5 Tech Stocks With Potential To Outperform In 2012

by: Stock Croc

November 17, 2011 | includes: CALX, DDD, EBIX, RIMM, VELT

Being an election year, 2012 should not see any unanticipated action from the Fed. Although gross domestic product is not that astounding in the 2% range, it's also really not that bad and is moving in the right direction. To this end, in this article I take a look at five tech stocks that should do well in 2012. Each one of these stocks has a near-term catalyst that can propel the stock much higher.

Velti (VELT): Mobile internet is very big in Japan where 9 out of 10 nationals do their web browsing on mobile phones. In fact, most of the information available to mobile phone users is presented as links and not as pages like in the U.S.A. and elsewhere. Alongside this form of presenting information, mobile advertizing has grown and flourished. With the ever increasing sales and use of smartphones here in the U.S., the growth of mobile advertizing cannot be far behind and Velti stands to benefit greatly from this trend. See this article about Velti's preparation to be the major player in this market. Being a Software-as-a-Service company, I thought we would take a look at two of Velti's closest competitors and see how the company stands. Salesforce.com (CRM) is very expensive with a PEG ratio of 25.63 and forecast earnings growth of -70.59% in 2012 and 176.35% in 2013. Intuit (INTU) is also a little pricey with a PEG ratio of 1.47 and forecast earnings growth of 18.20% in 2012 and 14.46% in 2013. On the other hand, Velti is exceptionally cheap with a PEG ratio of only -0.93 and forecasted earnings growth of an astounding 233.63% in the next year and 154.97% in 2013.

Calix Networks (CALX): Calix Networks is another tech stock with an extremely low PEG ratio (-15.74) as well as an astonishing forecast earnings growth (1,300.00% in 2012 and 42.50% in 2013). The company's two closest rivals - Alcatel-Lucent (ALU) and LM Ericsson Telephone Company (ERIC) - don't even come close in terms of growth. Alcatel-Lucent presently has a PEG ratio of 1.10 with forecast earnings growth in 2012 of 42.83% and 17.29% in 2013. LM Ericsson Telephone Company at the present time has a PEG ratio of 1.32 with forecast earnings growth of only 6.13% in 2012 and 10.44% in 2013. Surprisingly, Calix Networks has lost half its value over the past few months, falling from over $22.00 per share to around $10.00 per share, where it is hovering at the moment. This dramatic loss of value stems from the company lowering its forecast for the fourth quarter on typical government delays in stimulus awards that were part of the American Recovery and Reinvestment Act of 2009, as well as the equally typical Wall Street I-want-it-all-and-I-want-it-now attitude. See this article on the delays and guidance. The company also reported that it was hurt by fiber shortages and a general slowdown in business.

Ebix Inc. (EBIX): In a November 8, 2011 Business Wire article, Ebix Inc. reported a 120% increase of net cash flow from the same period in 2010 - $10.0 million was reported in the third quarter of 2010 compared to $22.1 million reported in the third quarter of 2011. Operating income also increased by 37% in the same time period from $13.1 million in 2010 to $18.0 million in 2011. This indicates that the company is accumulating a significant amount of cash for the year. The revenue figures in the same period were also up 28% to $42.6 million from $33.3 million a year ago. That being said, let's look at how Ebix Inc. stands in relation to two of its main competitors in the software and e-commerce solutions industry - CA Inc. (CA) and EMC Corporation (EMC). Ebix Inc. currently has a PEG ratio of only 0.55, indicating that the stock is undervalued and the company's estimated price to earnings ratio for 2012 is 10.40. CA Inc. on the other hand presently has a slightly overvalued PEG ratio of 1.19 with an estimated price to earnings ratio of 11.05 for 2012. EMC Corporation has a PEG ratio of 1.23 at the present time, making it the most expensive of the trio with an estimated price to earnings ratio of 17.58 in 2012.

3D Systems Corporation (DDD): We shall start with a comparison of 3D Systems Corporation and its two closest competitors Dassault Systemes, S.A. (DASTY.PK) and Stratasys (SSYS) and then take a look at a development that may change these metrics in the following years. First off, 3D Systems Corporation has an earnings-per-share forecast of 0.81 in 2012 and 0.94 in 2013. In comparison, Dassault Systemes only has a consensus earnings-per-share forecast of a hefty 4.23 in 2012 at the present time and Stratasys controls the middle ground with an earnings-per-share forecast of 1.06 in 2012 and 1.41 in 2013. This makes 3D Systems Corporation look like the underdog in this competition but a recent acquisition may prove to differ - see this article on 3D Systems Corporation's purchase of RenShape stereo lithography. The acquisition cost the company $41 million in cash and RenShape print materials generated almost $7 million in annual revenue in 2010. This all for a company (3D Systems Corporation) that only had $159,868 (t) in revenue last year. 3D Systems Corporation should not have any trouble digesting the acquisition because their technologies are very compatible; moreover, the purchase will augment the company's intellectual property portfolio. The company expects the purchase to be immediately profitable.

Research in Motion (RIMM): Since the beginning of the year, Research In Motion has fallen from a $70 per share stock down to below $20 per share. The question now is whether this stock will rebound in 2012 or if it is a fallen angel never to grace us with its heavenly presence again. Research In Motion's problems are numerous with everything from upgrade delays and technical difficulties to associated lawsuits and captains bailing ship. I was hard pressed to find a ray of sunshine in this Charlie Brown of the smartphone industry, but RIM is coming out with a new souped-up operating system (see this article). To this end, let's step away from the media feeding frenzy for a moment and compare Research In Motion to its top competitors Apple (AAPL) and Nokia (NOK). Apple has a current PEG ratio of 0.54 with forecast earnings growth of 24.29% in 2012 and 12.49% in 2013. Nokia has a quite expensive PEG ratio of 2.56 with forecast earnings growth of only 4.22% in 2012 and 50.88% in 2013. Research In Motion presently has a PEG ratio of a very cheap 0.32 but a very disappointing forecast earnings growth of -25.88% in 2012 and -0.09 in 2013, which makes Research In Motion a highly speculative stock at this point. Although the company was one of the pioneers and innovators of the smart phone industry, as Warren Buffett says - you have your innovators, your imitators and then you have your imbeciles. Time will only tell where Research In Motion stands.

Disclosure: I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.