. I think they charge a fortune to advertisers since they know what, where, why, how, everything about their users on a minute-by-minute basis. I mean Starbucks runs in there, before they even say anything to Facebook, they're like, here, here's 10 million people that are currently in Starbucks right this second, what do you want to send them?

But looking at Curzio Research, right? Taking out an ad on TV, say if I want to market my company. I mean, how do you know who

the hell is actually watching that TV program? They're gonna give you statistics, but how? How do you actually know? How do you know, yeah, okay, this player ... they have, what, five people in their household, maybe one of them buys newsletters. How do I know that person's actually at home watching TV? They can give you data, and they have good analytical trends, but you really don't know. It's not ... it's too difficult to find the exact data, exactly, is that person, am I wasting my dollars spending on it? They're trying to find out am I targeting the right people?

Or I can call Facebook, and they can say, hey Frank, you know what, here's a list of one million people who talked about dividend-paying stocks they own over the past two weeks. Here they are, a list of one million. Which platform do you think I'm gonna spend my money on when it comes to advertising?

You will see headline risk. But after you see, we'll get involved as where as our local idiotic politicians who know this subject touches a nerve with people in public. They want to put their face on it right away. Not to help you at all, they don't care about that, but just to raise awareness for their campaigns heading into election season. Which means there's gonna be more headline risk. So expect that to intensify. And Facebook will probably follow it from these levels, 165, 160 if it gets there. But if it does, you're gonna see floods of cash pour into this name.

Maybe you're from Warren Buffett, who's sitting on a hundred million dollars in cash, looking for a bargain so he said, right, a couple weeks ago. At 18, 19 forward earnings, earnings growth of 25% for the foreseeable future on an annual basis? Man, I can't tell you a better large cap stock to buy than that. And that's just my two cents, which, I don't know, may be worth only a penny to you, I don't know. But looking at Facebook, it's a cheap stock with massive growth, and that's not backing down soon.

There's no competitive threat there, they have pricing power. People are gonna pay as long as they continue to have the greatest audience that's gonna tell them everything about themselves. It's great for marketing. So again, it's just my two cents.

Now, I'll take one more question, it's from Abby. And Abby asks, "Frank, what is some of your favorite dividend-paying stocks these days?" A simple question. I like when it's nice and simple, it's not like 14 paragraphs and I gotta go over everything, which is pretty cool. It's pretty simple. and I have to say I don't like consumer staples, as you know. You're not seeing growth there. You can have two-and-a-half, three percent yields. But it's very important to look

at growth.

I mean, if a company is ... You know, you buy stocks for a 3% yield, it's kind of meaningless if the stock's gonna fall 15, 20%, because earnings will decline or are expected to decline in the next couple years. But companies that don't have pricing power, like a lot of consumer staples out here. So you want to make sure you have those growth catalysts. It sounds weird, you're like, Frank you're talking about growth but I'm looking for income, it's important, it's a stock. All right? The stock's gonna go higher, that's where you're gonna make most of your money, you want a stock that will either stay at the same level or go higher. And fortunately these stocks are trading at multiples, their highest multiples in history. So I'm gonna show you 20, 22, 24, 27 times forward earnings when they used to be trading at 14, 15, 16 times forward earnings based on a historical basis.

Why are they so expensive? Because interest rates are like zero, even though they raised them. Yeah, it's getting higher. So relatively, though, people are looking for yields, so they're like all right, we'll pay up for this. Well, if you're going to pay a massive premium, you better make sure the underlying company is growing and is in good standing, and most of these companies aren't. You know what, you sit with a ton of these companies in your 401K now, you have no idea, I bet you have no idea because you just checked off some fund that said growth income. Okay, here's 30% there, 30% into this international fund, large cap fund, dividend fund, and you don't realize that the four funds you checked had the same stocks in them. Because these companies have international operations. They're large caps. They're consumer staples and they're dividend plays.

You have more exposure than you think, and you're like, wow, I drive by McDonald's every time. Wow, and McDonald's has to be a good company, that company will never crash. People said the same thing about Walmart not too long ago. That stock fell 10% in a day. We've seen Apple fall from 135 to 90 before coming back. So these guys get nailed. But they're very, very dangerous right now. So if you look at dividend-paying stocks, make sure that they have catalysts, make sure that they're growing, they're grow on those earnings. Try to have them growing faster than the market, which is around 10%. 10% annual growth right now in earnings, around there, it's going a little bit faster because of tax reforms and things like that.

But you always want to look at that, and people forget that with dividend stocks. They just say, wow, 3%, I'm good. Imagine buying a REIT that was paying you 9%, they're all get, I mean, the REITs have gotten crushed. 20, 30% they're down. What's the point? Good for you, you caught that you're low yield over there, you're still getting destroyed. If you think about it, you want to collect yield, right? You want to collect that dividend.

Maybe you're an old investor, you don't have a lot of working power. I mean, the goal here is to generate income, right, that's a little bit higher than inflation at almost a risk-free rate. It's very hard to do. And buying consumer staples gets you half of that. You get a 3% yield, all right, there you go, that's pretty cool. But it's far from being risk-free. It's very, very dangerous.

So the companies I like that you're asking, one of them's Exxon. This is a stock paying a 4% yield, down 20% from its highs, but oil trading up near its highs, what, two year highs? Over \$60? Getting a good discount on, I mean, the oil stocks in general, energy stocks, it's crazy. Talked about that with [inaudible 00:30:05] Kumar last week, about energy stocks. I mean, amazing how you saw the underlying commodity go up so much from 40 to over 60, yet so many of these stocks got nailed even though they pushed their debt out. They really don't have those debt concerns, they're gonna trade a huge cash flow at 60 bucks. A lot of share producers can produce oil at big margins at this price.

So I like Exxon, and also another stock that I've mentioned in the past is Intel. Two-and-a-half percent yield, finally in every major technology trend growth market, connectivity, big data analytics, virtual reality, augmented reality, quantum computing, building computers with data mining for cryptocurrencies. A lot of stuff going on at Intel that's fantastic. Now you see growth, you see excitement, and you're able to get that yield. So I'm only going to make 2.4%, chances are you're gonna buy the stock and go a lot higher over the next couple of years to increase those returns.

So that's what I would look for, and always be careful, because when you're buying at high yield, and a company has seen those earnings decline, that dividend payout ratio gets higher and higher, which is basically a percentage of earnings, and sometimes they have to cut the dividend. We saw that with GE. When companies cut their dividend, they get destroyed in this market. Why? Because people are only buying for that reason. It's the only reason you're buying these high-dividend paying stocks, is because they pay a high dividend, it's not because the companies are cheap. So if those earnings are declining and they have to cut their dividend,

you're gonna see everybody leave that stock. That's why you see 15, 20, 30% declines on companies who slash their dividend, cut it some of them suspend them.

Be very, very, very careful in this market. There's a lot of expensive dividend-paying stocks, names that you think are safe that you see every day, that you know of, but they're not that safe. You have to be very, very careful, especially as interest rates go higher. There's more alternatives than buying these crazy consumer staple stocks at 22, 23, 24 times earnings. And you're gonna see a lot of outflows out of that industry and into other areas to get that income. It's gonna result in a lot of those consumer staple stocks falling, so be careful.

Look at your 401Ks, know what you own in there, it's very important. Because you're getting nailed, and you don't even realize it. Be very, very careful.

All right, guys, that's it for me. Continue to enjoy March Madness, holy cow. Man. A lot of fun, I'm enjoying it, been great thus far. It should be even better for this weekend. So guys, thanks so much for listening, I'll see you in seven days. Take care.