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These Underdogs Are No Dogs

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Short-sellers and hedge funds may be shadowy, but sometimes they are the smartest guys in the room. They've done their homework, and they're willing to bet their capital against the crowd -- an investing strategy that can be as lucrative as it is contrarian.

On [Motley Fool CAPS](#), we've also got leading analysts who find the chinks in a company's armor and correctly call its fall. Our "Underdogs" have earned 100 or more CAPS points by correctly predicting that one or more stocks would underperform the market. However, we're going to focus on the stocks these top members expect will *outperform* the market. If these CAPS investors have scored big by correctly predicting which stocks will fail, it may be worth our while to see which others they [think will succeed](#).

Underdog	Member Rating	Company	CAPS Rating (out of 5)
chk999	100.00	Becton, Dickinson (NYSE: BDX)	*****
bbmaven	99.99	Ebix (Nasdaq: EBIX)	*****
cecamadocv1	100.00	Freport-McMoRan (NYSE: FCX)	****

Source: Motley Fool CAPS.

Not every short sale goes as planned, making shorting a risky proposition. [Stock prices can be irrational longer](#) than you have money to stay in the game. So don't use this as a list of stocks to sell or buy -- just the launching pad for further research.

Searching for a solution

A rare strain of the H1N1 swine flu virus -- the H1N2 case is only the second one ever -- isn't the start of a pandemic, but is a cause for concern as viruses that mutate significantly can lead to just such an outbreak.

Medical device maker [Becton, Dickinson](#) was a beneficiary of the mass hysteria from the swine flu outbreak in 2009, and H1N1 revenues swiped 2 percentage points from the results. However, it still produced solid earnings that topped comps in every quarter this year.

Diagnostic segment revenues rose nearly 4% in the fourth quarter, an outcome defying **LabCorp's** (NYSE: [LH](#)) results that came up short of analyst revenue estimates. **Quest Diagnostics** also saw its profits plunge 13% in the quarter.

CAPS member [THemler](#) thinks international expansion is key for Becton, and looks for it to be able to sort out the best avenues for growth:

Bought BDX both as short-term defensive & long-term growth prospect. The upside/downside ratio is favorable at current levels. Company is well positioned to grow in emerging markets, but must adjust product costs to truly compete. I'm betting on BDX management to figure it all out and resume their historic consistent growth.

Add [Becton, Dickinson](#) to your watchlist and see if it's able to diagnose its own troubles in time.

Inquiring minds want to know

Despite lingering doubts about its financial propriety, insurance business software specialist [Ebix](#) continues to ride a wave of support higher, up nearly 50% from the lows hit back in September. Shares are still a third lower than their 52-week highs, however, suggesting investors are still a bit cautious.

Despite being a [low-profile company](#), Ebix is the premier exchange business operator, with fingers in markets like life insurance and annuities, employee benefits, and property and casualty insurance. Yet it's also using a [risky growth-by-acquisition strategy](#), making it difficult to get a real handle on its abilities. Revenues last quarter rose 28% and profits were slightly lower as a result of a one-time gain of \$3.9 million associated with the E-Z Data put options it acquired. **JDA Software** (Nasdaq: [JDAS](#)) hasn't had [as strong results](#), nor has **Amdocs**.

All those acquisitions have helped fuel Ebix's growth, but CAPS All-Star [pstoimenov](#) recently commented about being suspicious about management's ability to acquire companies that are [always immediately accretive](#) to earnings:

I wonder why nobody questions the skill of the Ebix team. They acquire tens of businesses and they are immediately accretive to their returns. This means that 1) either EBIX management is awesome and they buy businesses at well below intrinsic value or 2) something fishy is going on.

Indeed, even its most recent acquisition, HealthConnect Systems, was identified as such. Let us know in the comments section below or on the [Ebix CAPS page](#) if management is really that good at finding undervalued opportunities. Then add the software seller to [your watchlist](#) to see how it plays out.

Can't touch this!

As global financial jitters cause gold, silver, and other precious-metal prices to remain elevated or rise, miners are going to seek expansion opportunities to produce ever greater amounts. And as they do so, they're going to run into greater opposition. **Northern Dynasty Minerals** (NYSE: [NAK](#)) has [run aground in Alaska](#) as a result of its attempt to develop the world's largest undeveloped copper-gold-molybdenum deposit, **Newmont Mining** (NYSE: [NEM](#)) was forced to keep closed its Conga project in Peru after locals sabotaged equipment, and [Freeport-McMoRan](#) reduced its forecasts for gold and copper as a result of a strike at its Grasberg mine.

Whether it's communities standing athwart efforts to dig or workers wanting a bigger piece of the pie, as companies seek to enrich themselves on the riches buried in the ground, these types of actions will likely grow in number.

Yet the locals and workers need these companies, which is why CAPS member [davfoo](#) believes Freeport is offering an excellent buy-in price: "The developed and emerging economies need these commodities. FCX is big, has a reasonable p/e of 10 and pays a modest dividend."

You can tell us on the [Freeport-McMoRan CAPS page](#) or in the comments section below if you think this is just a temporary impasse, and then follow along by adding it to the Fool's free [portfolio tracker](#).

There's no need to fear...

Underdogs often shine brightest with their backs against the wall. Still, it takes more than a few All-Star picks and a quick paragraph to make buy or sell decisions. Start your own research on these stocks on [Motley Fool CAPS](#), where your opinion can still save the day. While there, you can 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.

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