Paul Mampilly's®

Profits Unlimited

Real Estate Needs Its Amazon, and We've Found It

MY dad's biggest accomplishment in life was building his own home.

Even though he rarely talked about his struggles as a young man, I knew that after my grandparents died, he and his siblings lost everything — including the home they used to live in.

In fact, it wasn't until my dad's oldest sister got married that his family had a temporary place to stay. Even then, my dad said he never felt at home there.

So, he worked hard and saved every penny he could until he had enough money to build his own home, something he could finally call "his."

Growing up with this example of human desire for safety and stability, I knew I wanted to one day follow in my dad's footsteps and become a homeowner. Though I have to admit, I didn't get around to it until much later in life.

By the time I was ready to make that kind of purchase, I was staring down the 2008 housing crisis and didn't want to touch the real estate market with a 10-foot pole. So, it wasn't until 2010 that I finally bought my first house.

And boy, what a miserable experience that was.

Back in 2010, tech still hadn't really been implemented into real estate. So, everything was done in the most inconvenient way possible — mainly through ads that may have included a few pictures of the home you were interested in, if you were lucky.

You also couldn't easily look up information such as price history, taxes, or crime and school-district ratings. In those days, everything had to be gathered by hand. And if you were moving to a new area from states away like I was, it made everything that much more difficult.

While I won't get into all the gruesome details, let's just say that I spent a lot of time and money looking into homes before I pulled the trigger on one — even then, I had to pay an additional 6% sales tax to my realtor after doing most of the heavy lifting myself.

Buying a home was a long and tiring process, but it made me aware of a market in desperate need of change. You see, the basis for any major innovation is taking something that's currently difficult and making it simpler, cheaper and more convenient.

That's the thought behind this month's recommendation. It's a company currently dominating the real estate market with its disruptive technology, forward-thinking investment approach and, most importantly, user-friendly homebuyer advantages.

I believe it has the potential to upend the entire real estate market, the same way that Amazon took over the online retail space and Google dominates search engines. Because of this disruptive quality, I believe this one investment could hand investors who get in early a 150% return in the next one to three years.

But to understand how the company has gained mass appeal, we need to first look at the demographic

Inside This Issue

that's been most-impacted by its business: millennials.

Out of the Basement, Into the Suburbs

When you think of the millennial generation, "homeowner" probably isn't the first word that pops into your head. In fact, millennials have developed a bad reputation for overstaying their welcome and continuing to live at home past the age of 18.

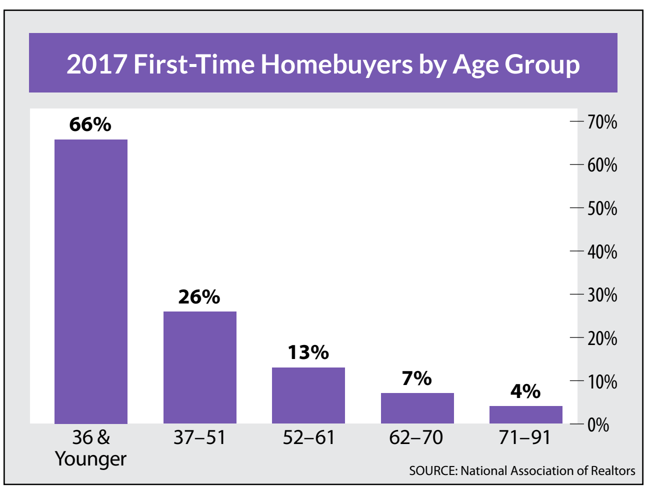
A study by the Pew Research Center came out in 2016 stating that, for the first time in 130 years, young Americans were more likely to be living with their parents than anywhere else.

And while it's true that this generation has gotten a slower start than ones before it, millennials are now beginning to move out of their parent's basements and into their own homes.

But why now?

Well, to start, unemployment rates have dropped dramatically as our economy's grown, and now hovers at an incredibly low 4.1%. This means more millennials are getting jobs, which increases their buying power.

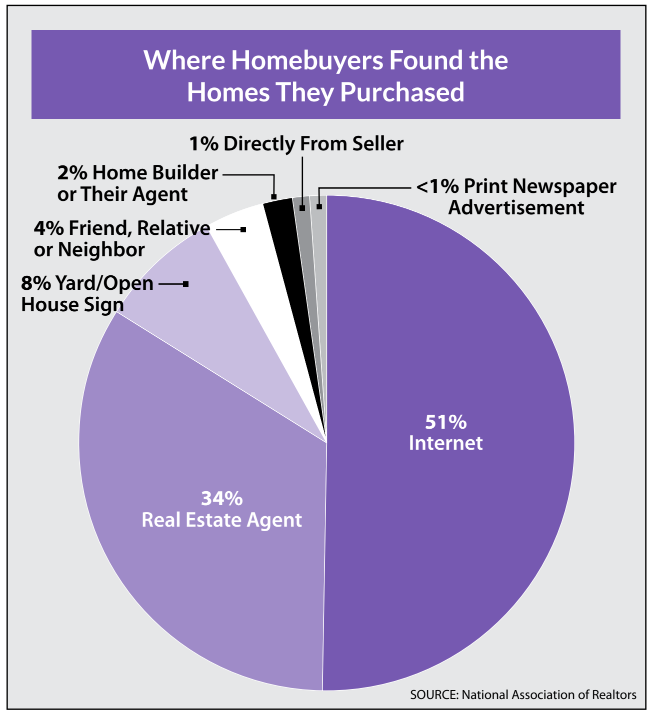
But you also have to consider the fact that millennials have begun to enter the nesting phase of their lives. This is when they get married, settle down and start raising families. For this reason, people between the ages of 18 and 34 are becoming the largest demographic of spenders in the market today.



And one of the things they're spending their money on is housing. In fact, according to the National Association of Realtors, millennials have become the No. 1 new homebuyer in the market.

But millennials aren't searching for homes in the same way that their parents used to. Gone are the days when you'd pick up a home catalog and flip through grainy pictures of houses, or make a drive through the neighborhood you want to move to looking for "for sale" signs.

Nowadays, when people want to buy a house, the first thing they do is go online. In fact, 51% of homebuyers in 2017 found their homes through internet listings versus other methods of real estate shopping — including having the help of a realtor.



There are several reasons for this shift.

To start, the internet has given everyday people access to housing data that once used to be exclusive to real estate brokers. In a couple of seconds, I can look up real estate statistics for my neighborhood, check comparable housing prices against my own, look at my kids' school district rating and much, much more.

Secondly, the housing market has been heavily impacted by the Internet of Things (IoT). Big Data companies have been able to gather all kinds of information about people's housing preferences based on their online searches. That data is then used to find out who buys what, where, when and why.

This has created a huge opportunity in the real estate industry, because it cuts out the need for a middleman. Nowadays, people can bypass the conventional real estate broker and look for housing on their own based on data that's already been gathered, saving themselves a lot of hassle and money.

The missing ingredient, of course, is the platform people use to find their homes. And just like Amazon changed the way people shop for retail items, this month's recommendation is changing how people shop for real estate. That's why, this month, we're getting into **Zillow Group Inc. (Nasdaq: ZG)**.

Simpler, Cheaper and More Convenient

Zillow is the largest real estate marketplace in the world, with a database of over 110 million U.S. homes and over 187 million unique users on both its website and mobile app.

In addition to its own domain name, Zillow Group also owns real estate websites Trulia, StreetEasy (featuring New-York-City-based real estate), HotPads, Naked Apartments, Out East (featuring Hamptons-based real estate) and RealEstate.com, which is geared toward millennials.

This vast network has changed the game of real estate, taking data that used to be difficult to find and making it accessible to anyone with internet connection.

No matter which platform of Zillow Group you're using, finding a new place to live has never been simpler. All you need to do is fill out a few basic search parameters and suddenly you have access to an array of houses, condos, apartments and more, all across the country.

But to explain how the company is so disruptive, let's go back to the basic principles of innovation that I laid out earlier:

1. **Making things simpler:** Zillow Group provides users with enormous amounts of housing data all in one place, with just a few clicks of a button. This data may include internal and external pictures of homes, lists of amenities, crime and school district ratings, comparable housing prices in the neighborhood you want to move to and even Zillow's own "Zestimates," which are rough estimates of how much your desired home is worth.
2. **Making things cheaper:** By narrowing down your housing searches online, you no longer have to spend as much money traveling from house to house. And by cutting out the middleman, you don't hand over even more money in outrageous commission fees.
3. **Making things convenient:** People no longer have to plan their hectic lives around a real estate agent's schedule. Instead, they can hop on to Zillow's website at any time and search for homes at their own pace. And now instead of having to travel to a physical location, they can look at pictures or take a virtual tour of a home. Zillow even offers digital mortgages, so people don't have to go into an office and sign paperwork.

The evidence is clear: Zillow is an industry disruptor. In fact, I believe Zillow's method of doing things is so revolutionary that it will eventually wipe out real estate brokerage firms entirely.

And considering the fact that the real estate broker industry is currently worth $90.6 billion, according to Plunkett Research, that means an enormous amount of money could soon be flowing Zillow's way.

But even without this additional revenue, Zillow already participates in a massive and growing industry. One of the ways the company makes money is by selling advertisement spots to property management companies, mortgage lenders and builders.

In 2017, the total amount of money spent on online and offline real estate advertising was $17 billion, and the aggregate transaction value of existing and new homes sold in 2017 was $1.8 trillion. So Zillow has access to a huge number of people looking to spend large amounts of money.

Right now, analysts expect the company's revenue to grow 126% through 2020, but I believe that estimate

ABOUT PAUL MAMPILLY

Paul Mampilly worked for 25 years with direct, hands-on money management experience on Wall Street before retiring in his 40s to spend more time with his family. Starting in the late 1980s, he worked as an analyst at Deutsche Asset Management and ING, before becoming a money manager for the likes of Royal Bank of Scotland, Bankers Trust, Sears and a Swiss bank. He has a proven track record of managing a $5.6 billion hedge fund and being a portfolio manager of a $25 billion asset management company.

is likely conservative when you consider that Zillow currently captures 30% of sales made in the entire real estate market, and that the number of homes being purchased online is growing every year.

Instead, I believe investors who get into Zillow now could make 150% in as little as one year, if not more in the next one to three years. And those estimates aren't even taking into consideration Zillow's latest business proposition…

New Revenue Streams for Rapid Growth

While Zillow Group's network is impressive in itself, most other investors aren't seeing the company's true potential. To understand what I'm talking about, you have to first think about Zillow's purpose.

At its most basic level, Zillow Group is made up of a collection of different search engines. So every time one of its millions of users logs in and performs a search, Zillow is able to extract data from that user.

That makes Zillow Group a Big Data company.

Now, up until recently, Zillow hadn't done much with its data other than provide users with its Zestimate, which it got from a variety of different data sources and residential property listings. But earlier this year, Zillow announced that it is now going to start buying and flipping houses.

Other investors' responses were lukewarm, to say the least, with shares plunging 9% on the news. But in *Profits Unlimited*, we're not like other investors.

See, I believe that Zillow is making an incredibly smart decision. Because as the largest real estate network to date, Zillow Group is in the best position to know what kind of homes people want to buy and in what area. And it's able to determine this from the millions of data points that it collects every single day.

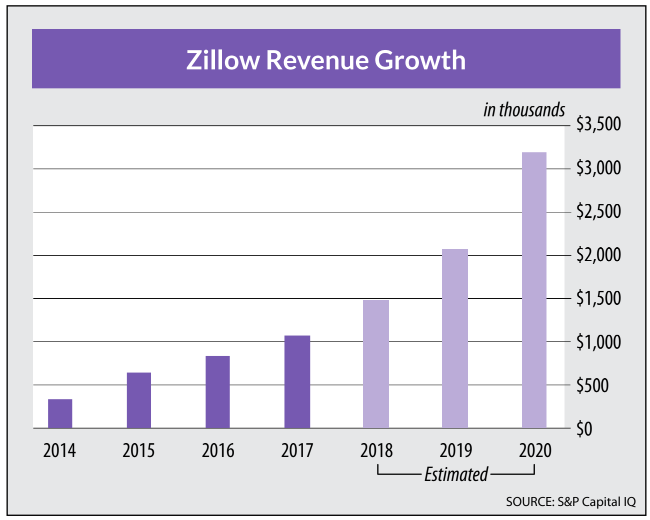
Zillow's data analytics can see trends well before they've caught the eye of any real estate agent, and that means it will have the upper hand when homes come on the market. It will also be more aware of the type of neighborhood buyers want to be in, in addition to what housing amenities they're looking for in a new home.

Right now, other investors aren't paying attention to this amazing revenue opportunity, and that's just fine with me. People will dismiss Zillow's position in the real estate market at first, but once its sales start to increase, big-money investors will want to get in the game. And our portfolio will benefit because of it.

2 Clear Signs of GoingUpness

Zillow's revenue has already increased 230% in the last three years, going from $326 million in 2014 to $1.08 billion at the end of 2017.

As I mentioned earlier, analysts expect revenue to increase 126% into 2020. Even if that conservative estimate is accurate, Zillow's share price will still continue to rise as the company brings in more money.



Right now, the company has $763 million in cash and just $365 million in debt, all of which is long term. So it has plenty of resources to invest in its new home-flipping business, without putting any of its current ventures at risk.

Looking at Zillow from the lens of my GoingUpness system, I can tell that the company has qualities I look for in a good investment. For one, Zillow has incredible ValueAbility because no other online real estate site is as large, nor can an emerging competitor stand up to the massive database that Zillow has built.

The company also has clear ManageAbility, as it keeps its business focused on one thing: providing people with the tools they need to get themselves and their families in the right home, in the right area and for the right price. For these reasons, we're adding Zillow to our portfolio today.

Action to take: Buy Zillow Group Inc. (Nasdaq: ZG).

To help you understand how much you should pay for Zillow's stock, I've made you this buyzone graphic:

Zillow Group Inc. (Nasdaq: ZG)

BUYZONE

Cheap	Less Cheap	Middle (Current Price)	Expensive	Very Expensive
$48	$50	$52	$54	$56
-8.00%	-4.00%		4.00%	8.00%

Use the buy-up-to price based on your preference.

I've decided to tighten our buyzone range in *Profits Unlimited* to account for possible market volatility, so please note that going forward we're going to use an 8% range for most stocks.

Remember that the buyzones I provide are merely a guide. If you're willing to buy your shares above this range, feel free to do so. Just keep in mind that our stop-loss strategy is based on our recorded price. So, you may have different results than I do based on your entry price.

Bonus Recommendation: An Old Dog With New Tricks

One of the things I try to stress to you in *Profits Unlimited* is that the market is in a constant state of flux. So even though I believe each recommendation I provide has amazing potential — and will hand investors enormous gains — I may not get the timing right for each stock 100% of the time.

That's why I keep a massive list of stocks on my watch list, including ones we've previously sold out of. Part of being a successful investor is not being afraid to get back into a past recommendation — especially when it's showing clear signs of having regained elements of GoingUpness.

This brings me to this month's bonus recommendation: **Chipotle Mexican Grill Inc. (NYSE: CMG)**.

I first recommended Chipotle back in February of 2017 after recognizing it was one of millennials' most-loved brands. They love the quick-serve chain because it meets most of their criteria for what they believe food should be: healthy and organic (as much as possible), with ideals on how food should be raised, prepared and cooked.

Chipotle's "food with integrity" motto speaks to the millennial generation. And I've learned that when the largest American demographic in history likes a brand, surging sales growth is sure to follow.

But I'll also be the first to admit that the company has had some problems over the years.

The most damning hit to the company's stock price has been concerns over food safety. After several stories came out in 2017 about customers suffering from food-born illnesses, Chipotle lost its InDemandness. As a result, we ended up selling the stock last July for a small loss.

Since then, I've kept a close eye on the company and its efforts to restructure itself.

One of the first signs of improvement came when Chipotle announced plans to bring in new leadership who could help the company address its problems and bring back customer trust.

In a statement to investors, Chipotle's chairman and founder Steve Ells said that Chipotle was committed to: "bringing in an experienced leader with a passion for driving excellence across every aspect of [its] business, including customer experience, operations, marketing, technology, food safety and training."

That experienced leadership came in the form of new CEO Brian Niccol, the previous CEO for Taco Bell. I believe it was smart for Chipotle to bring in Niccol, since he's a food-industry veteran with years of experience battling public perception for Taco Bell's brand.

Niccol also has the know-how to help Chipotle grow its business from an operational standpoint, having left a franchise with 6,849 restaurants globally versus Chipotle's 2,408 locations at the end of 2017.

Chipotle also struggled to innovate itself over the years, having stuck to roughly the same menu items since its inception. Meanwhile, Niccol turned the entire breakfast industry on its head when he successfully brought a breakfast menu to Taco Bell and was involved in several more breakthrough product launches while he worked for the company.

Having only been with Chipotle for a few short months, there are already signs of Niccol's innovation at work. At the end of April, Chipotle announced that it would partner with restaurant delivery service DoorDash, making delivery an option in over 1,500 trial locations.

Delivery service is an option that resonates with millennials who have busy lives and who could benefit from that extra 20 minutes of saved travel time to and from a restaurant location.

To say the new partnership has been successful would be an understatement. In just a little over a month, Chipotle announced a 700% increase in order traffic through DoorDash. More sales mean more money for Chipotle, which I believe is just in the beginning phase of a huge company turnaround.

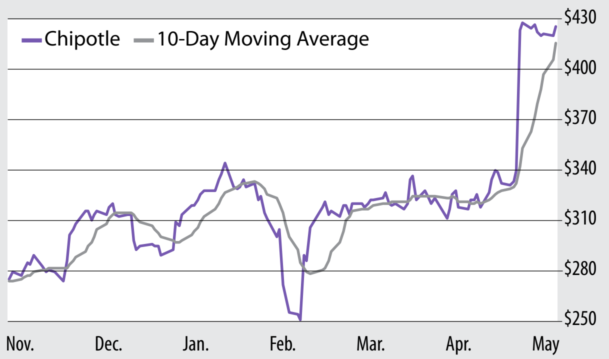
After all, the numbers don't lie…

Beating Wall Street Expectations

Chipotle's first-quarter results blew Wall Street's expectations out of the water after the company announced a revenue increase of 7.4% to $1.1 billion.

It also managed to increase its operating margin from 17.7% to 19.5%, meaning that the company is now making more money on its food sales after paying for the initial cost of that food. This contributed to the company's net income, which went up from $46.1 million at the start of 2017 to $59.4 million at the beginning of 2018.

Chipotle Stock Price vs. the 10-Day Moving Average
(Nov. 2017 — Present)



SOURCE: S&P Capital IQ

That's a jump of 28% in just one year's time!

When I look at Chipotle's stock today, I can tell that the company is back in-demand by buyers who are optimistic about the company's future.

One of the ways I determine this is by looking at a stock's 10-day moving average, which simply tells us the closing price of Chipotle over the past 10 trading days. We always want to buy into stocks that are trading above their trend lines, because this is a good indicator that the stock will continue moving up in the near future.

Chipotle is also showing clear signs of Insiderness, with the company's director Albert Baldocchi buying 423,822 shares of Chipotle's stock in the first quarter of 2018.

I always make sure to track insider activity, because if someone with first-hand knowledge of their company's business is willing to lay their own money on the line, it's a sign they think that stock is going up.

And with Baldocchi spending a combined $134.8 million of his own money on Chipotle's shares, I'd say that's a huge show of insider confidence. For these reasons, we're jumping back into Chipotle today.

Action to take: Buy Chipotle Mexican Grill Inc. (NYSE: CMG).

To help you understand how much you should pay for Chipotle's stock, I've made you this buyzone graphic:

Chipotle Mexican Grill Inc. (NYSE: CMG)

BUYZONE

Cheap	Less Cheap	Middle (Current Price)	Expensive	Very Expensive
$391	$408	$425	$442	$459
-8.00%	-4.00%		4.00%	8.00%

Use the buy-up-to price based on your preference.

Again, I'd like to remind you that our buyzone is merely a guide. If you're willing to buy your shares above this trading range, feel free to do so.

Portfolio Review

This past month brought with it the first quarter of earnings reports for 2018. Anticipation for beginning-of-the-year results has been high, which I believe is linked to the volatility we've experienced since February.

Despite up-and-down price fluctuations of their stocks, many companies have reported fast growth and a bullish outlook for the future. This tells me that the economy is still strong and that stocks are still a great investment.

Just as I anticipated, many of the companies we have in our *Profits Unlimited* portfolio reported a strong start to the year. As a result, our average portfolio return over the past month has been about 6%, which is much higher than the overall stock market.

After all, the S&P 500 has only moved up 2.8% in the same amount of time.

While I've given several updates on companies that have already reported their earnings, which you can find right here, I wanted to highlight two stocks that far exceeded Wall Street's expectations in the first quarter.

We'll look at **Qorvo Inc. (Nasdaq: QRVO)** to start, which is one of our semiconductor plays that's experienced huge growth due to the Internet of Things.

The company released its earnings statement on May 2, and it was full of positive information. For one, revenue in its infrastructure division increased 26% over the past year, which is exactly why I recommended Qorvo in the first place.

This revenue figure includes sales for products that let devices communicate with each other, as well as technology that sends data to the cloud. This data can then be used in data centers, homes, automobiles and more.

This part of Qorvo's business provides the company with the highest growth potential. In fact, this segment has grown its sales by 274% in the past three years, and it shows no signs of slowing down any time soon.

The company also improved its gross margin by 1%. Gross margin, which is a company's sales revenue minus the cost of the goods it sells, is an extremely important unit of measurement for chip companies.

That's because chipmakers are in fierce competition with one another to make their products at the lowest possible price. So Qorvo improving its gross margin means the company is keeping its costs down, which will result in more money going to its bottom line.

All told, things are going incredibly well at Qorvo. At $79, I believe its stock is still a steal. So, if you haven't gotten invested in the company yet, you may want to do so now before it rockets higher.

Another stock that's quietly outperformed the market is **Tableau Software Inc. (NYSE: DATA)**, which is a play on the rapidly growing Big Data industry. I first recommended Tableau Software in your special report *5 Technology Stocks That Will Power the Next Industrial Revolution*, which you can view here.

Tableau Software provides clear, easy-to-understand data analytics software that helps its clients make important business decisions. Companies can use analytics to help their businesses operate more efficiently, giving them a leg up on their competition.

Businesses that don't pay for services like Tableau's will eventually be left in the dust, so this creates high market demand for the company's product, as well as enormous growth potential.

Since we added Tableau Software to our portfolio back in June of 2016, its stock has gone up by about 69%. But even more noteworthy is that when Tableau reported its earnings, its share price popped up over 10% in the same day.

That's because Tableau reported an astounding 230% growth in its recurring revenue from software subscriptions over the past year. As a result, analysts posted higher expectations for total sales for all of 2018.

Profits Unlimited

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I believe that this company is well-positioned in a high-growth market, and that we still have a lot of future growth ahead to profit from. So, just like with Qorvo, if you haven't added this stock to your portfolio yet, you may want to consider doing so now.

I'm excited to see where the Internet of Things will drive these two stocks in the coming months, especially since I'm predicting strong economic growth will propel our mega trends higher in both 2018 and 2019.

While we're now through the bulk of earnings season, there are still a few companies that haven't reported their results. My team and I keep constant watch over the stocks in our portfolio, so we'll let you know if any more important information comes to light that could affect our recommendations.

Regards,

Paul Mampilly

Profits Unlimited Portfolio

Investment	Date Added	Price On 5/14/2018	Purchase Price	Dividend Yield	Total Returns	Advice
NEW RECOMMENDATION						
Chipotle Mexican Grill Inc. (CMG)	NEW					See Price Chart in June Issue
Zillow Group Inc. (ZG)	NEW					See Price Chart in June Issue
CURRENT PORTFOLIO						
Lululemon Athletica Inc. (LULU)	4/24/18	$98.72	$96.90		1.88%	See Price Chart in May 2018 Issue
Splunk Inc. (SPLK)	10/24/17	$112.10	$65.41		71.38%	See Price Chart in Nov. 2017 Issue
Analog Devices Inc. (ADI)	9/28/17	$93.87	$85.64	1.95%	10.70%	See Price Chart in October 2017 Issue
Maxim Inc. (MXIM)	8/22/17	$58.41	$43.71	2.52%	36.24%	See Price Chart in Sept. 2017 Issue
IQVIA Holdings Inc. (IQV)	7/21/17	$102.89	$90.40		13.82%	See Price Chart in August 2017 Issue
Sony Corp. (SNE)	5/25/17	$48.34	$36.17	0.42%	34.21%	See Price Chart in June 2017 Issue
PayPal Inc. (PYPL)	12/15/16	$78.81	$39.55		99.27%	BUY - Up to $50
PTC Inc. (PTC)	11/21/16	$86.35	$48.53		77.93%	BUY - Up to $58
Philips (PHG)	10/26/16	$42.04	$30.05		42.89%	BUY - UP to $35
Qorvo Inc. (QRVO)	6/20/16	$81.67	$55.98		45.89%	BUY - Up to $70
SPECIAL REPORT RECOMMENDATIONS						
Alphabet Inc. (GOOGL)	3/6/18	$1,106.60	$1,100.90		0.52%	Buy
IPG Photonics Corp. (IPGP)	11/14/17	$252.98	$226.27		11.80%	Buy
Taiwan Semiconductor (TSM)	10/3/17	$39.95	$38.44	2.88%	3.93%	Buy
Red Hat Inc. (RHT)	10/3/17	$164.75	$112.18		46.86%	Buy
Myriad Genetics Inc. (MYGN)	8/17/17	$34.48	$27.86		23.76%	Buy
STMicroelctronics (STM)	6/1/16	$24.37	$5.99	0.98%	314.86%	Buy
Stratasys Ltd. (SSYS)	6/1/16	$19.84	$22.88		-13.29%	Buy
Tableau Software Inc. (DATA)	6/1/16	$92.08	$54.32		69.51%	Buy

NOTES

The *Profits Unlimited* Portfolio is an equally-weighted strategy and does not include dealing charges to purchase or sell securities, if any. Taxes are not included in total return calculations. "Total return" includes gains from price appreciation, dividend payments, interest payments, and stock splits. The Purchase Price is based on the first closing price after the recommendation's release. Sources for price data: Capital IQ, and websites maintained by securities issuers. Dividend yield is calculated based on trailing 12-month distributions. Past performance is not indicative of future results.