

## >: Google Ads - The Real Story

Wednesday, March 5, 2008 / Wayne Mulligan

So the talk of the tape last week was obviously Google (Nasdaq: GOOG). The Mountain View search giant has been on a downward spiral since the end of last year and shows no signs of letting up now.

In fact, the stock is down over 33% in 2 months alone - that's over \$70 billion dollars in shareholder value completely wiped out in a matter of weeks.

Last week was no exception - after a negative report came out from web traffic reporting company comScore, Google's stock slid from \$505 on Monday down to \$471 by the close of Friday. That's a decrease of over \$10 billion in market value in a single week based on a single report.

I can't begin to tell you how many news articles and blog posts I read that had the, "See we knew Google's success couldn't last forever" feel to them. The basis for this insightful, albeit untimely conclusion: the comScore report. On a side note: I bet the vast majority of the analysts and editors behind those articles were probably the same people who predicted Google would go to \$800 per share only 3 months earlier.

In any case, the real issue here is the comScore report.

Was it *accurate*?

Did the media draw *meaningful* conclusions from it?

Were the conclusions *accurate*?

Nobody seemed to bother asking those questions - well, if they did, those weren't the folks getting all the publicity last week. The only articles making the front page or the "most popular" lists were those calling for Google's head on a platter, so to speak. So let's fast forward to the end of the week when comScore published a post on its blog that pretty much read, "Oops, we might've given you the wrong impression."

My favorite excerpt with respect to the report:

"The information triggered a flurry of reactions in the media and the financial community that centered on two concerns: 1) a potentially weak first quarter outlook for Google, and 2) an indication that a soft U.S. economy is beginning to drag down the online advertising market.

While we do not claim that these concerns are unwarranted, **we believe a careful analysis of our search data does not lend them direct support.**" (Emphasis

If you'd like to read the entire blog post, [click here](#).

The basic gist of the blog post was that while total click-throughs may have been down, it was due to a conscious effort on Google's part to eliminate ineffective ads. Meaning there was less opportunity for clicks because Google was proactively displaying fewer ads, thus increasing the dollar return on the ads that were displayed.

Bear Sterns' analysts aside, I think most folks realized that this report was overblown - at the end of the day, 3rd party data doesn't mean everything... money does. And according to many Google clients, some of whom I know personally, Google is still their primary advertising solution and they're seeing more and more money from the company each month.

Check out this report from Alley Insider which talks about one of the larger ad buyers on Google, and why they'll continue to use Google as one of their primary marketing tools:

[Ad Buyer: No Slowdown In Search Or Google](#)

All in all, it was a rough week for the company. The stock may not be out of the woods yet, but there's a valuable lesson to be learned here: It pays to do your own homework!

That's why I was so happy to see a few TickerHound.com members ask questions on this exact topic... one of the recent questions: "What will happen to Google now? Is the selloff going to continue, or has it bottomed out?"

[Click here](#) to weigh in on the situation.

While I couldn't tell you when Google's stock will be on the rise again, I can say for sure that this company isn't going to be another "dot bomb" sob story. I'm definitely a long term bull on this stock.

TickerHound Member Profile - ChessNautika

the answers to the questions, or because I think this man is one of the cornerstones of the TickerHound community and someone I hold in the highest respect...

But rather because this man truly proves that when it comes to investing, age isn't anything but a number. I know that might seem cryptic right now, but if you read on I think you'll have the same SHOCKED reaction as me when I read these words, and you'll soon realize why this is my favorite interview to date. Today TickerHound Weekly is proud to bring you an interview with [ChaosNantuko!](#)

Before I go on, I'd like you to remember that we're still accepting interview submissions. So if you'd like to see your name up here next week, then send us an email at "[feedback@tickerhound.com](mailto:feedback@tickerhound.com)

" with your responses to the questions below. Don't worry about spelling and/or grammar, we'll edit the content ourselves first. :)

So here goes...

**Q: What's your name?**

A: Jordan

**Q: Where do you live?**

A: Ontario, Canada

**Q: How old are you?**

A: Just turned 17 a week ago ;D(From Wayne: Yes, you read that correctly, he's 17!!!)

**Q: How long have you been investing?**

A: I read a book about general investing 4 and a half years ago, a book on technical analysis 2 years ago, and skimmed through a couple books chronicling Warren Buffett's methods. However, I made my first actual investment last August. So in some ways, I'm very experienced, while in others, I'm completely new at this.

**Q: What type of investor are you (aggressive/conservative/ETF investor/Technical trader)?**

A: I'm an aggressive investor who goes after fast profits using mostly stock options and technical analysis.

**Q: Do you specialize in any particular sectors? If so, which ones?**

A: No real specialization.

**Q: What do you do for a living?**

A: High school student - Mostly mathematics and sciences.

**Q: How did you get started in investing?**

A: I saw a book by Robert Kiosaki lying around the house, and it looked intriguing. I picked it up, read it a couple times, and that was the beginning. The information was really in the back of my head when I saw a book on Technical Analysis lying around a couple years later, so I read that as well. I started paper trading about a year and a half ago in October of 2006, and my first real trade was August 2007.

**Q: What's the most (percentage wise) you've ever made on one investment? What was it? Story?**

A: It's close, but I think the best was 86.5% in 17 days. I was taking a look at my scans before bed, and I saw that Garmin (GRMN) had dropped from around 120 to 104 in one day on news that Navteq was being taken over by Nokia. I thought about it... and thought about it some more, and eventually came to the conclusion that based on all the data, this would have almost no effect on Garmin's actual earnings performance. Nokia had already stated that business would really basically continue as is at Navteq, and both Navteq and Garmin had confirmed their business relationship would hold. Also, Garmin's products could almost be considered a different segment of the market compared to the GPS products Nokia might offer, so I figured Garmin was in a good position. The next morning, I looked at it before school, and my opinion remained the same. I decided on a 110-120 call spread. It was risky, but my thinking was that if I was wrong, even in the money calls would get leveled as Garmin continued its free fall, so I might as well go for big. Garmin dropped significantly over the next 2-3 days going as low as 95, but my lower delta due to the otm-ness (out of the money) of the options, and the fact it was a spread instead of a vanilla options, served to mitigate the initial losses. 3 days after that, it was back to just over 105, 3 days after that, to around 115. There were a number of days where it seemed to float around that same area. Based on that data I figured that we were seeing a slowing in the price momentum, so I exited for a profit of 86%. Total time: 17 days total

**Q: What's your worst investing "war story"?**

inspiring. As I said before, in the market, age isn't anything but a number. What really matters is your experiences, willingness to learn, and always trying to educate and empower yourself further. I look at it like adding ?tools to your toolbox?. TickerHound is just one of those tools, so use it wisely!

### **TickerHound Challenge Winners!**

We asked some pretty tough questions last week and got a lot of really great answers - I think we averaged over 5 responses per question! That's a record for us... so let me just say thank you to everyone who participated.

We're in the process of preparing some new contest and competitions - some of these will include cash and prizes. Speaking of competitions, I was having a conversation with [EthanR](#)

this week - this was the first time I had spoken with Ethan over the phone, great guy - and we were talking about how to get more TickerHound members competing for points each week. Ethan made a suggestion that, quite frankly, shocked me.

Ethan suggested we start "*resetting*" everybody's points back to 100 every few months.

This way, new members are on equal footing with veterans like Ethan. If this suggestion came from one of the newer members I would've understood, but being that it came from the point LEADER, I couldn't believe it. Ethan was willing to give up ALL of his points in order to help others. So we kicked around the idea a bit more and I've been mulling it over in my head all week.

The way we're thinking about it is that TickerHound will have "seasons". Every 2 - 3 months we'll kick off a new "point season", and whoever comes out as the leader each time will get their picture on the "Wall of Fame". In addition, we'll, of course, be sending them some kind of "gift" to show our appreciation.

I'm thinking maybe a free subscription to a newsletter they've had their eye on, or buying them some shares of their favorite stock or a set of books that will help them with their investing careers.

Before I pull the trigger on this idea and make it official, I'd really like to hear back from you on it. So please send me an email at [feedback@tickerhound.com](mailto:feedback@tickerhound.com) and let me know what you think of this idea.

Do you think it'd be something that would get you excited each "season"? Do you have any better ideas? I can't wait to hear your thoughts!

### **Last Week's Challenge**

And the winners for last week's challenge - and the proud owners of 50 new bonus points - are as follows:

For the first question, "[Is it better to lease a car, finance a car or buy it outright?](#)", the top spot went to [7million7years](#) for his great answer!

[Click here](#) to read it now!

For the next question, "[Which international stocks are the best bet for a US investor right now?](#)", the Best Answer went to [Oldman](#).

Great job buddy! [Click here](#) to read his answer now.

And for our final question, "[Do you think the stock market is an efficient market?](#)", [MNSL](#) submitted an answer that just had to take the top spot.

Although it was from another site, which I generally don't approve of, it still required some research to find the answer in the first place. MNSL, definitely try synthesizing the information and putting it into your own words next time... I think it'll make it more valuable to the rest of the community.

[Click here](#) to read MNSL's answer now.

### **This Week's Challenge**

I thought we'd change up some of the questions today - instead of the usual, "opinion/justify it" types of questions we usually ask, we're going to

give you a little "Stock Market Trivia". We'll keep it relatively easy for this first one, and then make it more difficult down the road.

Here's the first question - the answer should simply be the stock symbol for the company:

["Starting in Texas, this company provided power for millions of people as it expanded into Europe - the company has since "gone private". What's the stock sy](#)

[Click here](#) to submit your answer.

I didn't even know the answer to this one off the top of my head: "[If trading gets crazy the last few minutes of trading, who sets the closing price?](#)"

[Click here](#) to submit your answer.

And for our final question, we want to know "[Who was the first American to earn \\$100 million in 1 year?](#)".

[Click here](#) to submit your answer.

Good luck!



Wayne Mulligan  
Chief Investment Officer

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