Zacks Small-Cap Research

February 20, 2015

Marla Backer
312-265-9211
mbacker@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Chineseinvestors.com, Inc. (CIIX-OTCBB)

CIIX: Zacks Company Report – Optimistic About Strategy to Serve an Underserved and Fast Growing Market

Current Recommendation	**Hold**
Prior Recommendation	N/A
Date of Last Change	2/19/2015
Current Price (02/19/15)	$0.75
Six- Month Target Price	**$1.00**

OUTLOOK

We are optimistic about ChineseInvestors.com, which provides real-time market commentary and analysis in Chinese through its websites, www.chineseinvestors.com and www.chinesefn.com. As China's middle class expands, management expects the company's target demographic of individual Chinese investors to continue to grow. Moreover, the company believes that this market is underserved by general financial news services and that it has early mover advantage.

SUMMARY DATA

52-Week High	**$1.08**
52-Week Low	**$0.31**
One-Year Return (%)	**-10.7**
Beta	**0.94**
Average Daily Volume (sh)	**18,849**
Shares Outstanding (mil)	**7**
Market Capitalization ($mil)	**$5.4**
Short Interest Ratio (days)	**0.1**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**15**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**6.3**
P/E using 2015 Estimate	**N/A**
P/E using 2016 Estimate	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small Growth**
Industry	**Internet-Services**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Aug)	Q2 (Nov)	Q3 (Feb)	Q4 (May)	Year (May)
2013	0.4 A	0.5 A	0.3 A	0.4 A	1.6 A
2014	0.5 A	0.8 A	1.4 A	1.2 A	3.9 A
2015	0.6 A	0.5 A	0.8 E	0.9 E	2.9 E
2016					3.2 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Aug)	Q2 (Nov)	Q3 (Feb)	Q4 (May)	Year (May)
2013	-$0.05 A	-$0.06 A	-$0.07 A	-$0.03 A	-$0.21 A
2014	$0.00 A	$0.04 A	$0.14 A	$0.01 A	$0.18 A
2015	-$0.02 A	-$0.01 A	$0.00 E	-$0.01 E	-$0.04 E
2016					-$0.03 E

Disclosures begin on page 16

© Copyright 2015, Zacks Investment Research. All Rights Reserved.

KEY POINTS

- We are optimistic about ChineseInvestors.com, which provides financial news, analysis and commentary on U.S. stocks and markets in Chinese through its websites, chineseinvestors.com and chinesefn.com and YouTube channel chinesefn, among other media platforms.
- We believe the company's strategy to serve an underserved and fast growing market could result in strong revenue and cash flow growth over time.
- The company's target market of individual Chinese investors is growing, as China's middle class continues to expand. Moreover, the company believes that this market is underserved by general financial news services and that it has early mover advantage.
- One of CIIX's key growth strategies is to drive subscriber growth by expanding its financial news content including video and web shows and by offering more comprehensive research and educational tools in order to drive subscriber revenue.
- The company also derives about 70% of total revenue from offering IR services to U.S. listed companies and expects this to be another source of revenue growth. Moreover, CIIX's holdings of shares from various IR clients represent an option on the potential share price appreciation of its stock portfolio, in our view.

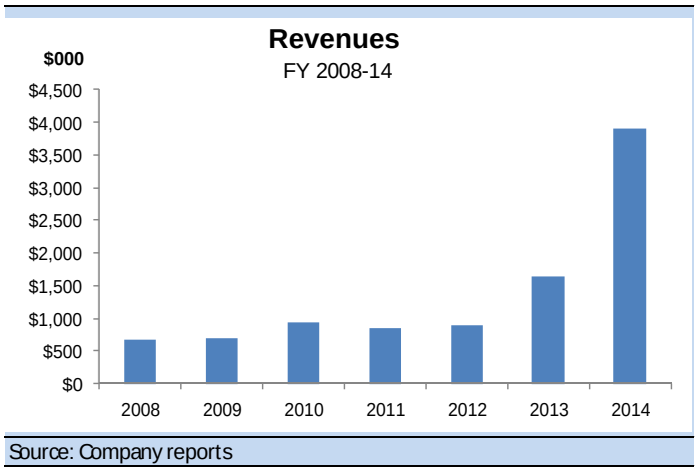
OVERVIEW

ChineseInvestors.com (CIIX-OTCBB) provides investment news, market commentary and analysis in Chinese. The company was founded in 1999 by Shanghai born, U.S. educated Warren Wang, who is CIIX's CEO. Through its websites, www.chineseinvestors.com and www.chinesefin.com, the company provides real-time market commentary and analysis in Chinese to Chinese subscribers. The company focuses primarily on U.S. stocks and trends of U.S. securities markets. Its strategy is to leverage the growth of the Chinese middle class and rising interest in investing. CIIX's target market is Chinese individual investors, including those living in the U.S. or Canada. Management believes this market is underserved and that it has early mover advantage in providing general market and company specific coverage of a broad range of U.S. financial markets and companies, as well as Chinese A shares, the foreign exchange market and other securities to this demographic. The company offers subscription services to provide education about investing and news and analysis on the stock market, as well as news about particular stocks that it tracks.



The company's headquarters are located in Aurora, Denver. In 2000, CIIX opened an office in Shanghai and also has a small satellite office at the New York Stock Exchange from which it broadcasts its financial news shows. The company's editorial staff works out of the Shanghai office.

By adding new services and through subscriber growth, revenue has increased from $670,911 in fiscal 2008 to $3.9 million in fiscal 2014, which represents a 34% CAGR. The company's strategy is to drive revenue by appealing to the anticipated growing investment interest in U.S. equities by Chinese investors, as China's middle class continues to expand.

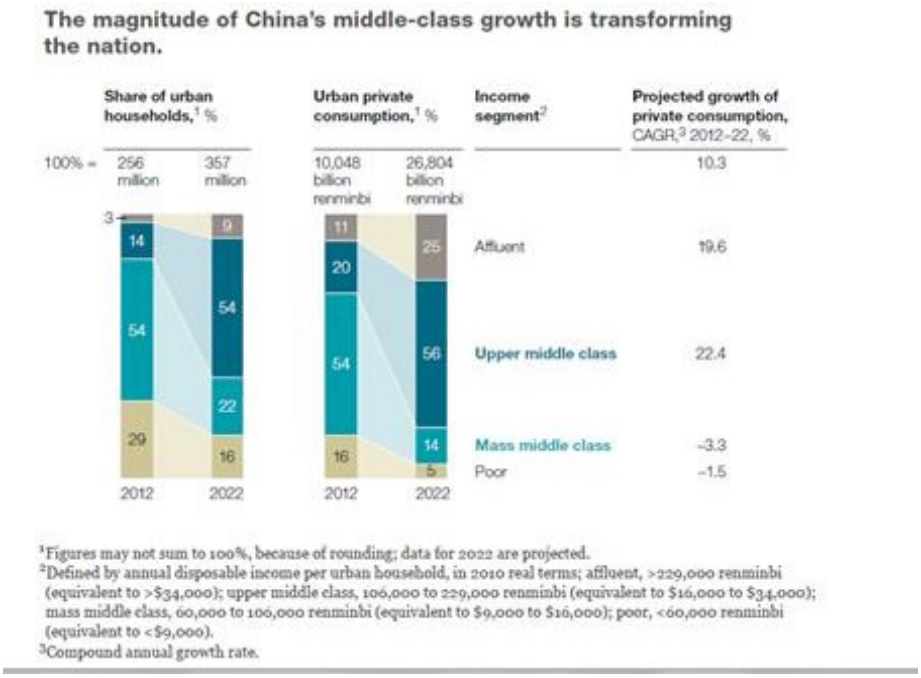


Source: Company reports

CHINA'S GROWING MIDDLE CLASS

Over the past decade, China has had one of the fastest growing global economies. As a result, China's middle class has grown rapidly and is expected to continue to expand. McKinsey estimates that the upper middle class, those people with $16,000 to $34,000, will increase 22.4% from 2012-22. The impact the growing middle class has had on consumption is evident in several sectors, we believe. For example, China has become the largest automobile market in the world, with 19 million new vehicles sold in 2012 and 18% per annum growth in 2006- 2012. According to McKinsey, the source of automotive industry profits has changed dramatically over the past few years. McKinsey notes that in 2012, the BRIC markets and RoW accounted for 55% of global automotive industry profits, up from only 30% in 2007. Sales in these markets grew 65%, outperforming growth in Europe, North America, Japan, and South Korea, with more than 50% of the growth coming from China alone.

Chineseinvestors.com is positioned to benefit from the expected increase in investing abroad by this group. Chinese individuals are already investing abroad, as evidenced by growing purchases of U.S. real estate by Chinese individuals. In the aggregate, wealthy Chinese have more than $450 billion in offshore assets, according to Boston Consulting Group, which expects that metric to roughly double over the next three years. Moreover, a rising percentage of Chinese people are also emigrating to other countries. A study by Hurun and Bank of China found that more than half of China's millionaires are considering moving abroad. According to WealthInsight, which provides data on high net worth individuals worldwide, wealthy Chinese have an estimated 13% of their assets outside of the country.



Metrics from China's Central Bank indicate that Chinese savers had more than $7 trillion (44 trillion yuan) in personal deposits in Chinese banks as of April 2013. There are tight regulatory restrictions on individual investing abroad but recent moves by the Chinese government could portend some liberalization of these restrictions. For instance, in In March, 2012, the government approved certain financial reforms in the city of Wenzhou that included, among other things, allowing private citizens to invest up to $3 million directly in offshore instruments.

Chinese investors' appetite for investing in real estate is mirrored in the rapid growth in their real estate investment since 2011. According to the National Association of Realtors, Chinese purchasers were the largest foreign buyers of U.S. real estate, with sales of $22 billion during the year ended March 2014. As the economy continues to develop, management expects their interest in U.S. securities to grow. Moreover, a 2012 study by McKinsey found that wealthy individuals in China are increasingly interested in alternative investments. Some 71% of respondents with $5 million or more indicated that they were looking for high-return investments. About 83% were found to invest offshore, with 40 to 50% of their assets physically located outside China. Bain and China Merchants Bank found the number of high net worth individuals in China, defined as those with at least $1.6 million in investable assets, had more than doubled from 2008 to 2012 to 700,000. According to a study conducted by Bain, this group is increasingly investing abroad.

CIIX SERVICES

CIIX offers several types of subscription-based services. A paid subscription provides access to a broad range of investment tools that the company curates from several sources, including market commentary, stock analysis and computer generated quantitative analysis on the global financial markets. Chineseinvestors.com does not offer recommendations on individual stocks; the company's goal is to provide unbiased analysis and financial information, as well as to provide educational tools to help new investors. CIIX curates opinions from other industry or investment specialists including Jim Cramer, Mark Zandi, Kantar Worldpanel and others.

Chineseinvestors.com, Inc. Subscription Offering Highlights	
Subscription Service	**Description**
VIP Golden Membership Subscription Services	Interactive application
Option Investment & Trading	Options
China Momentum Stock Subscription	U.S. listed Chinese companies
FOREX	Foreign Currency Exchange
Dark Horse	Small cap stocks

Source: Company reports

CIIX subscriptions generally run for three months up to one year. The company offers several different subscription categories, as outlined in the table above. For example, the *VIP Golden Membership* subscription is an interactive service that enables individual investors to share their views with other subscribers. CIIX intends to add additional services, most likely through arrangements with outside providers. The company distributes its content on its websites, www.chineseinvestors.com and www.chinesefn.com, as well as through Youtube and other platforms.

Option Investment & Trading Subscription

CIIX's Option subscription provides educational tools to help investors who are interested in option trading. It also includes pre-market daily chart analysis of the DJIA (Dow-Jones Industrial average), NASDAQ and S&P (Standard & Poor's) indices.

China Momentum Stock Subscription

The China Momentum Stock Subscription generates information on Chinese companies that also have stocks listed on a U.S. Exchange.

Foreign Currency Exchange Subscription

The FX (foreign currency exchange) subscription includes daily news that is relevant to FX markets, a daily video stream of a market commentator analyzing the FX market and educational alerts, as well as ongoing updates throughout the trading day.

Dark Horse Subscription Services

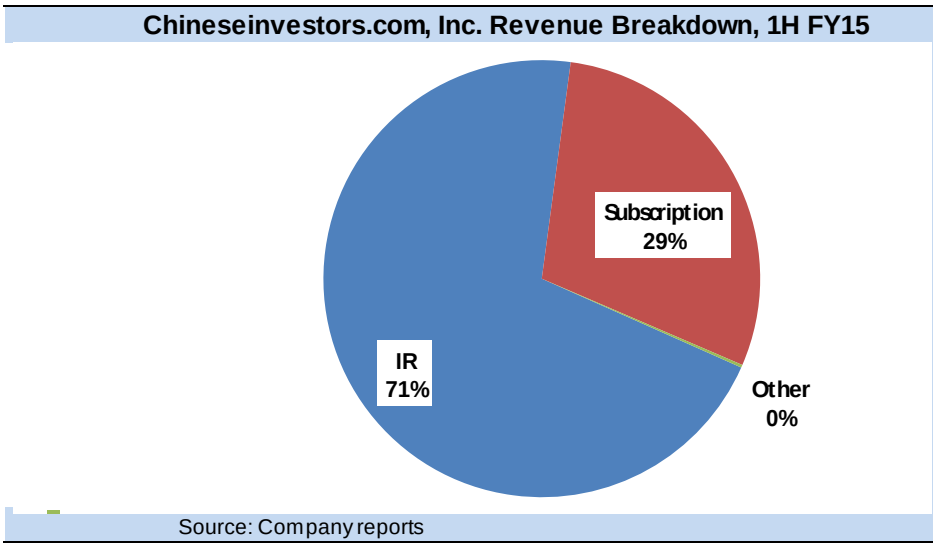
This service focuses on small-cap stocks that are listed on a U.S. exchange. It provides analysis of individual stocks and opinions from various sector specialists and stock market experts. In addition, the company has several analysts on its research staff who focus on small-cap stocks. The service also provides consensus ratings of Wall Street firms covering the stock. In addition, CIIX picks a number of small-cap stocks to place on its *Watch List*. The company's research staff monitors news flow, analyst ratings and reports, changes in shareholder ownership, company hosted conference calls, press releases and other material events and provides alerts and commentary to Dark Horse subscribers. The company also tracks the performance of the CIIX Dark Horse Model Portfolio, which it updates with daily reports to Dark Horse subscribers.

Educational Resources and Services

One of CIIX's key growth strategies is to drive subscriber growth by broadening its offering of educational tools for investors who are relatively new to the stock market. CIIX also sponsors educational conferences to help promote awareness of its services to investors in China, as well as in the U.S. In addition, in August of 2012, CIIX appointed a new Content Services Editor in Chief to improve the company's content, in order to drive subscriber growth.

Revenue Streams

The company generates revenue primarily from subscriptions, advertising and by providing investor relations services. Subscription revenue contributed 29% of total revenue in the first six months of fiscal 2015. Currently, CIIX has more than 1,000 paying subscribers. General interest in the CIIX service appears to be significantly higher, as evidenced by social media activity. Specifically, CIIX has more than 190,000 followers on Weibo (WB-not rated), a leading Chinese-language social media platform that has a user base in Chinese communities in more than 190 countries.



Driving Subscriber Growth

CIIX operates paid subscription financial news and commentary websites that also allow visitors to access certain complimentary sections on the websites. If CIIX can convert a greater number of its followers into paying subscribers, we believe it would be a key revenue driver. To generate awareness of its service and in turn stimulate subscription growth, CIIX produced a news webshow focused on the U.S. financial markets with Shanghai Media Group's *China Business Network* (CBN).

Currently, CIIX leverages other streaming media including Phoenix TV, which according to management is the largest Chinese TV station operating abroad. Phoenix TV has more than 200,000 paid subscribers in the U.S. and Canada. In addition to these platforms, CIIX also advertises its services through radio and print publications that target Chinese audiences.

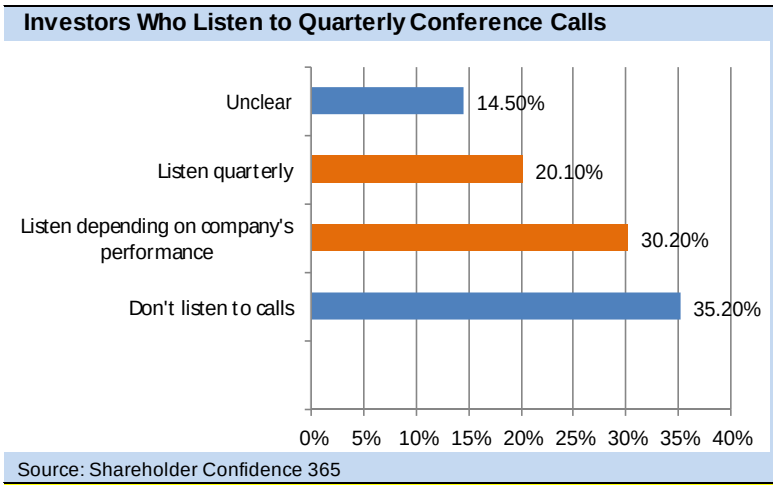
To drive subscription growth, management intends to expand its content and service offerings, including by engaging outside investment service providers. Management also expects to drive revenues once it is able to offer services within the Peoples Republic of China.

Moreover, the company offers much of the content such as stock quotes, trading volumes and other trading metrics of U.S. listed companies on its website for free in order to drive traffic. The company expects to upsell many of the free visitors to premium, paid-for services. The higher web-traffic also enables chineseinvestors.com to sell online advertising. Management expects to grow its ad revenue, as its subscriber base expands.

INVESTOR RELATIONS SERVICES

Some 71% of the company's revenue comes from Investor relations services, as noted. This service is targeted primarily to U.S. and Canadian companies seeking to boost their profiles among Chinese investors. We believe investor relations, or IR, holds substantial potential. According to the National Investor Relations Institute (NIRI), "Investor relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation."

Having a good IR program, therefore, is seen as critical to a company's stock attaining a fair value. Many smaller companies that are not able to maintain an internal IR program rely on external IR services such as that offered by CIIX. The company offers a number of services to help with IR. For example, a recent study entitled *How are Investors Consuming Your Investor Relations Content?* found that roughly 50% of investors surveyed believe it is important to listen to company's earnings conference calls as part of their due diligence before they invest in a new stock. One conclusion from the survey is that conducting quarterly conference is an important component of an investor relations program and helps investors attain a degree of confidence in the company.[1]



Although it is often not easy for CIIX's subscribers to listen to English language conference calls, the company's Shanghai editorial employees are fluent in English, according to management. They listen to management conference calls of IR clients and of companies that CIIX tracks and provide translations for their Chinese speaking subscribers. In addition, the editorial staff also monitors U.S. financial news sources such as CNBC and Bloomberg, among others, and translate news and developments for the subscriber base.

[1] *How Investors Consume Investor Relations Content- PR Newswire (Fall 2013)*

IR Case Studies:
Nova Lifestyle

Nova Lifestyle (NVFY-not rated) is a furniture company that was founded in China in 1992. The company has manufacturing plants both in China and the U.S. and generated $69.7 million in revenue in the first nine months of 2014. In June 2012, CIIX formed an agreement to provide certain advertising and other services or what CIIX terms “IR Lite” to Nova Lifestyle. Nova extended the contract with CIIX for 24-month period in exchange for 100,000 restricted shares of NVFY stock. At the time, NVFY shares traded in a range of roughly $2.00 to $2.50. Since then, NVFY shares have been volatile but have traded above the $8.00 level at times.

Medicine Man

CIIX and Denver based, privately-held Medicine Man Technologies announced an agreement in February, 2014 to form a new company to create licensing opportunities for Medicine Man, leveraging its expertise and IP. According to CIIX, Medicine Man of Denver was one of the first Colorado companies to receive a state license for recreational use of marijuana. The two companies also announced that they had signed their first licensee, McGraw Holdings, LLC of Illinois. In addition, Medicine Man Technologies has had advanced discussions and agreements with additional clients, according to CIIX management.

According to its website, Medicine Man plans to come public soon and CIIX management has indicated that it will assist Medicine Man with its planned IPO. CIIX received 2.8 million shares for its services. Depending on the performance of Medicine Man shares following a prospective IPO, CIIX might be able to generate a profit from the shares at some point down the road. Brett Roper, Medicine Man’s Director of Licensing Services, is also a director on CIIX’s board.

Investment Portfolio: Source of Cash and Potential Profits

On CIIX’s balance sheet, *Investments available for sale* of $1.3 million reflects publicly traded shares the company receives as payment for IR services. CIIX could use these shares to raise funds through either an outright sale or by using them as collateral to obtain short-term debt. In fact, in 2014 the company used NVFY and DHRM shares to obtain short-term debt. Moreover, as indicated in the Nova Lifestyle Case Study above, the company received stock when NVFY shares traded at $2.00 to $2.50. CIIX has an unrealized profit in them now, as they trade above $2.60 currently and have traded at significantly higher levels at times since CIIX first received them. We believe this illustrates the company’s opportunity to generate profits on the shares it receives as payment. In FY 2014, CIIX realized a gain of $59,140 on securities.

Conversely, CIIX’s *Unrealized loss on investments available for sale* of $1.46 million stems from the decline in value of shares in the company’s portfolio. While the company can continue to hold these shares if it expects an upward revaluation, there is the risk that the shares remain under pressure and CIIX either continues to write down their value or at some point down the road sell them and realize a loss.

INDUSTRY OUTLOOK

The company believes that it has early mover advantage in providing general market and company specific coverage of a broad range of U.S. financial markets and companies, as well as on Chinese A shares, the FX market and other securities to Chinese investors in Chinese. While other Chinese financial services companies such as CITIC Securities (CIIHF-not rated), China Finance Online (JRJC-not rated) or Noah Holdings (NOAH-not rated) offer some investment metrics on their websites, the level of detail appears to be significantly greater on chineseinvestors.com, we believe.

Moreover, with its focus on reaching Chinese investors in the U.S. and Canada, where roughly 95% of its subscriber base is located, we believe there is substantial opportunity as the Chinese population in those markets rises.

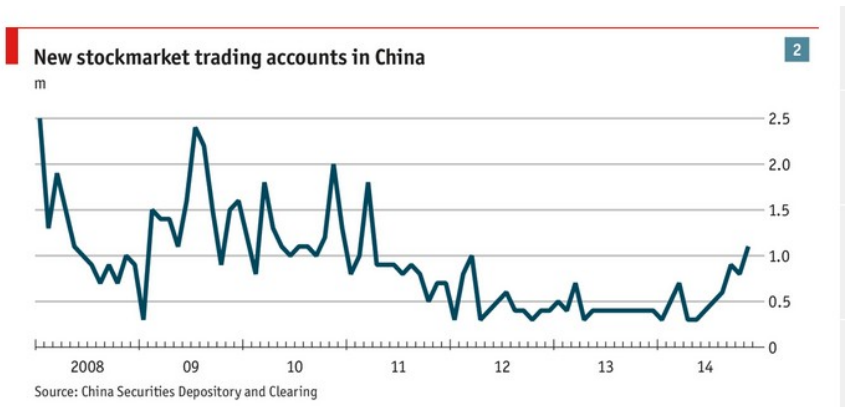
According to a report by Barclays, 47% of wealthy individuals in China with assets of more than $1.5 million plan to emigrate to another country, with the U.S. and Europe designated as top destinations. The Hurun Report, which annually publishes a list of China's wealthiest citizens, had similar findings. The top three destinations for emigration are the U.S., Canada, and Australia. Hurun, along with Visas Consulting Group, surveyed 141 wealthy Chinese about emigration and found that as a percentage of their total wealth, rich Chinese invest 16% abroad, on average.

	Emigration destinations	
1	US	52%
2	Canada	21%
3	Australia	9%
4	Europe	7%
5	New Zealand	4%
6	Singapore	3%
7	Hong Kong	2%
8	Japan	1%

Source: Hurun Research + Visas Consulting

This is consistent with findings from Associated Press, which in 2010 published metrics suggesting that in 2009, nearly 68,000 Chinese-born individuals became legal permanent residents of the U.S. CIIX management believes the company has early mover advantage targeting these potential stock investors.

The earlier noted Bain study indicated real estate as the #1 asset class for investment by Chinese individuals. However, over time we would expect to see greater investment in securities, as well. In fact, within China's securities markets, individual retail investors account for roughly 80% of trading, according to The Economist, which believes the year-end 2014 rally was driven primarily by individuals. The chart below illustrates the historical trends in the opening of new trading accounts.



COMPETITION

We believe it is still relatively early in the development of a retail Chinese financial investor base and management has indicated that CIIX has little competition at this early stage. U.S. listed companies such as Noah Holdings Limited (NOAH-not rated) and China Finance Online (JRJC-not rated) do not compete directly, we believe. For example, Noah Holdings primarily provides wealth management services to high net worth individuals in China, while China Finance Online provides information and advisory services to individual investors. SINA Corporation (SINA-not rated) operates an online portal that offers business news coverage and personal finance columns, but it is not focused on the securities markets or on offering the depth of financial coverage and analysis as CIIX is, we believe.

Others, such as East Money Information, Hithink Flush Information Network and Shanghai DZH focus primarily on the local Chinese market, according to CIIX management. CIIX is also trying to differentiate itself with expanded content offerings, including video financial news.

FINANCIAL HISTORY

Fiscal 2014

In its fiscal year ended March 31, 2014, chineseinvestors.com reported revenue of $3.9 million, up 138% from $1.6 million registered in fiscal 2013. This growth came despite the elimination of binary options services revenue in FY 2014, which contributed $740,354 in revenue in FY 2013. CIIX entered the binary options services business with partner KrisWorld Limited of Hong Kong, which defaulted in April, 2013, forcing CIIX to write off some $77,708 that Krisworld owed it in FY2014. The company was able to more than offset the loss of this revenue category with the growth of Investor Relations revenue, which increased more than 8-fold to $3.16 million from $377,407 recorded in FY2013. Management attributed this primarily to continued expansion of investor awareness and consulting services.

On the higher revenue base, CIIX reported a $1.2 million operating profit in FY 2014 compared to an operating loss of ($997,813) in FY 2013 and EPS of $0.18 compared to ($0.21). However, the company started accepting restricted stock (under SEC Rule 144) in FY 2013 as payment for IR services, which we believe is one factor behind the significant upswing in IR services revenue. We estimate that on a cash basis, CIIX would have recorded a loss / share of ($0.19) in FY 2014.

Revenues in stock are recorded on the balance sheet as an asset with an offsetting unearned revenue liability. The value of the revenue earned is recognized on a quarterly basis, based on the pro rata value of the shares earned during the quarter, per the guidelines of SAB Topic 13. If the stock declines in value, the company is required to take a write-down.

FY 2015 To-Date

Revenue for the first half of FY 2015 is down 13% compared to the same period of FY 2014. However, comparisons between the two years are not entirely apples-to-apples, according to management. As noted, FY 2014 revenue included the recognition of non-cash stock compensation that CIIX received from IR clients, which boosted revenue. The company's strategy vis-à-vis stock compensation is to be conservative about accepting shares in lieu of cash payment and year-to-date in FY 2015, management has reduced the level of IR engagement it has accepted on a stock for services basis.

CAPITALIZATION AND BALANCE SHEET

Similar to many other companies at their early stage of development, chineseinvestors.com has funded its operations through a combination of private placements, short-term debt and the issuance of convertible debt. The company has indicated that it expects to do additional financings and targets raising about $5 million by the third quarter of calendar 2015. In the past, the company has also used shares received from IR clients as collateral to secure short-term debt.

CIIX shares began trading on the OTCQB exchange effective December 10, 2014.

VALUATION

We believe CIIX offers one of the few vehicles for investors interested in gaining exposure to the growing Chinese middle class through a U.S. stock. In our view, the company is positioning itself to be the Chinese language Yahoo! Finance or Bloomberg: i.e. a go-to portal for investors seeking financial information and analysis of public companies. We believe the shares are attractive as a way to gain exposure to the growth of the Chinese middle class and corollary expansion of a Chinese individual investor base.

In success, we believe chineseinvestors.com would likely have a higher growth rate in these early years than most of the companies presented in our peer analysis below. In the near-term, this expected growth might be masked by the impact of non-cash stock payments from IR clients in prior quarters, in our view. We initiate coverage with a Hold rating and $1.00 price target, which equates to EV / revenue of 1.4x. That would put CIIX shares on a par with other internet service providers on that metric, despite what we would expect to be substantially higher near-term growth, in success.

There are few ways for investors to gain exposure to the growing Chinese retail financial investor. At the current price, we believe the risk / reward ratio on CIIX shares could be attractive for investors who want exposure to this niche and have a higher than average risk tolerance and longer time horizon. Our outlook on the company is positive, reflecting initiatives that management is taking, such as improving and expanding its content, adding video content and producing new financial news shows, as well as growing its IR services business. We believe **the shares represent an option on the company's ability to capitalize on the rapid growth of the Chinese middle class investor.**

Investment Portfolio: Upside Potential

In addition, as CIIX continues to develop its stock portfolio, the shares represent an option on the potential growth of various companies represented in the portfolio, in our view. As noted earlier, CIIX received NVFY shares when NVFY traded within a $2.00 to $2.50 range. NVFY shares are currently above that range and have, at times, traded as high as $8.00, which we believe illustrates CIIX's opportunity to generate profits on its investment portfolio. Management has also indicated that the company intends to be highly selective about accepting shares for payment of services rendered going forward.

Chineseinvestors.com Peer Analysis

Company	Ticker	2/18/2015 Price	52-Week High	52-Week Low	Revenue ($M) 2014A	Revenue ($M) 2015E	Revenue ($M) 2016E	EPS 2014A	EPS 2015E	EPS 2016E
Amazon	AMZN	373.37	383.11	284.00	88,990	102,670	120,380	(0.52)	0.41	2.29
Baidu	BIDU	207.15	251.99	140.66	49,050	68,270	90,330	37.32	45.12	60.77
Chineseinvestors.com	CIIX	0.75	1.08	0.31	4	4	5	(0.01)	(0.01)	0.00
Noah Holdings Ltd.	NOAH	22.60	25.60	12.35	229	288	na	1.31	1.55	na
Sina Corporation	SINA	38.12	78.49	34.89	756 E	885	na	0.74 E	0.95	na
TheStreet, Inc.	TST	2.04	3.04	2.00	59 E	72	na	(0.10) E	(0.03)	na
Weibo	WB	14.19	26.08	12.11	332 E	477	na	(0.02) E	0.27	na
Yahoo!	YHOO	43.65	52.62	32.15	4,400	4,360	4,400	1.57	0.90	0.94

Company	Mkt Cap ($M)	EV / Revenue			P/E		
Amazon	173,386	1.9x	1.7x	1.4x	nm	910.7x	163.0x
Baidu	72,722	1.5x	1.1x	0.8x	5.6x	4.6x	3.4
Chineseinvestors.com	5	1.4x	1.5x	1.1x	nm	nm	nm
Noah Holdings Ltd.	1,262	4.7x	4.4x	nm	17.3x	14.6x	nm
Sina Corporation	2,476	3.1x	2.8x	nm	51.5x	40.1x	nm
TheStreet, Inc.	70	0.4x	1.0x	nm	nm	nm	nm
Weibo	2,942	8.9x	6.2x	nm	nm	52.6x	nm
Yahoo!	42,018	9.4x	9.6x	9.5x	27.8x	48.5x	46.4

Source: Company reports, Yahoo Finance, Zacks

RECENT NEWS

In February 2014, CIIX and Denver based Medicine Man announced an agreement to form a new company to create licensing opportunities for Medicine Man, leveraging its expertise and IP.

MANAGEMENT

CEO Warren Wang founded chineseinvestors.com in 1999. Shanghai born, he was educated in the U.S. and serves as the company's CEO and Chairman of the Board. He has occupied these positions since CIIX's inception, with the exception of a brief period from March, 2002 to August, 2003 when James Toreson, currently a board member, was CEO. Mr. Wang has prior Wall Street experience. Before founding CIIX, he held various positions with different brokerage firms, including as VP of Investments of Tradeway Securities Group, Senior Financial Consultant for Waldron & Co., and a Senior Account Executive for Donald & Co. Securities. He currently resides in Shanghai.

CFO Paul Dickman has occupied his current position since July 2010. His background is in accounting and finance, having begun his career as an auditor and financial consultant with various regional accounting firms.

Director Brett Roper has served on the company's board since 2002 and is the Secretary of the Board, as well as the company's COO.

Director James S. Toreson joined the chineseinvestors.com board in May, 2010. He has more than 30 years of executive experience. He served as CIIX's Interim CEO from March 2002 through March 2003.

INSIDER HOLDINGS

Insider Ownership

	Shares Owned	% Beneficially Owned
Warren Wang	978,393	15.6%
Brett Roper	62,500	0.2%

Source: Company reports

CEO Warren Wang holds 15.6% of CIIX shares. We view this positively, as in our view it implies that his interests are tied to those of other shareholders.

RISKS

- One of the biggest risks to CIIX, we believe, is that its strategy to drive traffic and subscriber growth fails to materialize in the near-term.
- CIIX is under-capitalized and will likely need to seek additional short-term funding until it reaches a certain revenue level, which could dilute existing shareholders.
- We believe CIIX could face competitive risk if a better capitalized company decides to launch a portal that provides services that are similar to those that CIIX provides.
- We believe CIIX faces investment risk if its investment portfolio depreciates in value. While the company can continue to hold shares if it expects an upward revaluation, there is the risk that the shares remain under pressure and CIIX either continues to write down their value or at some point to sell and realize a loss.
- The level of investment interest in the financial markets by Chinese individuals could stall or diminish, in turn impacting the company's ability to sell subscriptions.

PROJECTED INCOME STATEMENT & BALANCE SHEET

Chineseinvestors.com, Inc. Income Statement and Projections ($)

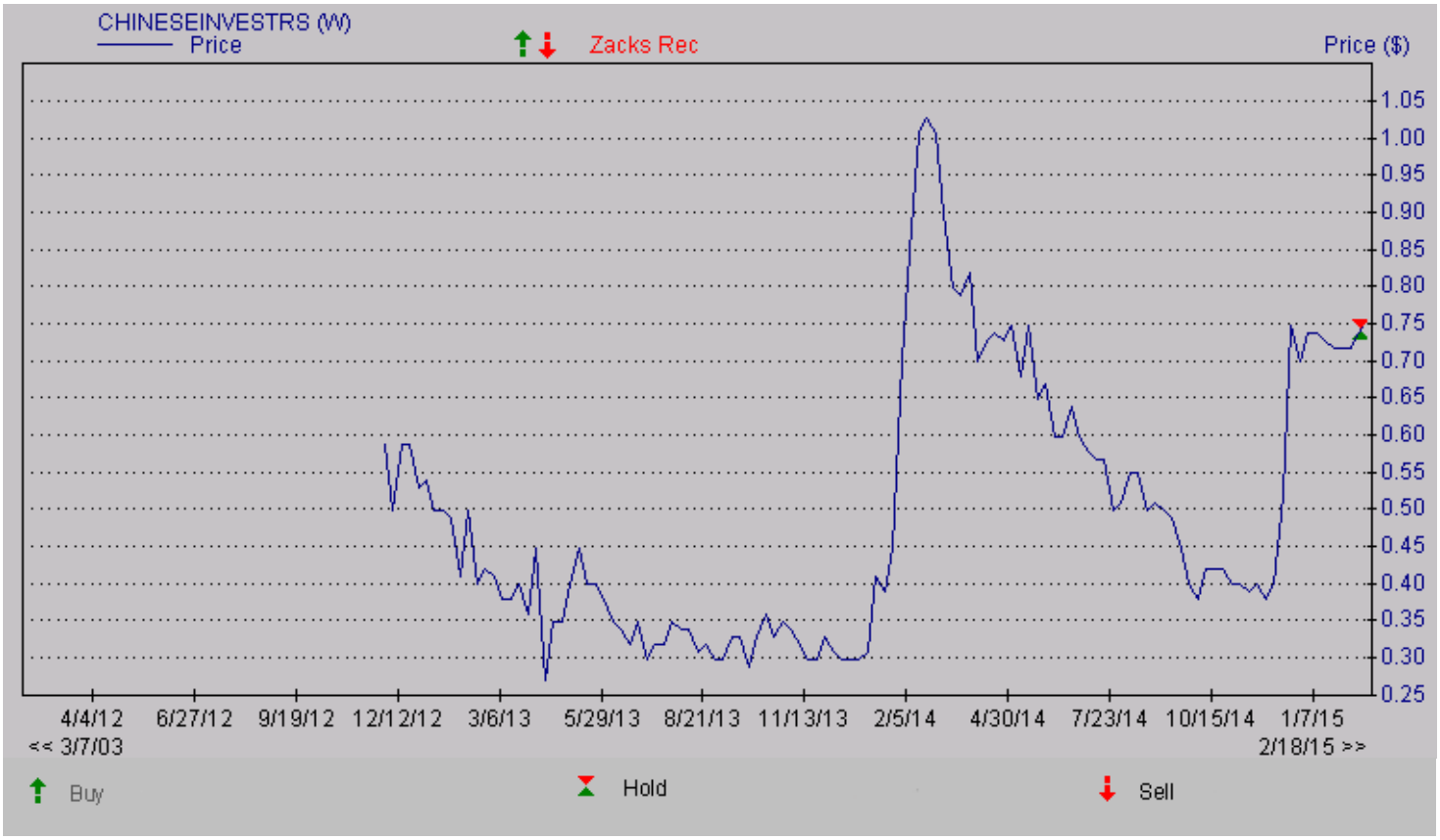
	FY13	Aug-13 1Q14	Nov-13 2Q14	Feb-14 3Q14	May-14 4Q14	FY14	Aug-14 1Q15	Nov-14 2Q15	Feb-15 3Q15E	May-15 4Q15E	FY15E	FY16E
Binary Option Services	740,354	-	-	-	-	-	-	-	-	-	-	
Investor relations	377,407	346,814	644,680	1,174,105	1,000,917	3,166,516	480,372	339,840	610,535	700,642	2,131,389	2,344,527
Subscription	495,154	172,352	172,073	189,391	189,071	722,887	163,357	178,251	217,800	217,432	776,839	854,523
Other	26,458	5,845	3,224	2,056	1,875	13,000	1,058	1,315	2,373	3,375	8,121	8,933
Total revenue	$1,639,373	$525,011	$819,977	$1,365,552	$1,191,863	$3,902,403	$644,787	$519,406	830,707	921,449	2,916,349	3,207,984
Cost of services	974,966	172,176	217,023	232,905	199,144	821,248	221,826	205,806	315,669	350,150	1,093,451	1,219,034
Gross profit	$664,407	$352,835	$602,954	$1,132,647	$992,719	$3,081,155	$422,961	$313,600	$515,038	$571,298	$1,822,898	$1,988,950
G&A	1,434,779	287,467	269,719	399,495	727,486	1,684,167	380,585	334,116	456,889	506,797	1,678,387	1,764,391
Advertising	227,441	33,544	57,196	52,940	51,451	195,131	59,125	79,351	103,838	115,181	357,495	400,998
Total op'g expenses	1,662,220	321,011	326,915	452,435	778,937	1,879,298	439,710	413,467	560,727	621,978	2,035,882	2,165,389
Operating profit/(loss)	($997,813)	$31,824	$276,039	$680,212	$213,782	$1,201,857	($16,749)	($99,867)	($45,689)	($50,680)	($212,985)	($176,439)
Interest expense	(120,228)	(30,057)	(43,153)	(29,916)	(8,281)	(111,407)	(6,452)	(8,153)	(8,200)	(8,200)	(31,005)	(32,245)
Realized (loss)/gain securiti	-	-	-	207,404	(148,264)	59,140	(91,807)	29,265	20,000	20,000	(22,542)	(23,444)
Net to common shareholder	($1,118,041)	$1,767	$232,886	$857,700	$57,237	$1,149,590	($115,008)	($78,755)	($33,889)	($38,880)	($266,532)	($232,128)
LPS	($0.21)	$0.00	$0.04	$0.14	$0.01	$0.18	($0.02)	($0.01)	($0.00)	($0.01)	($0.04)	($0.03)
Avg. shares out (FD)	5,270,436	5,270,436	5,969,585	6,268,820	7,569,227	6,269,517	7,249,305	7,240,835	7,249,855	7,304,855	7,261,213	8,000,000

Chineseinvestors.com, Inc. Balance Sheet ($)

	Nov-13	Feb-14	May-14	Aug-14	Nov-14
Cash & equivalents	$111,643	$511,242	$429,199	$152,317	$245,047
Accounts receivable	17,141	3,344	17,422	4,297	9,969
Note receivable - affiliate		-	17,648	-	-
Investments available for sale	1,404,604	2,686,733	2,331,139	2,817,194	1,321,008
Prepaid taxes		-	58,963	64,044	64,044
Other	49,856	19,381	26,404	27,839	24,767
Total current assets	1,583,244	3,220,700	2,880,775	3,065,691	1,664,835
Property and equipment	24,153	19,868	22,960	20,216	15,832
Website development	68,441	69,198	94,278	105,198	106,983
Total non-current assets	92,594	89,066	117,238	125,414	122,815
Total assets	**$1,675,838**	**$3,309,766**	**$2,998,013**	**$3,191,105**	**$1,787,650**
Accounts payable	11,111	7,223	53,986	52,574	60,183
Accounts payable due in stock		-	99,702	99,702	99,702
Accrued liabilities	68,542	77,479	78,545	77,138	44,946
Accrued interest	74,902	62,872	11,068	19,310	27,462
Deferred revenue	303,546	371,219	342,742	308,155	265,252
Unearned revenue paid in cash		-	120,208	40,656	79,483
Unearned revenue paid in stock	387,625	466,351	545,491	686,264	817,496
Short-term debt	460,000	440,000	440,000	440,000	440,000
Commissions payable due in stock		99,702	-	-	-
Total current liabilities	1,305,726	1,524,846	1,691,742	1,723,799	1,834,524
Long-term deferred revenue	24,235	42,791	80,777	69,311	68,167
Total liabilities	**1,329,961**	**1,567,637**	**1,772,519**	**1,793,110**	**1,902,691**
Shareholders' equity /(deficit)	345,877	1,742,129	1,225,494	1,397,995	(115,041)
Liabs & stockholders' equity	**$1,675,838**	**$3,309,766**	**$2,998,013**	**$3,191,105**	**$1,787,650**

Source: Company reports, Zacks

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Marla Backer, CFA, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, equity research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand USD per annum.

POLICY DISCLOSURES

Zacks SCR Analysts are restricted from holding or trading securities placed on the ZIR, SCR, or Zacks & Co. restricted list, which may include issuers in the Small-Cap Universe. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each Zacks SCR Analyst has full discretion on the rating and price target based on his or her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1126 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 15.7%, Hold/Neutral- 75.9%, Sell/Underperform – 7.5%. Data is as of midnight on the business day immediately prior to this publication.