

Augme Technologies (OTC:AUGT): Patent Gold Mine With Buyout Potential

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By Galileo Russell

"Patents have arguably been the hottest commodity in the tech space for the past month or so. With companies like [Nortel Networks \(NRTLQ.PK\)](#) and [InterDigital \(IDCC\)](#) reaping the benefits from bigger corporations attempts to bid for intellectual property portfolios. "

"One little company that has managed to slip under the radar is Augme Technologies ([AUGT.OB](#)). Augme specializes in patenting end to end mobile advertising software. In case you were unaware the mobile advertising market is set to grow over 70% per year for the next 5 years. The potential in mobile advertising is greater than in cloud computing, rare earth minerals or even electric car batteries. Currently Augme has positioned itself at the forefront of this emerging market and is ready to go through exponential profit growth".

"As consumers all across China, India, Brazil and every other expanding economy make the switch from old flip phones to the next generation smart phones there's no doubt more iPhones and Droid's will be sold. Basically, what I'm saying is the core sector in question here is growing. Within the smartphone market is the mobile advertising market, as the use of normal video game consoles drops due to increased mobile gameplay and better gaming apps the amount of mobile ads will rise".

But, it gets better. Even within the mobile advertising market is the personalized mobile advertising market, which customizes ads so that they are directly related to the consumer. So overall Augme has positioned itself perfectly within a booming piece of a growing market in an expanding sector.

Now let's get down to the company specifics. [Augme closed trading on Friday at \\$3.45](#) per share, with a \$241 million market cap. 2010 revenue was \$2.8 million, but in the first quarter of 2011 alone Augme had \$1.2 million in revenues. Then, for the second quarter of 2011, Augme is projected to pull in over \$3 million in revenue surpassing their entire 2010 total in just 3 months.

On top of that, Augme's management has consistently stood behind a projection of \$16 million in revenue for 2011, that would be a rate growth of 470% year over year. Then in 2012 Augme is projected to pull in \$39

million in revenue, another increase of over 100% YOY. As you can see the revenue growth is off the charts, and the profits will be as well. EPS numbers for 2010-12 (projected) are as follows -\$0.09, \$0.00, and lastly + \$0.16.

"With the future financial projections the way they look Augme's share price seems to be in for a massive growth spurt. If they can fulfill their projection of \$0.16 in EPS for 2012 and are given a 30 P/E ratio Augme would be at \$4.80 per share, or up 39% from today's prices. But even in 2012 Augme will merit an exceptionally premium valuation and could potentially be trading for much higher than \$4.80.

[Augme's](#) revenues should not just be increasing over 100% annually in 2011 and 2012, we should expect to see that growth through 2014 at least. This means that if Augme is able to carry out these projections \$0.70 in EPS for 2014 would seem accurate, potentially making Augme worth \$21 per share.

But I doubt Augme will make it all the way to 2014. After watching the patent portfolio's of [NRTLQ](#) and [IDCC being](#) bid on by all the tech giants for billions of dollars it seems clear Augme will be bought out in due time. [Google](#) could be an impressive potential candidate. [Google](#) has already shown its interest in both the mobile advertising market (the opensource format of Android) and patents ([just bought 1,000 patents from IBM on July 30th](#)).

With the patent market heating up, Augme's core business seriously improving and a potential buyout in the works I'm ready to go long Augme at today's prices before investors begin to catch on to this gem."

Disclosure By Galileo Russell : I am long [GOOG](#). I may initiate a long position in [AUGT](#) within the next 72 hours.

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