


[Previous Page](#)

### 3 Stocks Making Cash

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Had Jerry Maguire been an investor instead of a fictional sports agent, he might have become famous for yelling, "Show me the cash flow!"

Earnings come and go, and the green-eyeshade types can legally manipulate it to mask a company's true operations. [Yet its ability to generate cash](#) -- what comes in the register and goes out the door - - remains the preeminent indicator of company's worth. In short, cash is king.

Below, we'll look at companies that have proven themselves prodigious generators of [free cash flow](#) (FCF) -- the amount of money a company has left over that it could potentially pay to its investors. We'll find companies that have generated compounded free cash flow growth rates exceeding 25% annually over the past five years, then pair them with the opinions of the more than 160,000 members of the [Motley Fool CAPS](#) investor intelligence community, to see which ones might have the best chance of outperforming the market.

Company	Levered FCF 5-Year CAGR, %	CAPS Rating (out of 5)
<b>Ebix</b> (Nasdaq: <a href="#">EBIX</a> )	112.6%	*****
<b>Natus Medical</b> (Nasdaq: <a href="#">BABY</a> )	55.2%	*****
<b>ViroPharma</b> (Nasdaq: <a href="#">VPHM</a> )	390.7%	*****

Source: Capital IQ, a division of Standard & Poor's; Motley Fool CAPS.  
CAGR=compounded annual growth rate.

Generating copious amounts of cash doesn't make a company an automatic buy. But having looked at Enron's cash flows instead of its earnings would have [saved](#) many investors a lot of grief. Warren Buffett [understands](#) that the value of a company today is calculated by its discounted future cash flows, so use this list as a jumping-off point to dig deeper into the piles of cash.

#### A sizzling opportunity?

Insurance industry software and services provider [Ebix](#) recorded a 53% increase in first quarter revenues generating a 49% jump in profits to \$12.4 million as demand for its products picked up. What's important here is the signing on of some big financial giants like **Ameriprise Financial** (NYSE: [AMP](#)) and **MetLife** (NYSE: [MET](#)), which suggests Ebix's strategy of growth by acquisition is working in attracting big-name players.

The software maker has set for itself an audacious goal of achieving 40% operating margins with a run rate of \$200 million in annual revenues by the fourth quarter of 2011. Although it could achieve growth faster if it pursued a strategy of thinner margins, it's seeking to add solid operating cash flows to its business.

Having paid down much of its short-term debt, top-rated CAPS All-Star member [tenmiles](#) thinks Ebix has positioned itself to be an [enticing target](#).

Always execution risks with these small caps, but believe this one stands a very good chance of being a market beater over the next 3-5 years – wouldn't be surprised if one of the bigger financial sharks approaches this one within that time frame.

### **The head of the class**

When the recession hit, one of the areas that reined in spending for big ticket items was hospitals. Now that there's a sense of normalcy returning, hospital spending is opening up and [Natus Medical](#) is finding a ready market for all of its products, but particularly in neurology where domestic sales jumped as it shipped several large orders.

CAPS member [WPTHatcher](#) likes the fact that not only is Natus an industry leader in neonatal care, but it's supplementing its organic business with [smart acquisitions](#). Last year's purchase of Alpine Biomed, for example, gives Natus another way to access international markets as two-thirds of Apline's revenues are derived from outside the U.S.

Head over to the [Natus Medical CAPS page](#) and let us know if BABY got back with its growth plans.

### **Coming untied**

Wall Street might have been looking for better profits from [ViroPharma](#) last quarter, but the biotech is looking ahead to full year results from its leading drug Cinryze and sees better revenues than it had previously thought.

Cinryze, is used to treat the potentially fatal genetic disease hereditary angioedema, saw sales jump 421% in the first quarter to \$35 million and ViroPharma now says it expects sales to range from \$155 million to \$175 million in 2010. That's a firm increase from the \$150 million it previously saw for Cinryze's lower end.

[FitzColinGerald](#) is also looking to ViroPharma's drug pipeline as a source of growth in the future.

ViroPharma is a biotechnology company that specializes in the development and commercialization of drugs to combat viral diseases. Its drug pipeline includes Vancocin, which is an antibiotic used in the treatment of infections caused by Gram-positive bacteria. The demand for such a drug will grow in the future, as this kind of bacteria continues to mutate and strengthen.

### **Follow the money**

While these stocks have left a trail of dollars, it pays to start your own research on [Motley Fool CAPS](#). Read a company's financial reports, scrutinize key data and charts, and examine the comments your fellow investors have made all from a stock's CAPS page. Why not head over to the completely free [CAPS service](#) and let us hear what you've got to say about these or any other stocks that you think will continue to be rolling in the dough.

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[Previous Page](#)