Taking Stock: Voice recognition sounds like the next big thing in IT

by Malcolm_Berko

Dear Mr. Berko: What innovation would you look for in the information technology business that could be the next Microsoft or Dell or Intel? Are there two or three companies you would own that could be the next big winner in the IT field? What are your thoughts on Sirrius/XM Satellite radio for a long-term investment? What do you think of Vonage, which I bought (against your advice) as an initial public offering at $17 a share. Finally, would you prefer to own 100 shares of New York Stock Exchange or 300 share of Nasdaq Stock Market.

I know this is a lot of questions and I'd appreciate just a few short answers to these questions, please.

F.G.

Durham, N.C.

Dear F.G.: I believe the next blockbuster breakthrough in information technology will be an instantaneous, fully functional, easy-to-use, voice recognition program that will make the keyboard as obsolete as the buggy whip. Laptops and personal computers will become smaller, but smaller is becoming a nuisance. Today's computers can match and identify the voice patterns of millions of different people in a nanosecond, so instant, error-free VR software is just around the block.

The company that perfects voice recognition programs will be hailed as czar of the world while companies like GE, AT&T, Intel, Apple, IBM, etc. kneel in awe and praise.

However, it's the huge companies above and - other billion-dollar revenue giants - that are searching for the Holy Grail and they are the best leads I can give you. Yes, there are myriad small software outfits and few may find it first - a good number would have you believe they are a few months away from the perfect program. I've heard a few names but won't share them with you because those with which I'm familiar are anxious to scam investors like us. So stick with the big boys.

When you merge one big loser with a second big loser you end up with an even bigger loser which, in my opinion, describes the merger of Sirrius and XM Satellite Radio. These companies have lost hundreds of millions of dollars for two reasons: (1) They can't find enough respectable advertisers so they encourage low-paying scam advertising that most broadcasters wouldn't touch; and (2) their expenses continue to exceed revenues because they can't attract legitimate higher-paying sponsors. I think the two combined companies will have three times as many problems (especially people problems) and there may be some serious conflicts in the two executive suits. Certainly this may dampen future performance for a while. Stay away.

Vonage is in big trouble and Vonage Holdings Corp. (VG-$3.14) was in big trouble long before its IPO, which was a huge bust. Citigroup, UBS and Deutsche Bank, VG's over-greedy underwriters, certainly knew this issue was in trouble; heck even members of the selling groups and sophisticated investors knew VG was a bust. Good gosh, even I knew that VG was in deep do-do, even I knew that the voice over Internet protocol competition was white-hot and accelerating, that VG's financials were verging on disaster, that VG's co-founder had violated Securities and Exchange Commission trading rules and that Verizon was claiming VG had infringed on its VoIP patents. Citigroup, UBS and Deutsche Bank, prominent members of the New York "Scholck" Exchange, certainly knew this, too. Because IPO investors were treated like suckers, the NYSE ought to do what's right and insist those underwriters reimburse you for your losses. Sell the stock.

I would prefer to own 300 shares of the Nasdaq Stock Market Inc. (NDAQ-$29.93), which currently has nine "buy" recommendations, over the New York Stock Exchange, with only two "buy" recommendations. The NYSE is a self-important, bloated, inefficient platform that is overstaffed with incompetent, overpaid people, few of whom I'd trust to give me change for a dime. The NYSE is headed by a nervous, uncommunicative John Thain, who is not comfortable in his own skin.

Meanwhile, the NDAQ is run by bright, hard-charging businessmen who delight in tweaking the brown noses at the NYSE whose salaries are tenfold higher than the lads who run the NDAQ. I think the NDAQ has better long-term prospects than the NYSE because it has competent professionals running the show.

The NDAQ is a speedy electronic exchange where investors can trade 3,300 listed Nasdaq firms as well as stocks listed on other exchanges. In recent months, 15 percent of the trading in NYSE listed stocks was handled by the Nasdaq. Some believe that by 2015 the NDAQ will account for about 25 percent of NYSE trades. No wonder Thain and his crew are running scared.

Please address your financial questions to Malcolm Berko, P.O. Box 1416, Boca Raton, FL 33429 or e-mail him at malber@comcast.net.