

Frank Curzio's **FRANKLY SPEAKING**



Announcer: Wall Street Unplugged, looks beyond the regular headlines heard on mainstream financial media, to bring you unscripted interviews and breaking commentary, direct from Wall Street, right to you on Main Street.

Frank Curzio: What's going on here, it's June 29th. I'm Frank Curzio, host of the Frankly Speaking Podcast, where I answer all your questions. Markets, stocks, comics, sports, and anything else you wanna throw at me. I created this podcast to answer more of your questions that you send me through my Wall Street Unplugged podcast, which I host every Wednesday. If you want your questions 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 questions may be the one I read on this podcast. Pretty excited. In New York this week for a couple of days at a special event. Charity event. Fundraiser, golf thing that I do every years as a very good friend of mine who passed away, I think about six or seven years ago. And we just do this gold thing every year in Queens, New York for his family. Raise some money. I see a lot of really good friends.

But heading back right away. It's just kind of like a two day trip and something I try to do every year and just grateful I get to see my friends and everything. And just a really good person, someone that I really like, play basketball with a lot and yeah, just really cool. So anyway, still gonna have a podcast, no matter what, no matter where I am, because I'm here for you at all times because I'm the greatest ever. Just kidding, I wish. Anyway, let's get some of your questions. Getting a lot guys, keep them coming in. Frank@curzioresearch.com. I should be mentioning this on Wall

Street Unplugged, rather than Frankly Speaking, but we have two different feeds now. We used to put all the podcasts from Frankly Speaking and also Wall Street Unplugged in one feed. Now there's two different ones, so you have to subscribe to both of them and this way you're getting it directly to your iPhone. Because I used to see lots and lots of questions and pretty much since we have two different feeds, those questions got cut, probably about 40%.

So keep them coming in, and again, I always say, you never know, your question may be the one I read on this podcast and I mean it. Lot of times I'll read an email and I get a response, "Fragles listen in my car, whatever and I can't believe you said it." It's so funny because I think it's like Jon Bon Jovi right, they're like, "Oh my god, I can't believe you." It's cool and I'm just a regular guy like you and I'm just trying to help you guys out. So keep the questions coming. I don't mind answering them. Again, it's a free service I provide for you, especially for new people right? They get to see this and then it gets to our platform and they subscribe to our newsletters and that's how we do business. And we really like to show you these types of results before you subscribe and you see what we're all about, and go to the Facebook page, stuff like that.

Anyway, enough of that. Let's get to some of your questions. Some really good ones.

First one's from Don. Says, "Continuing to see the building costs rise in the roofing industry from our distributor. They're publicly traded." And he names it, but I don't wanna name it, I don't wanna give too much away. It's not a big company or anything, that you would know from a stock perspective, I don't think, but I know that Don sent me this email to be really cool. I get tons of emails, that's why I'm reading this, because he keeps going on, he says, "Depending on which distributor you ask, we have seen several price increases three to four on roofing materials, over the past three to four months. We haven't seen any price increasing of

any notable size for years until this recent time.”

So what I encourage you to do right, because this podcast is about, my podcast, it's a massive network. It's not just, “Well Frank why do you do this free thing for?” It's, I'm talking to tens of thousands, sometimes hundreds of thousands of people who are business owners, who work in different fields, different places, and you guys could feed me information just like I could feed you information, and we help each other out. We look into different industries more, helps the research process, but that's what the network's about, it's real time. And it's global, which is awesome. So I want you guy to really ... if you see things like ... I get a lot of emails like this, I wish I could answer more of them and because the business is growing and it was great when it was a small little business and I used to be able to answer so many emails. And now it's getting to the hundreds and sometimes, a thousand emails a week.

Obviously I can't answer that many, but I try to answer as many as I can. But I do read them all and I'm dead serious on that. I'll read them quick and see what's going. Sometimes I'll be able to respond to them. But anyway, when you're sending me emails like this, it's such a big deal. Here's why? Because Don, what I'm seeing, and this is gonna be great for everybody else out there and even your business owners ... feel free to email me and let me know what you think. This is very important guy, this is very, very important. So frank@curzioresearch.com. Send me email. If you have your own businesses and you're seeing the same thing that Don's seeing, I wanna make a [inaudible 00:04:42] now, because this past conference call ... the last conference call, company started talking more about taxes, tax reform and stuff like that.

They were saying, “Well we're seeing prices rise a little bit.” This past quarter, everybody's talking about the 20% earnings growth and this is gonna ... let me tell you something, margins for the S&P have been at 10% pretty much for a long time, several years. Those are historical highs and Bears have argued that it's gonna return back to the norm and when it

does, stocks are gonna get hurt because the profits are gonna down. And it hasn't happened for a very, very long time. Why? Well people say, "Well look at productivity, it's not really going ..." I mean, it depends what you look and who's tracking the numbers, right. Think about my business 20 years ago, even 25, 30 years ago, my dad was in the industry. Computers, forget about it, you had to go to the library to look at 10 ... you had to get 10K's sent to you. They didn't have conference calls back then.

Now, you see a transcript, you can get a transcript for free on the website. On [inaudible 00:05:46] or whatever news service, pretty much about an hour after it's over and you know just as much as the analyst on the calls. All the information's getting at the same time. You have services that I use like, Capital IQ. If it's Capital IQ, if it's Bloomberg, whatever, FactSet, Thomas Reuters, but I could bring up every single company that supplies Starbucks, supplies Walmart. Think about how many companies are in Walmart. Individual companies and stocks. I can find them, probably in about, inside about three minutes. Thousands of them. So when you look at that and productivity, you say, wow. There's definitely productivity gains, right. It's computers, how fast they are now, just it's so easy to get access to information. People are doing more than they've ever done, but I know it doesn't really show up in the numbers. People say, "Well[inaudible 00:06:35]."

Anyway, the point I'm getting to is this. I don't know if they're gonna run back to the mean, and if they do, what does that mean? Margins are gonna go lower. So margins, that means your profit's gonna go lower. Now when I listened to a bunch of conference calls, which I do every quarter, this was shocking to me. Shocking of how many companies ... I'm talking about 75% of the conference calls I listen to, or I always say, "Briefing [inaudible 00:07:03] fly on the wall, they always give you bullet points." Every single time it felt like I was looking at a company ...

You know, Coca Cola, told us National [inaudible 00:07:11]

at raising prices. Comcast prices, which they do every single day. Starbucks is raising prices so you have higher price for coffee. Jet fuel cost, all the airlines talked about it. Caterpillar obviously with steel, with tariffs and stuff like that, they said, other commodity costs, that they're starting to really see that. Kimberly Clark margins got hurt from commodity inflation. Proctor & Gamble said almost the same exact thing. You had Ford come out and say it. Ingersoll Rand, Chipotle, Halliburton, Black & Decker, Good Year, 3M, Whirlpool. I can keep going, and going, and going. This is just a few that I found of the top of my head. If I really go in and do searches and spend an hour on it, you're gonna see about 75%, 80% of the companies are talking about higher inflation.

But inflation is in check because, again, it doesn't include food, it doesn't include energy prices. So it could be very misleading, but this isn't. So Don, what you're saying with these price increases ... same with me. I'm looking at my electricity bill much higher. Everything that I'm paying for is much higher. I really send up the Comcast, I'm not ranting here. You guys know it's the worst company, it's the crappiest company in the world. You should buy it because they have a monopoly [inaudible 00:08:15]. I'm gonna go into a rant. I won't do it, no Comcast.

Anyway, that whole entire rant by the way, I have to tell you this. This whole entire rant that I had on Comcast not long ago, is because they shut off my service for High Definition. It took them two months to turn it back on and they were supposed to do it for free. And it took two months right, probably about 10 hours of my life there wasted. And I just looked at my bill, and they're saying they charged me again out of nowhere. So again, it's just when you have a monopoly it's cool. That's a rant on Comcast, it's just funny.

Anyway, but, in all seriousness, the contract that I signed two months ago, they started raising my prices already, immediately. Which it says in the contract. "We may raise our price ..." It only took two months. Everybody's raising prices. I'm looking at AT&T for my bills are raising prices. Cell phone

prices, everybody's raising prices. Everybody. You're looking at it, it's just insane. It's insane. You go to the supermarkets, you go anyplace. So, common sense. You go look at statistics and say, "Well it's around 2.1, 2.2, based on the CPI."

Consumer price index guys, that's what basically the Fed looks at. And you say, "Well inflation's not that great." When you really look at the cost to impact ... tuition costs, energy costs, energy prices are up. I'm seeing it, I'm feeling it. I'm sure a lot of you are.

Think about that when you're looking at stocks, because if those margins come down, nobody's really talking about that. They just started talking about commodity inflation, a little bit. Then you heard that companies are really talking about it. This is something that's really not factored in. If you're looking at earnings. I'm gonna say, "It's gonna grow 20%". I've come on, looked at the stats, and said, it's probably 17% next year, 15% the following year, and then ... remember markets are forward looking. It is the mistake that people made with Apple, when Apple fell from 130 to 90. Now it's a lot higher than that, but the reason why I didn't like Apple back then is because, when I looked a year ahead, analyst said that sales, sales were gonna grow 20%. When I looked it, I saw sales growing at about 2 to 3%.

I was wrong. They didn't grow year over year. They actually fell. And what happened to the stock? The stock got crushed, before balancing out, getting more into cloud, getting more into services. And then launching ... forcing three phones down your throat, every single year now. So they manage to adjust. Again, Apple's raising prices as well. You see those prices being raised. So when you look at companies, you wanna look a year out, and if you see any problems, say, nine months to a year out, it's gonna start getting reflected in the stock. So, you don't wanna look next quarter where a company may raise its guidance, that's fine, but longer term, if you're looking nine months, a year down, the next earning season's gonna be huge. For me anyway. For someone who, that's the biggest part. I love earning season, right.

I break down all their earnings, all the companies. Sorry to go on about this, it's so important though. You really wanna see what these companies are saying about inflation. It means they have to raise prices. Right now they can get away with it, the economy is good. They're saying it might even grow by 5% real GDP now. Again, temporary number. However, how much longer can you raise prices. You have pricing power, until you don't. Right? So you can raise prices, raise prices, and eventually people are gonna say, "You know what, F this. I'm outta here. I'm pulling the plug on AT&T and I'm just gonna do Netflix from now on." I used to pay \$40 a month for my TV, for cable and whatever it was. 60, 90, the last five years it probably quadrupled right? And people are just gonna say, forget it. Just like they'll say forgot it with tuition. "Okay fine, I'm not gonna pay \$80000 a year for tuition. Enough is enough. We'll go to a different school. We'll stay local in the state." Whatever you need to do.

But you have pricing power until you don't anymore and right now companies do. Everything's okay with the economy. People are spending, everything's fine. But that could change right away, and if it does, that could be the catalyst that really pushes stocks, a lot, lot lower. Not lower like we're seeing now. I love this pullback. I don't love it because we're all losing money here. I love it because it's gradual. We're not seeing a monster pullback like on Italy fears, where the market falls 500 points in one day, and then 300 points the next day, and then rises 400 points. It's not a healthy market. What you're seeing right now is like ... when's the last time you saw a gradual pullback in the market like we're seeing. Down 100, down 150, down 175 on the DOW. Again that's a very small percentage because the DOW's up so much. But you're just seeing it come ... it's healthy. People are rotating out of different things and now I'm gonna cover what they're rotating into in a second because someone asked me about sectors in the next question. But I like the ...

Frank Curzio: Rotating to in a second because someone asked me about sectors in the next question. But I like the gradual pullback, however, we're going to see if there's going to be a more meaningful pullback, especially if these costs continue to go higher for these companies. And where do you see it? You see it on your level first. That's where you have an advantage of even more on these companies, because they only report once every three months. Don has his own company here, he's looking at it saying, "Wow, look what I'm seeing right now." That's why I said, frankcurzio@research.com, I may get a hundred emails from businesses saying I'm seeing it right now. I'm seeing it right now. I'm seeing it right now. I'm seeing it right now.

That's how we're able to really get ahead of Chipotle and not buy it, even though it went from \$800 to \$650, because when it did I basically started talking about Chipotle saying, "You know what, the two by my house that we go to are still completely empty when they had the whole bull scare and stuff like that." And then I literally got, I want to say 50 to 60 emails, which gave me a really good sting about it. When they do these samples and surveys and stuff or polls, they'll call sometimes 80 to 100, 200 people. I got emails from, I mean I don't know how many stores, couple or few hundred that they have, but it gave me a good basis and 95% of them would tell me the same thing, that Chipotle, there's no one in the stores.

What the company was telling us, or what they told us when they reported is that next quarter, they're going to grow, same store sales are going to be positive. Like positive 15% or whatever. And I was like there's no way they're going to report a positive. That's a huge difference in same store sales. If you say they're going to go up 15% and it's a negative, if you say they're going to go up 3% if it's a negative, your stock's going to get nailed, probably about 5, 7, 10%. So by talking to everybody and getting that real time perspective, we didn't have to wait for Chipotle to come out the next quarter. What happened? They reported negative same store sales. The stock got crushed. It went down to what? Under

\$400. This is when it was \$650. Because of you, because of the network. That's the point I'm making.

So I want to hear from you business owners. I'm seen as a business owner, a little bit. I'm seeing it more on a personal level. We're not like materials and purchasing a lot of stuff here. It's more IT and services and things like that, but I want to hear from you at frankcurzioresearch.com.

I really appreciate this ... you know, letting me know what's going on with your company and stuff like that. And I'm hearing the same thing. You're not the only person that's sent me emails like that, so I really appreciate.

Next question. Man, that took a long time. Well, let's get the next question. And it's from Chris who says, "Frank, with the market coming down, what are some of your favorite sectors that we should be looking at for stocks to buy? Current CVO subscriber. Am very happy. Thanks for working so hard for us." Thanks Chris. I appreciate that. I really do. I do work hard. I work a lot of hours because I loved what I do and I always want to learn and build the company and things are going pretty good. A lot of challenges, but it is fun. The only thing nobody told me about is how many hours you really have to put in. I thought you knew, or I knew how many hours but it is crazy. There's never a day or even a week that goes by when you have your own business where everything is done and you don't have to do anything. There's always, always, always tons of things to do no matter how much you have a grip on everything and it's cool. It's a challenge. It's great. It's a lot of fun, a lot responsibility and I'm enjoying it.

With that said, let's get to your sectors Chris. The ones I like, which I've liked for a while, probably the last six months is, one of them is oil. I mean these oil companies, guys are leaner than ever. I've followed the oil industry for a very long time. I tell everybody I went to every shell area. This is an industry I have a really good feel on. You know I've been wrong on stocks I've mentioned and I tell you. There's a lot of value stocks that I've been wrong on but I've been right on

a lot of sector calls. Oil's one of them. Oil, we got into. We're up 70% on one stock. Another one is down a little bit, we're a little early on it. Came down like 20 to 30%, came all the way back. It's was up 20% now, I think probably flat now.

And another one that I recommend, it's up 25, 30% already for us and this is just a few months ago. So I've got a good gauge on the oil industry. If you look at oil and OPEC and you look at the history of what they did in 2014, they really crashed the markets when they decided to increase output and say everybody could basically drill and produce as much oil as they can, doesn't matter. Russia went crazy, everybody at OPEC, Libya, everybody went crazy, started producing.

What happened? They lost over a trillion dollars when oil prices went from over 90 to under 30, so with the meeting coming up which was what, a week and a half, two weeks ago, whatever it was. You knew they weren't going to go crazy. Right? They were going to raise production estimates but it was a lot smaller than what people thought. It's not a lot smaller than what I thought if you look at the statistics because they crashed the market and none of those guys want to go broke anymore, so oil's got a nice floor under, it's pretty high, but when you look at the fundamentals and look at the industry, these guys right now could lock in a great price for oil and be able to produce, especially shell producers. I mean, look at shell producer, they can produce oil at, some of them are going to say \$30 because they're in the Permian and a four county area, Glasscock especially and Martin, near Midland and stuff like that, but that's the area where they can really produce very, very cheaply, but it's not a big portion. There's no one that has 100% ownership in that area where they can produce at \$30 forever or \$22, \$27, whatever. The average oil price probably about 40, \$42 I would say in the Permian, if you look at the Eagle Ford, it's probably about \$47, and maybe 50, 52.

Again, it's not exactly science, depends on what company, depends on what technology, depends on what areas they're in. And when I say 50, 52, that's the Williston Basin, which

I also visited in North Dakota. But what these companies did over the past few years is they leveraged the balance sheets. They pushed out their debt, they were able to lower their interest rates, and they're more leaner than ever. Think about technology companies, 1999, 2000 they crashed, how many great companies, and we had a lot of great companies that went bankrupt that had good ideas. They just went too crazy on their growth plans. The companies that survived, the Pricelines, the eBays, the Amazons, fantastic, look where they are now.

Also notice how much cash technology companies have in their balance sheet. Why? Because of what they went through back then. So when companies really go through this massive cycle or this negative cycle in the industry and they get destroyed and their stocks come down 70, 80%, what happens? They have to cut costs, they're firing people, laying these people, closing operations, closing facilities. Through all this stuff, and then when the market comes back you're leaner than ever, and you're smart. You're wiser, you're not aggressive, because this just happened, because think about the credit crisis. Did you jump in in 2010? No, nobody really jumped in in 2010. And if you did jump in in 2010, you probably sold all your stocks 2011, because you were scared as shit of the credit crisis that almost bankrupted the world. You just saw your home price decline by 35, 40%, your 401k down 35, 40%, a retiree, 70 years old that had millions of dollars, not it's 300 thousand. If they live another 20 years, you're like, "What, am I gonna have to work again?" And you're scared.

So when the market comes back, you're not that aggressive, because you just lived through that. But you get wiser, you get smarter. And that's what oil companies did. So they leveraged their balance sheets, they're in great shape right now, they're producing in a lot of low cost areas, and they basically generate tons of cash flow. They're gonna report their best earning season I would say this coming quarter than they've reported since 2014, May 2014? And all of that, they're able to lock in prices because they could drill for 50,

but they lock in, at a lot of 60, 70% of production which is great using the future markets. Hedging their production, which they can do right now to have that guaranteed income, which is nice. That's what Walmart does, FedEx does, anybody with big fleets, that's what most airlines do. You wanna lock in your fuel cost, because if you don't, it's hard to really run a company when that's your largest expense and all prices could be 100 in January and in December they can be 30, you don't know. So hey lets lock them in, this way at least we know how we can run our business and that a cost that we don't have to worry about.

It's constant cost so we could see it. So when you're looking at oil companies guys, I think it's a great sector to invest in. I still think you have some upside, we were able to get into a lot of names within our portfolio, maybe three or four of them I think that we're in. But I still like oil, another sector financials, I won't get too much into the details because covered that in the education segment two weeks ago in Wall Street Unplugged, and also I think somebody asked me a question last week on this podcast Frankly Speaking, last Friday.

But these guys are gonna significantly raise their dividends, about to buy back tons of their stock after every one of the major banks has stress testing, I think it was like 34 in total. It's a dirt cheap sector, it has huge growth potential, why? Because you have insurance rates rising, so that interest margin's gonna get better for these guys. You have deregulation coming down the road, and it's amazing that these guys have to keep enough capital on their balance sheet to withstand something that happened once in 150 years, I don't know, you get even further, happened once, the Great Depression. That's how much capital they have to keep on their balance sheets right now, it's insane.

How do you run a company, how could you run a company like that? If you're running a company, even a small company, and you had to keep 70%, 80% of your assets just on your books, and you can't spend that money, you can't

market, you can't make more loans, you can't do anything, I mean it's insane. So these regulations are gonna ease, at least a little bit, it means it's gonna be a little more money, and again these stocks are really really cheap, some of them are trading below their bulk value, I think it's Citi Group, and you got Bank of America there, and JPMorgan's coming down to really great levels.

So that's one of the sectors I like on this pullback, and the last sector is the gaming industry. So I covered this in Wall Street Unplugged, that was on Wednesday's educational segment, but the Supreme Court, ruled last month, which is May, that states can legalize gambling. It's not gonna be a boom to the major players like Las Vegas and [inaudible 00:23:29] these are guys that basically have all their operations where? In Las Vegas, and McCall, and a couple other places, like at Las Vegas Sands has in Singapore, and you know. But that's their growth markets, this is individual states, this is more about Penn National, it's more about Churchill Downs, Boyd, and companies that have online platforms, existing online platforms. Because once they approve this, where you gonna go, you wanna go to the established online platforms. Imagine that, imagine how big this market's gonna be. So basically, what the Supreme Court did is they said, "Okay, that all states can legalize gambling."

These estimates are as high as 400 million dollars. It's not a 400 million market for these guys, because they take a rake of it, right? So say if it's 10%, but it's like a 40 billion dollar market, which could prove to be conservative. Why? Because that's the black market. Because estimate's saying that it's around 350, 400 million, but I can tell you, I'm not in that black market because I'm not betting, but I definitely would've bet at this year's Super Bowl that I went to, whatever. Put a couple hundred bucks on it.

And if you could really go on your phone and place a bet, it's incredible. And if you're looking at some of these sites, the average revenue per user, it's incredible, there's tens of millions of people on these sites. You're looking at numbers

that are bigger than Netflix, that are trading at 1/50th evaluation. But much much more growth potential, because now you have the entire US market. It's not gonna happen tomorrow, but it's worth taking a looking at a lot of these companies, because there's 14 states that are gonna have operations up and running, you're gonna legalize it within two years. You have three or four that have done it already. Vegas is the only way, a monopoly on sports betting. So now you have three or four, I think it's New York, New Jersey I'm pretty sure, and a couple of others, Pennsylvania, and 14 in total within two years.

Then you have about 70% of the states already have some kind of legislation in the works, that they're looking to approve this, and it's gonna happen inside of five years. Some will be two years, three years, four years, whatever. So, it's gonna take time, but this is a massive market that got create out of thin air just by two Supreme Court guys raising their hand instead of not raising their hand. Okay, alright, it's approved, alright, we're good, let's go for it, okay, here's a 40 billion dollar market for you. Pretty incredible when you think about it. So you're very early to the party, it's gonna be volatile, it's not gonna happen over-

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... the party. It's going to be volatile. It's not gonna happen overnight, but you're going to see a lot of news come out and the people who are earlier to the party, just like Colorado was to marijuana, are going to generate the most money compared to states, and again, whatever side you're on or whatever you believe in it or not, a marijuana trend or legalizing a recreational whatever you want, but if you're looking at all these states ... Well Colorado is killing it right now and now you have everybody else following suit and Canada late to the party here. But look at the Colorado it's amazing. I mean look at their economy. So if I'm a state, I'm rushing this, rush it because you could start a massive platforms online or whatever. You could be in that state and start gambling online. All right, this is going to be really, really, really big. It's going to be huge.

I mean I used to play cards all the time online, but they shut it down now. Everything's good. Those sites exist. They're regulated

overseas more regulated than they've ever been because of what happened to US and those sites are going to come back online. You'll see more poker players come online. I mean just ... It's cool. You just play a poker game at night and whatever, 10 bucks, 15 bucks going to a tournament of like 75,000 people and a couple of winners get a free World Series of Poker entrance or whatever, but that's a market you guys should be focused on. It's a huge growth market and it's a \$40,000,000,000 industry that just got created out of thin air, which means what? You're early to the party. You're not investing in something that's been around for a while. So those are the three sectors I would look at. Hopefully that answers your question, Chris.

Now let's take one more. It's from Bert. Bert says, "Frank, just wanted to say thanks for AVAV" – that's AeroVironment – "is up 150% on your pick, but should I take profits now or let it ride? They just reported earnings and the stock is down 10% after the close." He goes, "And thank you for all you do. Hope your daughter is doing well." My daughter is doing great. She was diagnosed with Crohn's disease a few months ago. She's doing great now. She's doing awesome. We haven't really found any foods that are bothering her and she's running around doing great, watching her diet, but you know, you just got to be a little bit careful and stuff, but she's doing fantastic. She's actually doing great. So thanks so much for asking.

AVAV is a company that I have in my Curzio Venture Opportunity portfolio. So you're saying should you take profits? We took profits at 100% and now the stock's up around another 50% since then. AVAV is one of the largest drone manufacturers in the world. I love this company. I love what management did because they did something that no one ever does in the world anymore, right? Everybody has to meet earnings. Everyone has to have great earnings. Everyone has to grow forever. You can't have a slowdown, like you can't grow for two years and say, "Okay, take a step back."

We're gonna spend a lot of money in these initial ... " No. Doesn't happen. You always got to spend while you growing, right? Because people hate that especially with stocks. Everything's short-term.

So what do we see in the drone industry? Three, four years ago, booming everywhere. I went to a consumer electronics show, drones everywhere. It's cool. The whole synchronized drone, little drones, big drones, half drones. All with these cameras all over them. Cool, right? It was a great market. It was a booming market on the consumer level. These guys saw that the consumer level is going to slow down. There's a lot of competitive, a lot of things going on. They said, "We want to really focus on governments and we want to focus on international." And when they announced that, they took one step back and Wall Street hated it. Destroyed the stock, killed it, went down 60%, and that's when we recommended it.

Two quarters later, they had three or four international clients, five or six. Now they have over 45 international clients, our ally, our ally. So they have the best military drones out there, especially the small UAVs, [inaudible 00:29:49] drones. Defense Department's going to come out with their budget for 2019 and that's one of the biggest things that's like the guaranteed is drones. Drones is spending a fortune on. Trump just came out and said that he's going to share it. He wants to share our drone technology with our allies and this was like two months ago. If you look at AVAV, they just reported. It was interesting because the stock ... and he ... This is ... Bert emailed me I believe on Tuesday and the company [inaudible 00:30:14] Tuesday night was down 10%. If it opened up higher and finished a day up another 7%. Why? Because people didn't understand the earnings.

If you look at the websites like the briefing.com, the [inaudible 00:30:27] while you look at everything, they came out with strong earnings but their earnings they blew away and they raised their earnings guidance, but their sales were lower than expected by about 30 million or so. So people

were like, “Wow, sales are lower. That’s really bad.” But they didn’t really look at the details. It’s funny because it was a simple detail.

The company has a division that’s a basically more like an alternative energy division or whatever, you know, I’m simplifying it now, but it’s a division that drags the company down. It accounted for a small part of revenue maybe I should say it was just a money [inaudible 00:31:04] earnings. Delayed contracts, just terrible. So what did they do is they sold that business. They decided to sell it and they announced it about three weeks ago. So they sold it for about 30, 35 million. Took that money put it on the balance sheet. Amazing. Very, very, super strong balance sheet. Biggest backlog. They record backlog. Biggest backlog they have had in the history of the company, but they’re not getting the revenue.

So they basically took the cash, which is great. Now they’re going to be 100% focused on the drone market, which is booming right now, especially overseas, especially military and government, which is great. And these are the markets that they’re focused on. [inaudible 00:31:40] well ahead of the curve here.

And when I looked down the line, it just, especially with the earnings and revenue, now you don’t have this drag on your company, so you basically you took 30 million, 35 million of sales out of the company because you sold the vision. So obviously your sales are going to be a little bit lower. So an apples-to-apples comparison shows us those sales are really, actually the guidance gonna be higher.

But when it was reported and people see that decline in sales, they were quick to jump to conclusions and saying, “Oh wow. There’s a ... “ There was no slowdown. So there’s little things like that that happened in the market and the overreactions are incredible.

Like how many times you see a stock down 10% after they report and then is up 7% basically, yeah, I would say the

same day? I mean they reported day before, but the time it opened the morning at 8:30, it was down 10%. This is Wednesday. And it closed the day more than 7% higher when the market had that massive reversal of 100, 200 points.

So when I look at companies like this, you should have taken profits already at 100%. If you're up over 100%, take some off the table. You deserve it. You made some money. It is a winner. Again, I pat myself on the back here. You guys know I covered my losers just [inaudible 00:32:52] I cover my winners. But this is a really good stock for us and this is what we look for in that portfolio. This is why you need to diversify in Curzio Venture Opportunities because we had some gold pics in there that we stopped out of because gold is horrible right now is a terrible sector. Why we in gold stocks and some of these other stocks in the mining sector? Because we know when that trend turns, these things to go up easily 600, 700, 800% and the best stocks, especially the junior miners, great management teams, high grade gold deposits, even strong balance sheets, supersized running the company down 70, 80%. It doesn't matter. Still turn of the market. So we stopped that a couple of those, but we have some pretty big winners in there. A lot of big winners.

And if you look at the whole entire portfolio, you're doing good. You're doing really good on it, but if you're just trying to pick some stocks, the odds are not in your favor with this portfolio. Because it's not a portfolio where you're going to see more winners than losers. That's not what this portfolio is about. You're going to see more losers than winners, but you want to limit your losses. Just like if you're investing money like venture capital and you're going into these early startups, most of them are going to fail. But if you go to Facebook, you can own your own island. That's the point. So when you have like say 50 grand, you want to maybe put five grand in 10 companies.

All you need is one to hit and you're great. Maybe you get two or three that are okay and one of these just goes through

the roof, but you're going to lose money to the majority of them. That's how this portfolio is set out, because I get a lot of emails saying, "Frank, you know, you're down this stock and we stopped that is a ... ". You have to diversify. I know it's hard. I know you probably say ... Most people subscribe to five newsletters on average. I know all the statistics. Okay? Most of you, it's about five and a half to six of each person that buys newsletters. The average age is around 68 years old again, and we know all these statistics. I need to know all these statistics. Okay? About everybody. This is my job. That's my business.

So I know you're not going to buy every stock in every single newsletter that you have, but for this portfolio, just if you can, try to buy all the stocks in it because if you do, we had 180% winner in three weeks, which was fantastic. We took half off the table. The stock came down and I think we sold the other half whatever for a little bit of a loss when it came back down. But it was a massive winner. Had great news on it.

We have other stocks that are up 70%, 90%, but we do have stocks that are gonna hit our staffs because it's Curzio Venture Opportunities. That's what it is. It's venture, right? So in order to get these massive gains, you have to take on an exceptional amount of risk. So the portfolio is not for everybody, which is fine. But if you're going to subscribe to that newsletter, which is our biggest newsletter, it's [inaudible 00:35:33] the one we launched our company on, our flagship product that does have private placements in it that you have access to that and things like that, you want to try to diversify as much as you can because I've been doing it for a long time. I Have a good track record with this, but you're going to see more losers than winners in a portfolio. Limit those losses, but those winners, you want to let them ride and they could be life-changing.

I think AVAV has a ton more potential. It just broke out of the 60 range. Now it's at 65. I think it's going to be a momentum. May even go a lot higher from here. I wouldn't

tell you to buy it only because you know, we've bought it at 20s, I want to say, but I do see a lot more potential in it and I think it's going a lot higher. So I really appreciate that email, Bert.

Okay guys, I said it earlier. Keep those emails coming in. Frankly Speaking is on a new feed right now, so I'm going to mention this on Wall Street Unplugged, so you see got a lot more emails, a lot more questions, which is good for you. So if you email me, you've got a good shot at one of your questions being answered. If not, it's perfectly cool. Just sit back and listen while you're working out, while you're hanging out. When your wife's talking, put the earphones in. I do the same thing. I'm just kidding, but feel free to send me an email if you want any of your questions answered. ffrank@curzioresearch.com.

Okay guys, that's it from me. Have an awesome weekend. I'll see you in seven days. Take care.

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