



PROMISED LAND ANDREW FEINBERG

A Smart Speculation

I was going to call this column "Taking a Smart Flier" until I started reading definitions of flier. Among the nicer entries was one suggesting that it was the investment equivalent of a Hail Mary pass. So forget fliers—even though my top pick for 2008 is a stock that some might consider risky. I don't, and I want to explain how such a seeming long shot

can actually be a prudent investment. Indeed, you can aim for huge gains without desperately hurling your wallet toward the end zone.

Why do so many amateur speculators come to grief? Money manager John Train knows: "In all games, the difference between the amateur and the professional is that the professional plays the odds, while the amateur, whether he realizes it or not, is, among other things, a thrill seeker."

Personally, I like prudent thrills. Buying a stock that could plunge 72% on a relatively likely event, such as an adverse regulatory ruling, would make my stomach churn. On the other hand, carefully researched speculations—those that cost you little or no money even if you're wrong but enable you to make a killing if you're right—can be an important part of a portfolio.

And the pick is... I've recommended three stocks in

this column. JLG Industries tripled before it was bought in 2006. Scientific Games (symbol SGMS) and Investools (SWIM) each rose 51% in a year. And now, I like **Communicate.com** (CMNN.OB), which was planning a name change as we went to press.

A hedge-fund buddy says, "If I found a million dollars, I'd put it all into Communicate." Crazy? Not if you look at the math or the management. Communicate.com owns more than 1,100 domain names. About 30 of them, including Perfume.com, Body.com, Boxing.com and Cricket.com, are quite valuable. In fact, the company, which is based in Vancouver, Canada, turned down \$6 million for Cricket.com because it wants to build the site itself. (ESPN paid \$35 million for Cricinfo.com, the leading cricket site. As for other domain names, Business.com fetched \$350 million and HowStuffWorks.com

went for \$250 million.)

Communicate.com traded in mid January on the OTC Bulletin Board at \$1.97, giving it a market value of \$47 million. It is arguably worth 50% more than that right now, simply based on the value of its domain names, its \$7 million in cash (it has no debt) and its most active site, Perfume.com, which has revenues of about \$10 million and is thus worth, by my reckoning, at least \$20 million.

Further gains in e-commerce and online advertising are inevitable, so Communicate.com benefits from

than Ehrlich had the unenviable task of butting heads with Amazon.com when he ran the online division of Indigo Books and Music, the largest bookseller in Canada. Indigo and Ehrlich won.

Mystery question. Why all this talent at a peanut of a company? "Our opportunity is very large," says Ehrlich. "We have Fifth Avenue real estate, and it just needs to be developed."

In the first half of 2008, the company hopes to raise \$15 million to \$40 million through a stock offering, preferably at a price well

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a powerful tail wind. But many companies riding megatrends have plunged into the abyss, so that's no guarantee.

So why am I a believer? For a company with 2006 sales of just \$8.4 million, Communicate.com has extraordinary management. Chief executive Geoff Hampson has a fine record with startups; he took one from \$250,000 in annual revenues to \$61 million in five years. President Jona-

north of \$2. With the money, it intends to turn Cricket.com into a top site (cricket, the world's second most popular sport, is especially big in India), and it will expand Perfume.com, perhaps by buying some competitors. It will develop other domain names, license them or sell them.

Insiders have been buying the stock. You should, too. ■

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