TRUE MOMENTUM:

Three Stocks for Triple-Digit Gains in 12 Months

IAN KING'S True Momentum

TRUE MOMENTUM: THREE STOCKS FOR TRIPLE-DIGIT GAINS IN 12 MONTHS

By Ian King, Editor of *True Momentum*

Bear markets don't scare you out — they wear you out.

That's what we've seen this year.

We can all say with confidence that we're living in a historic time.

But it's definitely not a good thing.

These are just a few of the events that have slammed the stock market recently:

- Stocks are on track for their worst year ever since 2008. (The S&P 500 was down 20% for the year, as of this writing in November 2022.)
- President Biden's stock market record is the **second-worst** since Jimmy Carter's.
- And while inflation is slowing, it was at a hot 7.7% as of November 2022.

And the Federal Reserve's continued interest rate increases are only jolting the market further.

After living through this past year, you're likely wary of the stock market right now.

I don't blame you.

After all, this year is one of the worst we've seen since the COVID crash in 2020.

But now is not the time to panic.

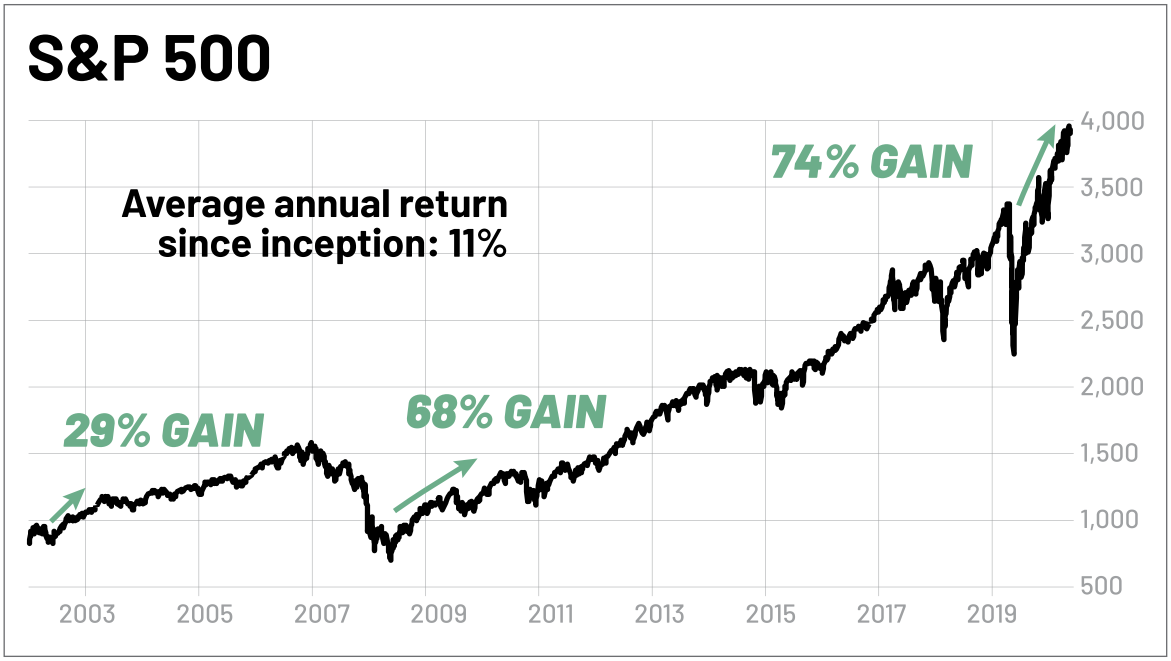
If anything, you should think of this environment as an opportunity.

You see, I've discovered a pattern that lets me know which stocks are about to rocket higher ... sometimes as much as 8X higher in less than a year.

Right after a stock market crisis.

In fact, my research shows that the 12 months after a stock market crash, is actually one of the best times you can possibly invest.

Take a look...



The average annual return of the S&P 500, since its inception, is around 11%.

But in the year following the dot-com crash, it made 29%.

That's more than double the average.

It gets better, though.

The year after the 2008 financial crisis, the stock market returned 68%.

And in the 12 months following the COVID crisis, the stock market shot up 74%.

This isn't even the half of it.

I showed you what the broader market has done after a downturn…

But when you look at the individual stocks that follow this specific pattern, the gains can be much bigger.

I'm talking up to 780% in one year.

Let's look at an example from the COVID crisis: SunPower.

I recommended this company to readers of my *Strategic Fortunes* research service on June 25, 2020.

This was right in the middle of the crisis. We were in lockdown. People were panicking. They didn't know which way the market would lurch next.

Times of uncertainty — that's when you can make the most money … so long as you don't get swept up in the panic too.

Seven months after I recommended SunPower, I told my subscribers to sell half their stake — for a 781% profit.

That's more than an 8X return in seven months.

That's like turning $5,000 into more than $44,000 … in seven months.

And it all came down to this pattern.

It's important to understand — by itself, this pattern is a powerful tool that lets you zero in on the truly outstanding stocks…

But when you combine this pattern with a stock market crisis — like we're in now…

I'm talking about potentially massive gains in the months ahead.

Now, this pattern? It's not something you can just program into a Bloomberg terminal or find through technical analysis.

What you need to remember is this: Stocks are companies. They aren't just lines on a chart.

So, when I talk about this "pattern," I mean the pattern that the company itself follows.

In terms of how it runs its business … its position in the market … how it innovates … and in the best cases, how it creates entirely new markets for itself.

There's a pattern to it — which I call *True Momentum*.

I call it *True Momentum* because I'm talking about the true momentum of the business itself … not just the kind of price momentum you can spot on a stock chart.

True Momentum is a more comprehensive approach to analyzing stocks…

Because it goes beyond just technical or just fundamental analysis.

And once you know how to spot the stocks with *True Momentum* … that's how you find companies like SunPower — before they rocket higher.

But here's the thing.

Companies with *True Momentum* are unique.

They can't be valued by conventional means … as if they were a factory producing widgets.

So, investors who listen to old Wall Street's conventional models can completely miss out on these opportunities.

Remember, the year following a stock market crash is actually one of the best times you can possibly invest.

Even the overall market can make up to six years' gains in a single year.

And in this environment, *True Momentum* stocks can do *even better*. We're talking triple-digit gains in a matter of months. But in most cases, those gains are much higher.

There are five factors that go into my analysis.

I'll get into each of them in a moment.

But the core of *True Momentum* — what allows a stock to power through a crisis and then surge higher — is this:

All *True Momentum* stocks possess a game-changing technology.

These *True Momentum* companies — they're not reinventing the wheel.

But what they are doing is taking an existing technology and bringing it to the next level.

Take SunPower…

When I recommended it, I mentioned that the cost of solar power has dropped 89% since 2010.

Not only that, but SunPower also took advantage of battery innovation by adding storage to its solar power plants.

In my original buy recommendation, I called adding storage to solar power a "game-changer that solves solar's No. 1 issue."

And I wasn't wrong.

SunPower shot up 781% in seven months after my recommendation.

And there are more gains like this ahead of us.

That's why I'm so excited about the opportunity in front of us now.

Look, you could potentially make more money after a stock market crash than at any other time in the market. And these gains are getting bigger and coming sooner after every crash.

That's why I've boiled down the *True Momentum* pattern to just five points.

The *True Momentum* 5-Point Pattern

Step 1: The company is leveraging a game-changing technology to create an unfair advantage over its competitors.

Step 2: Its projected revenue growth is increasing by at least 20% a year.

Step 3: The company starts beating estimates to the point that its management is forced to start revising their estimates higher.

Step 4: Insider buying. When a company is onto a good thing, its C-level executives snap up as many shares as they can get before the market catches on.

Step 5: This is when I use traditional tech analysis to confirm the stock's *True Momentum*.

And that's it! Once I see this pattern emerging for a company, I know it's time to add it to your *True Momentum* portfolio.

Now, keep in mind that not every stock we add to the *True Momentum* portfolio will meet every point of this pattern, especially given the current market environment. But it is a good way to filter through the noise and narrow down potential recommendations.

And for *True Momentum*, I focus only on mid-cap stocks. These are companies with a market cap between $3 billion and $10 billion. Mid-caps are the sweet spot when it comes to *True Momentum*.

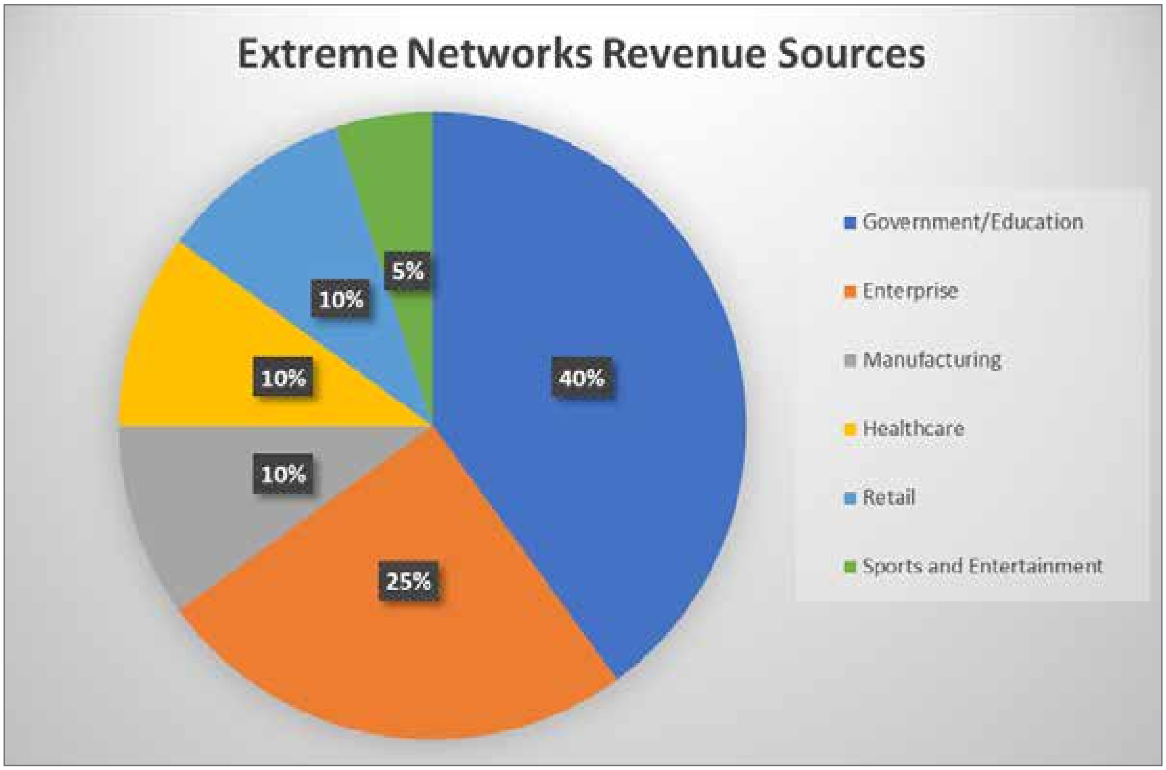
With that said, let's jump into our three brand-new stock recommendations for your *True Momentum* service!

Stock #1: Extreme Networks

Our first stock is leveraging a game-changing technology: cloud-based solutions.

Extreme Networks (Nasdaq: EXTR) provides cloud-based networking solutions. It serves a number of different customers — everything from enterprises, data centers and service providers.

It also sells wired and wireless network infrastructure equipment, software and maintenance contracts.



Extreme Networks focuses particularly on large scale, complex cloud deployments such as those in hospitals and university campuses.

The majority of Extreme's revenues comes from the government and education sectors.

Its customer list includes everything from PNC Bank and Samsung to FedEx and NASCAR.

EXTR's Business Segments Are Driving Growth

Extreme Networks operates in four key markets that will drive its revenue growth in the future:

Wired and Wireless Infrastructure: This is the oldest part of the business and makes up most of its product sales. (Those sales account for 68% of total revenue.) It includes routers, switches, wireless access points and other basic infrastructure products.

This is crucial technology for any business that wants to set up and manage a traditional interconnected network of servers, computers and devices that serve the business. That's why this segment is expected to have a total addressable market worth $31.8 billion by 2025.

New Cloud Management and Migrations: This segment of the business helps enterprises go from a heavy hardware-defined traditional networking model to a cloud networking model. This type of segment brings in recurring revenue under a subscription model.

Cloud networks overcome the challenges that traditional networks face such as lack of scalability, low speeds and high equipment costs. Cloud networks are perfect for businesses that want to easily set up networks without all the hassle of being responsible for the set-up and maintenance. This segment is expected to have a total addressable market worth $5.1 billion by 2025.

Software-Defined Wide Area Network (SD-WAN) & WAN Edge: These are considered the next steps in the evolution of cloud networking. These models eliminate the need for traditional networking equipment.

Under these models, it does not matter where the company's data is stored or where users access that data from.

These solutions are perfect for modern cloud-first businesses.

These businesses could store data with big companies like AWS and Google Cloud and have multiple offices and locations around the globe. The users would still be able to connect to the network through broadband connections at those locations or even on the go with 5G and LTE.

These two segments are expected to have a total addressable market worth $14.9 billion by 2025. When put together, all these business segments make Extreme Networks a player in key markets with combined opportunities worth $51.8 billion by 2025.

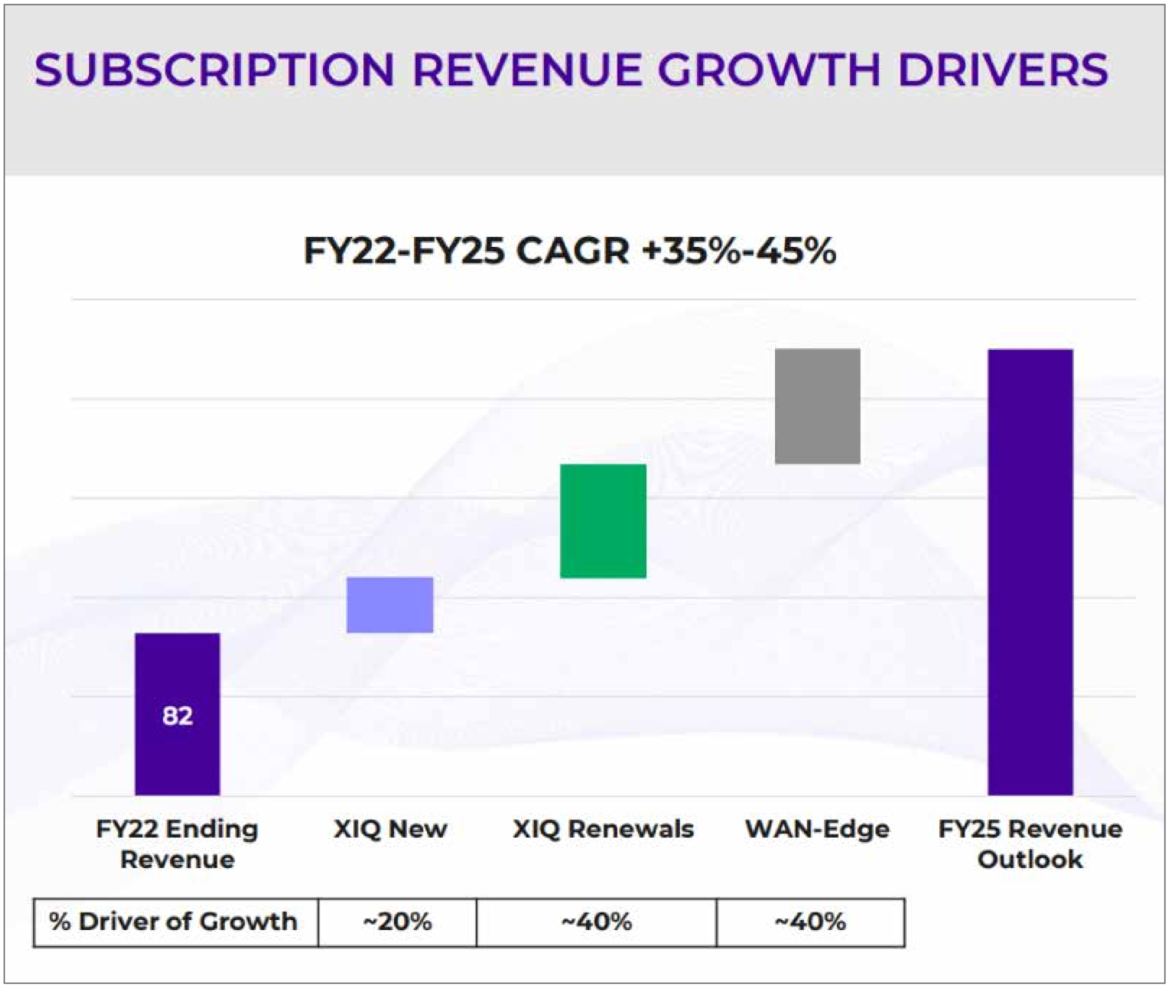
That is a 37% jump from the combined addressable market for these segments today.

Of these markets, the key drivers of growth for Extreme Networks will be the ones focused on cloud networking. As more companies and organizations modernize their systems, most will likely adopt cloud-based infrastructures, since they are cheaper and easier to set up.

This will also be the go-to solution for new businesses that don't have the money to spend on servers and access points. Instead, these companies can just pay a subscription fee based on their usage level and needs and they can have a customized cloud network.

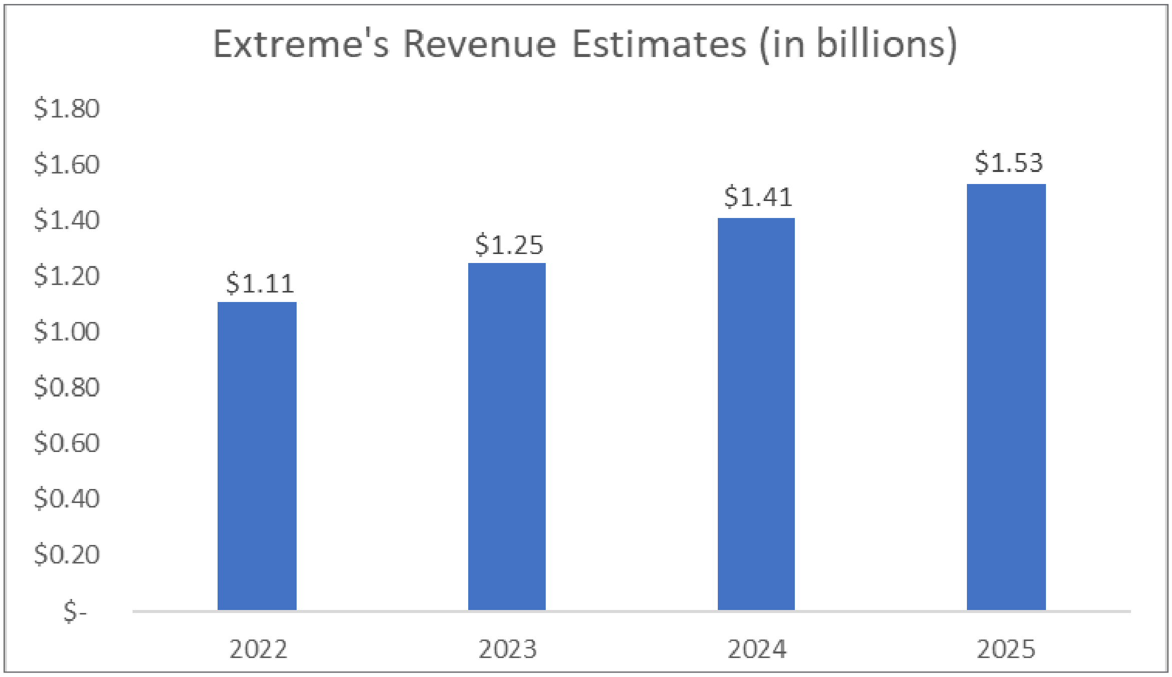
This is good news for Extreme Networks since it means more subscription revenue.

Thanks to the combined effect of these various cloud segments, Extreme expects subscription revenue to grow at a compound annual growth rate of 35% to 45% between 2022 and 2025.



Extreme Networks' Estimates and Valuation

According to Wall Street estimates, Extreme Networks' revenues are expected to grow at around 12% to 13% per year. But it is likely to be higher than that, given the company's record backlog of $513 million in contracted revenue. (There's one point of the *True Momentum* pattern — pinpointing skyrocketing revenue!)

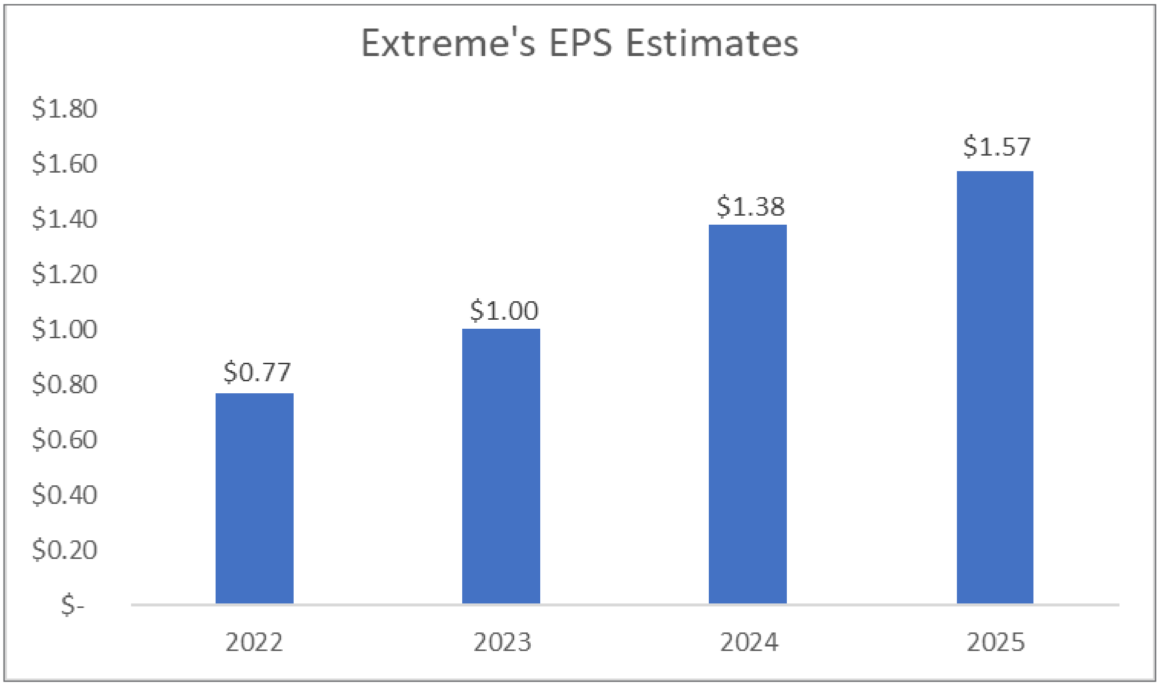


This backlog should soon start to turn into recognized revenues thanks to supply chain challenges easing.

Extreme Networks' backlog has been building since the start of the pandemic. This was due to a combination of semiconductor shortages and COVID lockdowns in China disrupting production.

These issues are finally starting to resolve themselves. As a result, Extreme Networks expects to see a much better supply-chain environment starting in the second half of 2023.

Its earnings are set to grow at a high rate of 30% to 35% per year for the next few years thanks to upcoming improvements to its gross margins.



Extreme Networks also met another point of our *True Momentum* pattern — it has consistently beat EPS estimates for the past seven consecutive quarters. That's promising for us.

Nor do I see this growth slowing down. As it shifts to more services and subscription revenues — both of which have better margins than traditional products — the company is set to benefit.

The improvements in the supply chain will also benefit its gross margins, since Extreme Networks will no longer have to pay higher costs to expedite shipping.

Extreme Networks' stock is up 55% in the past year, but still has room to grow. It's currently trading at just 16.4X 2023 earnings.

This is far cheaper than its competitors, such as Arista Networks, which is trading at 25.2X, and A10 Networks, which is trading at 25.8X.

And more notable? Extreme Networks has hit another point of our *True Momentum* pattern — C-level executives are buying in. Over November 2022, the CEO, CFO, CRO and various directors in the company have collectively purchased 140,000 shares. Those were worth roughly $2.5 million! That tells me now is the time to buy in.

Given the low multiple and ability to beat earnings, we think the stock could hit $50 in the next year. That's a 150% return from current levels.

Action to take: Buy Extreme Networks (Nasdaq: EXTR).

Stock #2: Rocket Lab

Rocket Lab (Nasdaq: RKLB) meets our first point of our *True Momentum* pattern: It's leveraging a life-changing tech.

It's a space services company! It offers launch services, spacecraft design services, spacecraft components, and other spacecraft and on-orbit management solutions.

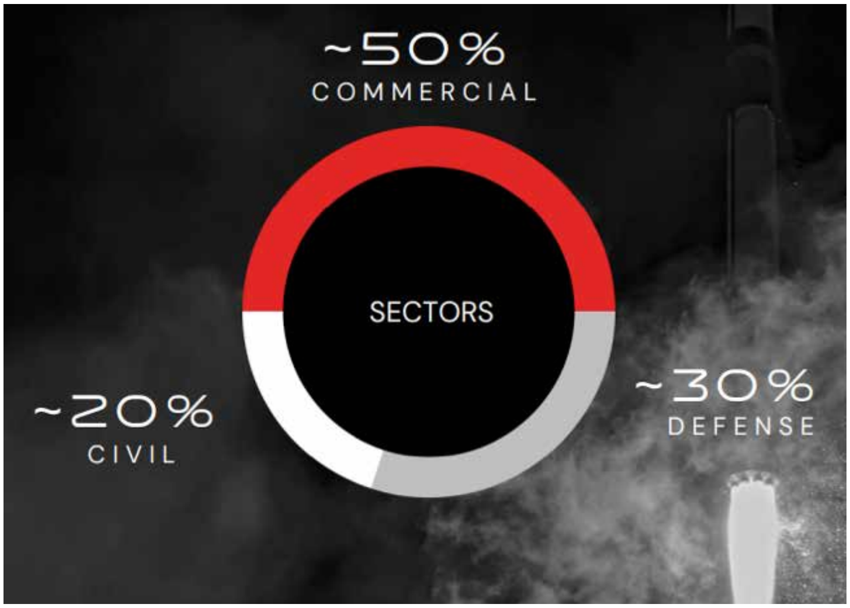
Rocket Lab's goal is to make it easy, fast and affordable to get to space. To date, the company has launched 151 satellites into space. It also has its technology in over currently orbiting 1,700 satellites.

Rocket Lab's list of customers includes government organizations like NASA, Space Force and DARPA, as well as private companies such Cannon, Black Sky and Spaceflight.

RKLB's Business Segments

Here's a breakdown of the sectors Rocket Lab covers:

Launch Services is currently the second-largest revenue driver for the company. It brought in $19.1 million in the third quarter of 2022.

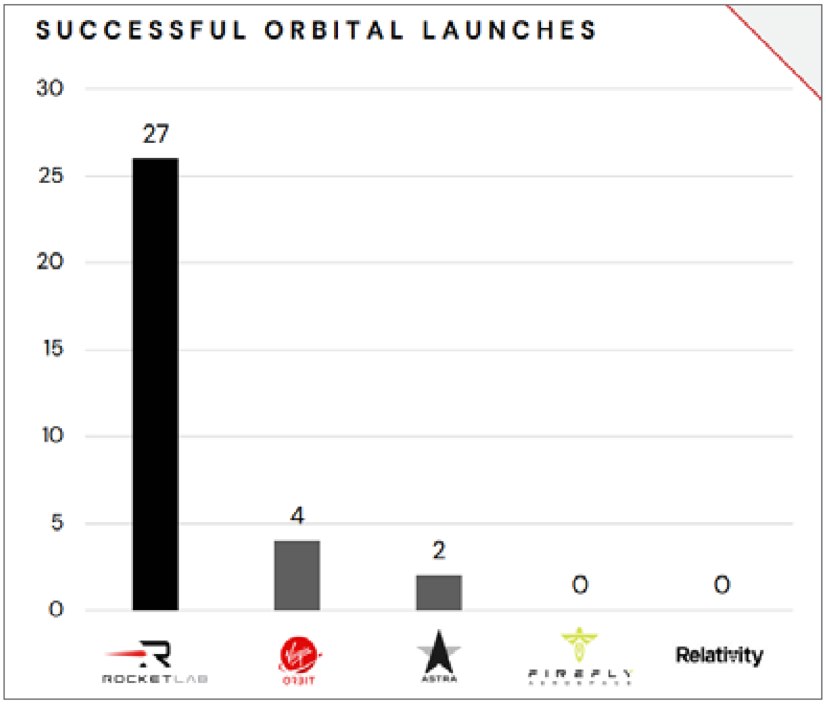


Rocket Lab's launch services are accomplished by its Electron rocket, a fully carbon composite launch vehicle with 3D printed engines.

The Electron is cheaper and faster to build than its competitors. That's due to its 3D printing and automation-based approaches to manufacturing as well as its vertically integrated business.

As a result, Rocket Lab is completely involved and in control of all subsystems from design to manufacture to launch. That sets it apart from its competitors — the majority of whom rely on several different vendors.

Electron is the first small launch vehicle to provide frequent, reliable access to space. It is also the second most frequently launched U.S. rocket (following SpaceX).



The Electron's reusable design also allows the company to redeploy the rockets quickly after each successful launch. It only takes Rocket Lab 15 days of turnaround time between launches. It takes its next closest competitor — Astra — 115 days to do the same.

The total addressable market for launch services stands at $20 billion currently. That number is expected to grow rapidly.

Space Systems is currently the largest revenue driver for the company, responsible for bringing in $34.6 million in the third quarter of 2022.

In addition to bringing in 66% of the revenue, this segment also has a $396.4 million revenue backlog as of the end of Q2.

Space systems consists of various products such as satellite radios, solar cells for satellites and spacecraft software.

Rocket Lab's space systems were found in more than 38% of launches in 2021 globally. Most famously, Rocket Lab's tech can be found in The James Webb Space Telescope recently launched by NASA.

Space systems is expected to have a total addressable market worth $44 billion.

Space Applications is the most ambitious segment of Rocket's Lab's business. It revolves around providing services through mega-constellations of satellites.

This segment doesn't currently generate revenue, but that could soon change thanks to the Neutron rocket.

Unlike Rocket Lab's small-launch Electron rocket, the Neutron rocket will carry much bigger payloads. And unlike the Electron, the Neutron won't be limited to low-orbit missions. This means that the new rocket will be capable of interplanetary travel.

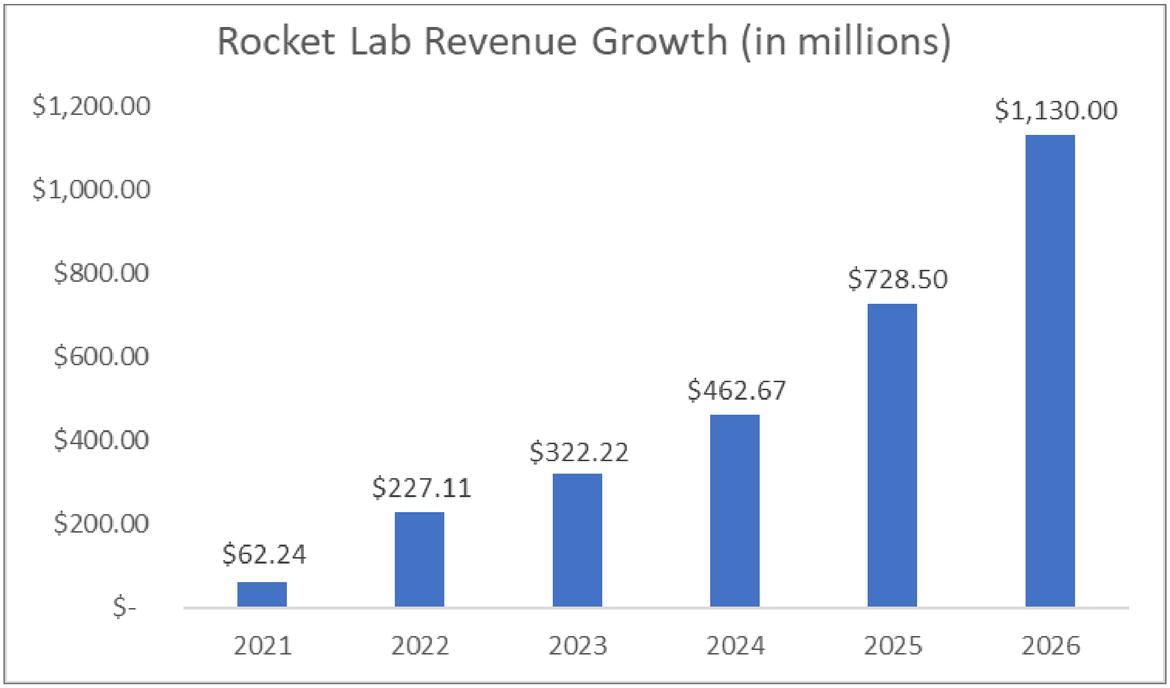
This will be Rocket Lab's first rocket that is a direct competitor to SpaceX's large payload capable Falcon9 rocket. (This rocket, significantly, is currently being developed for missions as far away as Mars.)

The space applications market is estimated to have a total addressable market worth $320 billion. Across its three segments, Rocket Lab is looking at a total addressable market worth over $380 billion. The company expects this market to grow to $1 trillion by 2030.

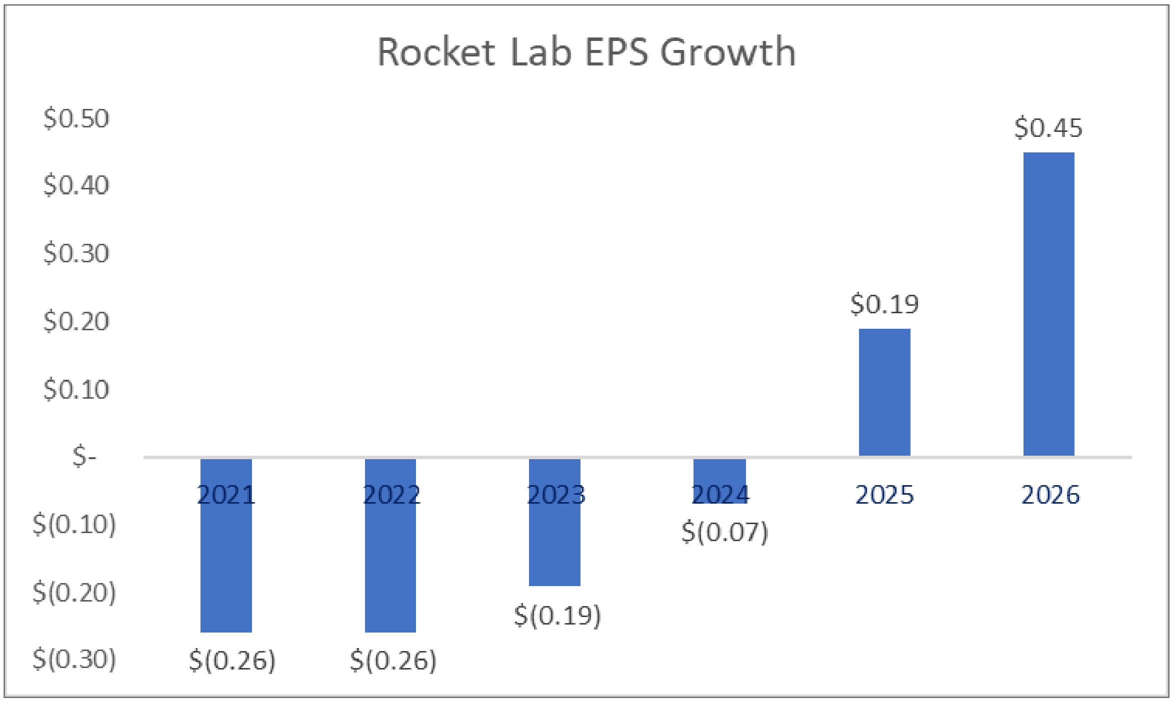
Estimates and Valuations

In Q3 2022, Rocket Labs managed to grow its revenues 392% year-over-year. This high revenue growth period is expected to continue into the foreseeable future according to Wall Street estimates.

These estimates show Rocket Lab's revenue jumping an incredible 265% from 2021 to 2022 before stabilizing at an annual growth rate around 40% to 50% until 2026. (This meets our second step of the 5-step pattern — revenue of more than 20% per year.)



Rocket Lab's earnings are expected to follow a similar trajectory until 2026. Although the company is not currently profitable, it is expected turn EPS positive by 2025.



The company is currently working on this path to profitability with the following targets in mind:

- Bring down cost of goods sold from 91% of revenue to 48%.
- Bring down selling, general, and administrative costs from 44% of revenue to 11%.
- Bring down R&D costs from 34% of revenue to 17%.

As for our *True Momentum* pattern, we also saw company directors adding a net 556,000 shares to their positions in September 2022. That was worth roughly $2.93 million.

In terms of valuations, big Wall Street firms such as Morgan Stanley, Stifel and Deutsche Bank cover the stock. RKLB currently has seven buy ratings, and these analysts have given the stock an average price target of $11.94.

The stock is currently trading at the low $5 range. That means these analysts see the price of this stock rising around 140% in the next year.

That's why I recommend you buy into Rocket Lab today.

Action to take: Buy Rocket Lab (Nasdaq: RKLB).

Stock #3: Transocean Ltd.

Our third recommendation is leveraging a tech space that may surprise you — offshore drilling.

Transocean (NYSE: RIG) owns (or has partial ownership interests in) and operates a fleet of 37 mobile offshore drilling units. This fleet consists of 27 rigs for ultra-deepwater operations and 10 rigs for harsh environment operations.

It contracts these rigs to oil companies for offshore drilling.

Part of the reason we're recommending this particular stock at this time is thanks to the market for oil.

Back during the pandemic in 2020, the price of oil slumped. But shortly after, it began to rise. This was driven by fuel demand returning faster than oil supply.

Then in early 2022, the price shot up again with the Russian invasion of Ukraine. The resulting geopolitical tensions disrupted oil's global supply.

And you know who loves oil's higher price? Oil companies. They've seen record profits in the first three quarters of 2022 compared to the first three quarters of 2021.

Thanks to high prices for oil — and higher profits — these companies are now investing more in offshore drilling.

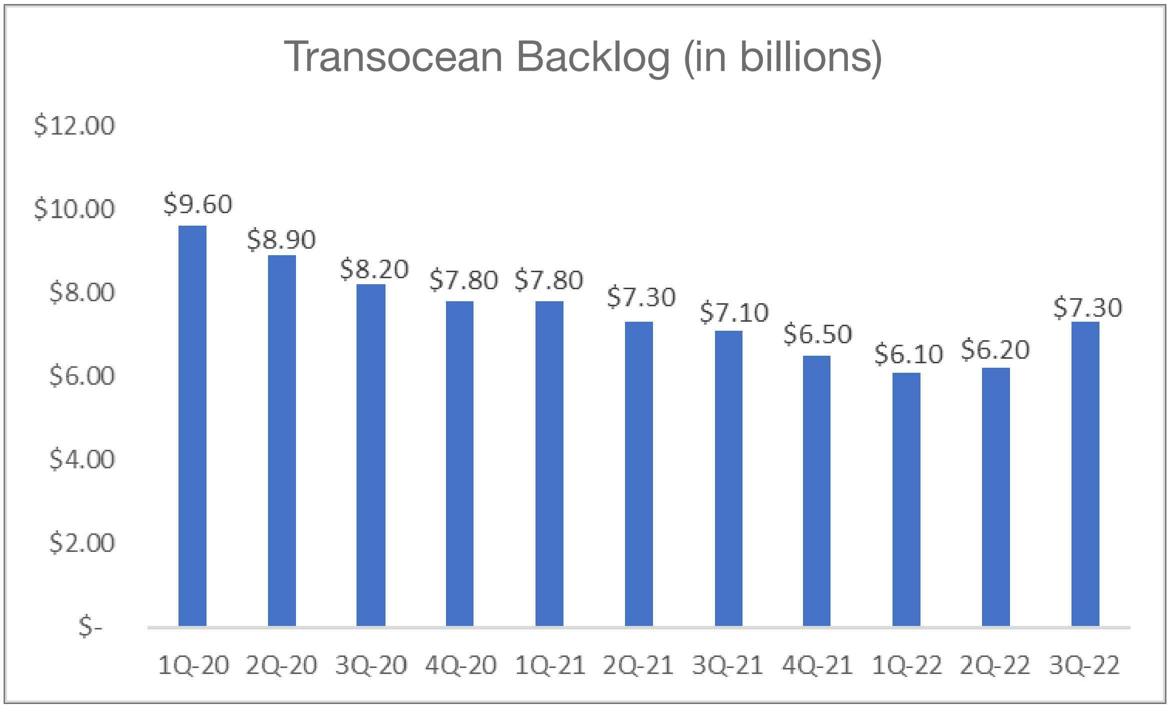
More than a quarter of the world's total oil production came from offshore fields in 2021. In addition, offshore drilling activity is increasing in almost every deepwater zone.

This trend can be seen in the rise of offshore dayrates — the daily cost of hiring a rig. Dayrates have already more than doubled from two years ago to around $300,000. Some top-end rates have reached nearly $400,000.

In the case of Transocean, it has seen dayrates on 2023 contracts rise to $401,000 on average and rise to $467,000 for 2024 compared to just $345,000 for 2022 contracts.

This rise in dayrates and increased volume of contracts has led to a rising backlog for most offshore drillers, including Transocean.

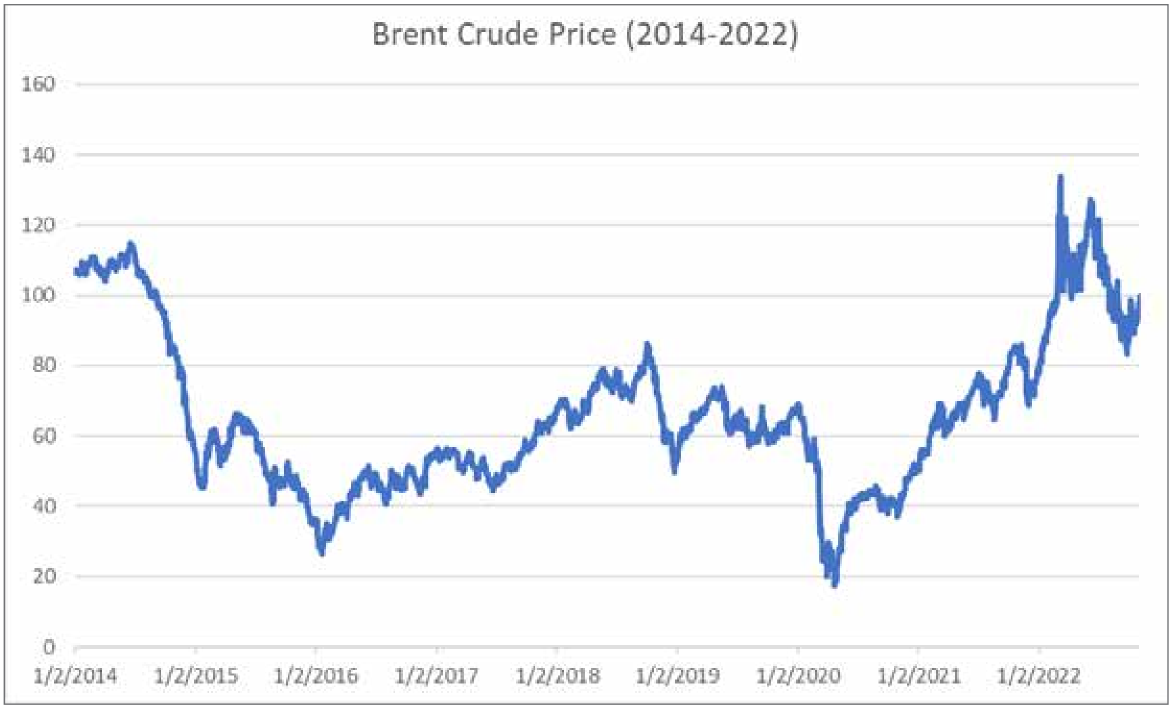
Its backlog rose from $6.1 billion in Q2 2022 to $7.3 billion in Q3 after falling for years. (This signals that as it gains more contracts, its future revenues will rise, too.)



This trend is expected to continue with oil prices remaining high. While several analysts and organizations have cut their forecasts for Brent Crude given the global macroeconomic slowdown, projections still remain high.

Goldman Sachs cut 2023 Brent price forecast from $125 per barrel to $108. Barclay's cut its 2023 forecast from $103 to $98. And the U.S. Energy Information Administration (EIA) lowered its Brent forecast for 2023 from $96.91 per barrel to $94.58.

Even though these cuts seem serious, it is important to note that these are still very high prices. Before 2022, Brent hadn't crossed $90 a barrel since 2014.



But the slump in the industry for the past eight years is also helping offshore drillers. You see, over the past few years, several players in the industry have gone bankrupt or merged out of necessity.

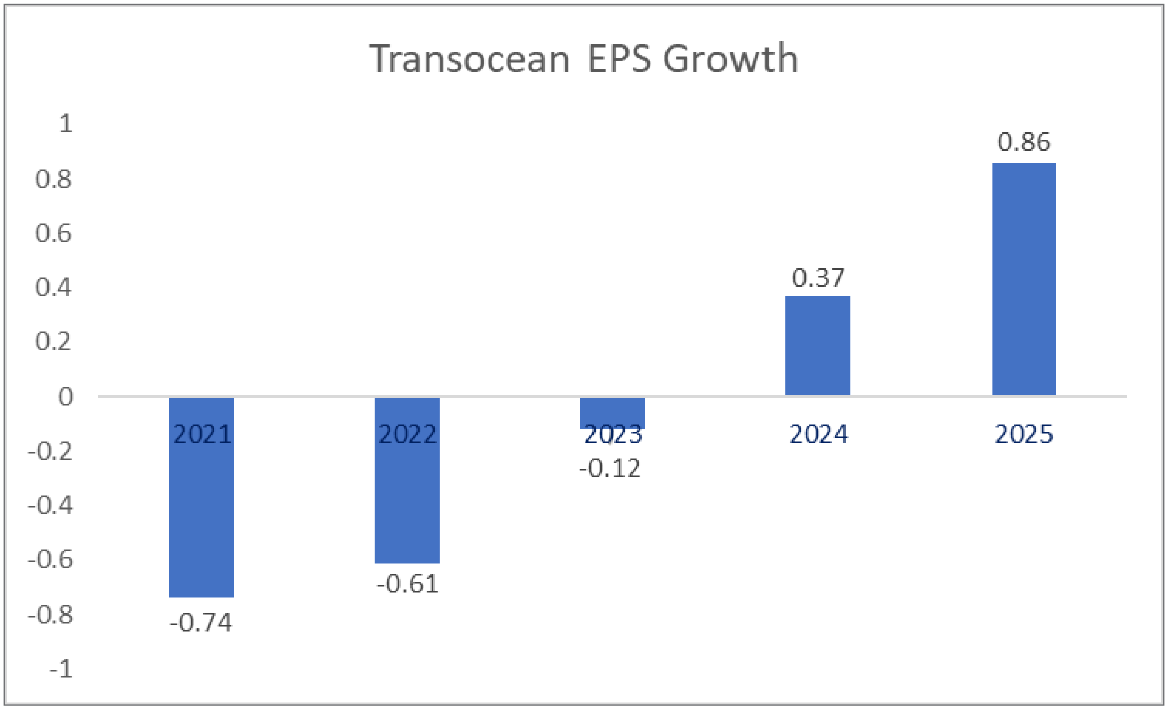
According to analysts at Pareto Securities, with fewer companies in the space, offshore drillers have more negotiating power, leading to higher dayrates.

Transocean's Estimates

Transocean currently does not generate a profit, but the company has outlined a path to reduce its debt burden. As a result, the company should become free cash flow and EPS positive by 2024.

Transocean is currently trading at 1.07 times sales, but this number could improve massively considering that its market cap is at $2.87 billion. Also consider that its backlog of contracted future revenues is up to $7.3 billion currently and growing.

Another interesting sign? Directors of the company have bought up 2.07 million shares, worth roughly $7.25 million.



I think this deep value play could double in the next year and reach $15 a share by then end of 2024.

Action to take: Buy Transocean (NYSE: RIG).

Welcome to *True Momentum*!

I hope you've enjoyed this report. As you can see with these three unique stocks, you can position yourself to take advantage of the big run-up in shares that we always see after a market downturn.

It's important to remember that — historically — in the 12 months after a market crash — the overall market can go up as much as 6X higher than in normal years...

And individual stocks can go even higher.

Like my 147% gain on Qualcomm in 26 months ... 365% on BioLife Solutions in just 18 months ... and the 781% gain I made on the first half of my SunPower recommendation in seven months.

Of course, I can't promise we'll see gains like that again — but I can say that I believe the three stocks I've included in this report have the best chance to deliver triple-digit gains in the next 12 months.

And I'll be with you every step of the way as we start this journey toward triple-digit gains.

Make sure to keep an eye on your inbox every Wednesday for your *True Momentum* weekly update. I'll be covering our portfolio positions, market activity and any economic events I think you should watch out for.

Again, welcome to *True Momentum*! I'm so glad to have you on board.

Regards,

Ian King
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