

From the desk of
Matthew Farber

TO: Cordelia Twomey
FROM: Matthew Farber
DATE: July 26, 2013
SUBJECT: STRATASYS, YELP, AND SPLUNK STOCK RECOMMENDATIONS

Technology Sector Investment Recommendation

Our account has \$5,000 available to invest. My recommendation is to maximize the return from our investment dollars. The technology sector promises to meet that goal. Based on data recorded by the NASDAQ, Stratasys, Yelp, and Splunk each increased in share price from during the past year (see Figure 1). Stratasys manufactures the additive materials used in 3D printing, Yelp is a social media company, and Splunk is a “big data” software firm (“NASDAQ,” 2013).

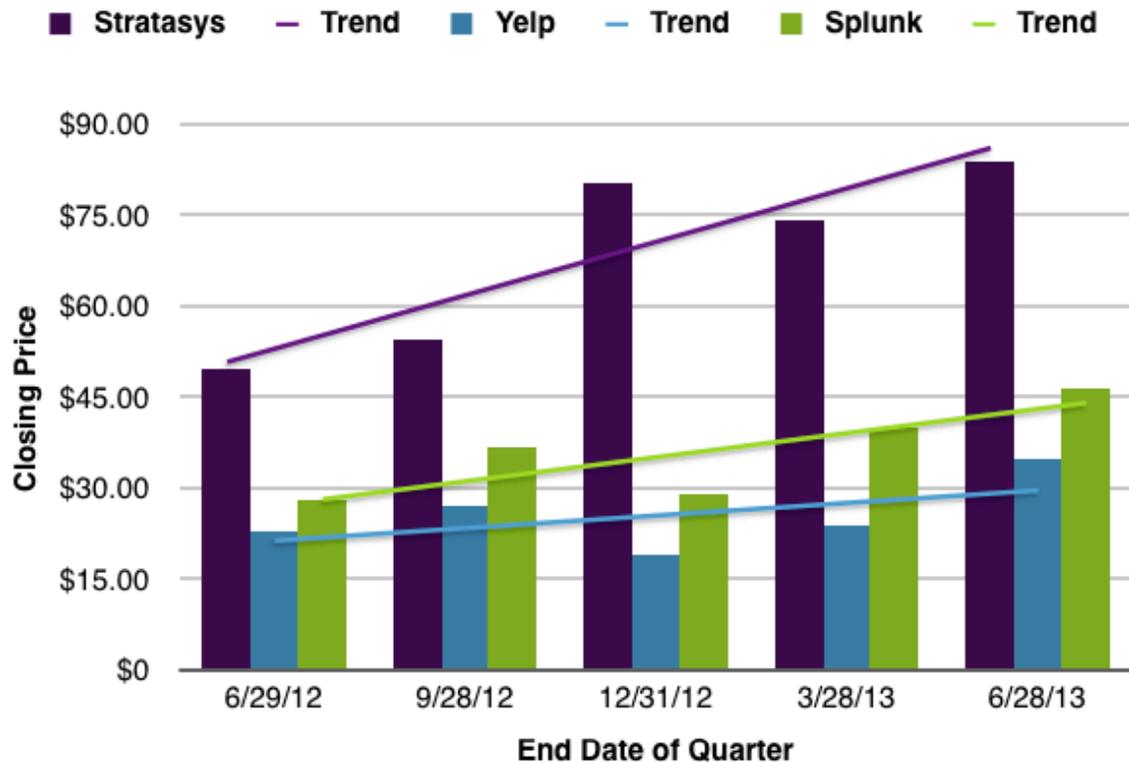


Figure 1. 12-month trading activity of Stratasys, Yelp, and Splunk, by quarter. Adapted from NASDAQ. (2013). Retrieved July 26, 2013, from <http://www.nasdaq.com/>

Performance History

For this past year, Stratasys, Yelp, and Splunk each saw overall gains in share price (see Figure 1). Stratasys increased by 69.17%, Yelp rose by 52.97%, and Splunk went up 64.98% (see Figure 1). However, when analyzed quarterly, each stock experienced a short-term loss. Both Yelp and Splunk saw share prices decrease in late 2012, while shares of Stratasys dropped in the first quarter of 2013 (see Figure 1).

The trendlines suggest a continued rise in share price for all three of the companies studied (see Figure 1). Stratasys had the steepest trendline, suggesting a faster price appreciation potential compared to Yelp and Splunk (see Figure 1).

The gains Stratasys realized in June 2013 could be attributed to their recent merger with MakerBot, a leader in 3D desktop printing ("NASDAQ," 2013). The early 2013 increase of Yelp's share price may be due to new users who received mobile products during the 2012 holiday season. Splunk, a data analysis software company, may have also benefited from holiday sales.

Side-By-Side Comparison

Upon reviewing the past year's performance of Stratasys, Yelp, and Splunk, each stock had a positive return of investment. Clearly, Stratasys was the overall winner, while Yelp had the smallest amount of growth. It should be noted that past price increases do not guarantee continued growth. Nonetheless, the three companies I analyzed are all strong performers with potential to increase in share price.

Stratasys is an Israeli-based company incorporated since 1989 ("NASDAQ," 2013). The present company is the product of a "2012 merger of two leading additive manufacturing companies" and from the June 2013 merger with MakerBot ("NASDAQ," 2013). If we were to have invested all of our funds in Stratasys on June 29, 2012, our \$5,000 investment would have been worth \$8,458 one year later. This would have represented a profit of \$3,458.58.

Yelp is a popular mobile application in which users share recommendations about local attractions. Yelp users have contributed "a total of approximately 36.0 million cumulative reviews of almost every type of local business" ("NASDAQ," 2013). If we were to have invested all of our funds in Yelp on June 29, 2012, our \$5,000 investment would have grown to \$7,648.36 one year later. The profit would have been \$2,648.36.

Splunk uses a large array of computer servers to store consumer information in the "cloud" ("NASDAQ," 2013). Splunk's software "collects and indexes data at massive scale, regardless of format or source, and enables users to quickly and easily search, correlate, analyze, monitor and report on this data in real time" ("NASDAQ," 2013). If we invested all of our funds in Splunk in June 29, 2012, our \$5,000 investment would have been worth \$8,249.30 after one year, representing a profit of \$2,648.36.

Recommendation

Analysis revealed that diversification in technology stocks can offset the volatility in that sector. If we had invested equally among the three companies, our initial investment of \$5,000 on June 28, 2012 would have had a profit of \$3,120.55. If we only chose to invest in the highest performer, Stratasys, our profit would have been only marginally higher at \$3,458.58. The difference of \$338.03 is a small price to pay to know that we lowered our overall risk through diversification.

Based on today's closing share price today, I recommend that we invest our \$5,000 equally among all of the three companies, or \$1,667 per company. Our investment, therefore, would purchase 18.91 shares of Stratasys at \$88.15, 37.80 shares of Yelp at \$44.10, and 33.03 shares of Splunk for \$50.46.

Web Conference

Share prices vary from day-to-day. As a result, I would like to plan a web conference for Monday morning, July 29, at 8:30 am. This will give us one hour in advance of the market's opening bell. I am setting up the electronic conference using Citrix's Go to Meeting platform. Go to Meeting will enable us to virtually meet, regardless of whether either of us uses a Windows, Mac, or mobile operating system ("Go to Meeting," 2013). To download the software on your computer, or to install the mobile application, go to: http://www.gotomeeting.com/fec/online_meeting. Once installed, launch the application. I recommend installing Go to Meeting today, July 26, to be sure it is working properly on your computer or mobile device. There is a 30-day free trial available, too. This Monday morning, just prior to 8:30 am, I will start the meeting. I will message you the link and unique message ID so that you can join the conference. I plan to use the "Share My Screen" function to further discuss my recommendation ("Go to Meeting," 2013). Please make sure that your computer's webcam and microphone are on.

Thank you for considering this recommendation to invest our money equally among Stratasys, Yelp, and Splunk. I look forward to our web conference via Go to Meeting. If you have any questions prior to Monday morning, please feel free to call me at 201-519-7676.

References

Go to Meeting. (2013). Retrieved July 28, 2013, from <http://www.gotomeeting.com/fec/>

NASDAQ. (2013). Retrieved July 28, 2013, from <http://www.nasdaq.com/>