

[Previous Page](#)

4 More Dot-Com Buyouts

<http://www.fool.com/investing/general/2010/09/21/4-more-dot-com-buyouts.aspx>

Rick Aristotle Munarriz
September 21, 2010

Shares of **Internet Brands** (Nasdaq: [INET](#)) soared 44% yesterday, after the operator of dozens of niche-specific websites agreed to be taken private at \$13.35 a share.

If you heeded my advice when I [recommended the stock](#) as a content-acquisition play two months ago, while it was still in the single digits, all I can say is, "You're welcome."

If you didn't follow through, the good news is that there's still time to catch the next dot-com buyout. I singled out [four compelling acquisition targets](#) recently, and now I have four more names for you.

Obviously, you don't want to buy these stocks only for the potential acquisitive pop. Do your own [due diligence](#) to make sure that you want to own these companies even if a buyout fails to materialize.

AOL (NYSE: [AOL](#))

For better or worse, AOL has become the homely girl with a killer personality. Everybody wants to hang with AOL, but no one wants to be seen with her.

Things are rough at AOL these days. Subscriber revenue has been in a state of free fall for years, but online advertising also took a 27% haircut in its latest quarter. Despite the retreat, AOL is every inch the eyeball magnet. According to Media Metrix 360, AOL properties are generating 112 million unique monthly visitors.

The fallen giant may have sold some properties along the way, but it still has all of the right portal ingredients to make any buyer an instant online powerhouse -- from its free email platform to the recently refashioned Mapquest.

QuinStreet (Nasdaq: [QNST](#))

After debuting at \$15 in its [February IPO](#) and bouncing around a bit, the stock is essentially back to where it all began.

QuinStreet operates a vertical online marketing platform, delivering prequalified leads to sponsors willing to pay up for vetted referrals. QuinStreet had a shaky period earlier this year because a good chunk of its business comes from out-of-favor financial services providers and Web-based postsecondary schools.

However, QuinStreet delivers. Revenue climbed 31% to \$88.5 million in its latest quarter, as it has blown past Wall Street's profit targets in its first two quarters as [a public company](#).

MercadoLibre (Nasdaq: [MELI](#))

Dot-com buyouts don't have to be homegrown. MercadoLibre is the eBay of Latin America, only growing considerably faster, and seemingly with far more upside.

eBay (Nasdaq: [EBAY](#)) actually owns a minority stake in the company, and it wouldn't be much of a surprise if eBay decided to beef up its hit-or-miss international presence with a proven leader.

MercadoLibre's revenue grew 28% in [its latest quarter](#), with earnings more than doubling. The bottom-line explosion confirms the scalability of its model as it expands through Spanish- and Portuguese-speaking nations. Earnings during the four most recent quarters spiked 79%, 137%, 130%, and 126% higher, respectively. Yes, the stock is richly priced, but the profitability surges more than justify the premium.

Ebix (Nasdaq: [EBIX](#))

Who says insurance is boring? Ebix is growing quickly, providing Web-based enterprise software to the insurance industry. [Cloud computing](#) is hot, but this space doesn't begin and end with **salesforce.com** (NYSE: [CRM](#)).

Ebix posted a 44% surge in operating revenue in its latest quarter, with earnings growing [even faster](#).

Don't get me wrong. I really like salesforce, too. However, I don't see a lot of buyout buzz building around an established cloud champ fetching more than 80 times next year's earnings. Ebix, on the other hand, is trading at a far more reasonable 15 times next year's bottom-line target.

Whether it's the volume of page views available through AOL or piggybacking on the growth of QuinStreet, MercadoLibre, and Ebix, fat cats with fat cash may very well come across some of these companies on their next wave of shopping sprees.

Your turn! Who do you think will be the next dot-com to be bought out? Share your thoughts in the comments box below.

[Legal Information](#). © 1995-2008 The Motley Fool. All rights reserved.

[Previous Page](#)