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10 Tech Stocks With High Free Cash Flow Yields

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NEW YORK (TheStreet) -- **Ebix(EBIX)**, **Nanometrics(NANO)**, **Synaptics(SYNA)** and **RF Micro Devices(RFMD)** are a few technology companies generating significant free cash flow (operating cash flow deducting capital expenditure) along with an attractive free cash flow yield (free cash flow divided by enterprise value).

Various quantitative valuation metrics such as the price-to-earnings ratio, price-to-book ratio and EV/EBITDA are used to estimate the worth of a company. However, apart from estimated earnings and stock price, the company's cash generation ability is of interest to a stockholder.

Operating cash flow also indicates the operational efficiency of a company and updates its net cash inflow/outflow at the end of a period. Positive free cash flow signals excess money generation in the company in order to reinvest in the business. The company may also deploy this excess cash flow as dividend.

Finally, free cash flow yield offers investors a better measure of a company's fundamental performance than the widely used P/E ratio. We have identified 10 stocks based on their attractive free cash flow yields and the financial performance of the company pertaining to the latest reported period. The stocks also have potential upsides according to analysts' 12-month price target.

These 10 stocks are stacked in terms of free cash flow yield, from lowest to highest.

GSI Technology (GSIT)		
FCF YIELD: 6%	IMPLIED UPSIDE: 17%	PRICE TARGET: \$10.7

10. **GSI Technology(GSIT)** develops and markets static random access memory (SRAM) products that are incorporated primarily in high-performance networking and telecommunication equipment, such as routers, switches, wide area network infrastructure equipment, wireless

base stations, and network access equipment.

At the end of Dec. 2010, the company reported cash and cash equivalents at \$24.2 million, compared to \$24.7 million at the end of March 2010. Moreover, cash flow from operating activities surged 56.7% to \$10.9 million from \$6.9 million, while free cash flow stood at \$7.7 million and FCF yield stood at 6.1%.

On the operations front, for the three months ended Dec. 2010, total revenue soared 50.6% to \$26.2 million from \$17.4 million, while net income more than doubled to \$5.8 million, or 20 cents per share, from \$2 million, or 7 cents per share, in the year-ago quarter,

All the four analysts covering the stock recommend a buy. There are no sell ratings on the stock. On average, analysts estimate 17.5% upside to \$10.67 in value from current levels. The stock has already gained 51% during the last one year and is trading

Ebix (EBIX)		
FCF YIELD: 6%	IMPLIED UPSIDE: 28%	PRICE TARGET: \$ 29.5

at a PE of 13.6

9. **Ebix(EBIX)** is an international supplier of software and e-commerce solutions to the insurance industry. The company operates in four segments: exchanges, carrier systems, broker systems, and business process outsourcing.

For fourth quarter of 2010, cash generated

from operations was \$18.9 million, up 61% from the fourth quarter of 2009. For the full year, operating cash flow totaled \$52.8 million, up 56% year-over-year. Subsequently, cash and cash equivalents soared 21.7% to \$23.4 million from \$19.2 million. Moreover, free cash flow stood at \$51 million, while FCF yield was 6.2%.

Full year revenue surged 35.3% to \$132.2 million from \$97.7 million a year earlier, while net income increased 52% to \$59 million, or \$1.51 per share, from \$38.8 million, or \$1.03 per share, in 2009.

Of the five analysts covering the stock, 80% recommend a buy. On average, analysts estimate 28.3% upside to \$29.50 in value from current levels. The stock has appreciated 43% in the last one year and is trading at a PE of 15.6

Systemax (SYX)		
FCF YIELD: 8%	IMPLIED UPSIDE: 51%	PRICE TARGET: \$19.5

8. **Systemax(SYX)** is a direct marketer of brand name and private label products. The company's operations are organized in three business segments: technology products, industrial products, and software solutions.

Cash and cash equivalents were reported at \$92.1

million at the end of Dec, 2010, up 57.9% from \$58.3 million at close Dec. 2009, largely because cash flow from operating activities increased multi-fold to \$64.9 million from \$4.8 million. Moreover, free cash flow stood at \$40.1 million and FCF yield stood at 7.7%.

Net income for the full year declined 7.9% to \$42.6 million, or \$1.13 per share, from \$46.2 million, or \$1.24 per share, in 2009. Revenue for full year 2010 rose 13.4% year-over-year to \$3.6 billion from \$3.2 billion.

Of the three analysts covering the stock, 67% recommend a buy and the remaining rate a hold. There are no sell ratings on the stock. On average, analysts estimate 51% upside to \$19.5 in value from current levels.

Nanometrics (NANO)		
FCF YIELD: 9%	IMPLIED UPSIDE: 27%	PRICE TARGET: \$21.7

7. **Nanometrics(NANO)** is a supplier of advanced process control metrology systems used in the manufacture of semiconductors, solar photovoltaics (PV), high-brightness LEDs, advanced wafer scale packaging, and in the silicon wafer and data storage industries.

As on April 2, 2011, the company had \$80.2 million in cash and cash equivalents, up 20.6% sequentially, and \$153.8 million in working capital. Moreover, free cash flow stood at \$25 million, while FCF yield was 8.7%.

For first quarter 2011, the company reported record revenue of \$62.1 million, growing 35% sequentially and 67% year-over-year. Gross margin increased 130 basis points to 56.6%, while operating margin expanded 1,150 basis points to 27.5%, resulting in net income advancing 77.4% to \$10.5 million, or 45 cents per share, from \$5.9 million, or 26 cents per share.

Of the five analysts covering the stock, 60% recommend a buy and the remaining rate a hold. There are no sell ratings on the stock. On average, analysts estimate 27.1% upside to \$21.67 in value from current levels. The stock has gained 63.2% during the last one year and is trading at a PE as low as 5.3

Lattice Semiconductor (LSCC)		
FCF YIELD: 9%	IMPLIED UPSIDE: 24%	PRICE TARGET: \$8.5

6. Lattice Semiconductor(LSCC) designs, develops and markets programmable logic products and related software. Programmable logic products are used in semiconductor components that can be configured by end customers as specific logic circuits, enabling shorter design cycle times and reduced

development costs.

For the first quarter ended March 2011, cash, cash equivalents and short-term marketable securities were \$235.7 million compared to \$238.2 million at the end of the prior quarter, transforming into \$1.93 cash per share. Free cash flow stood at \$65.5 million, while FCF yield was 9.3%.

Total revenue increased 17.3% to \$82.6 million from \$70.4 million in the year-ago quarter, whereas net income declined marginally to \$10.9 million, or 9 cents per share, from \$11.1 million, or 10 cents per share, during the first quarter of 2010.

Of the five analysts covering the stock, 60% recommend a buy and the remaining rate a hold. There are no sell ratings on the stock. On average, analysts estimate 24.1% upside to \$8.5 in value from current levels. The stock has gained 11% during the last one month and is trading at a PE of 14.3

IAC/InterActiveCorp (IACI)		
FCF YIELD: 10%	IMPLIED UPSIDE: 9%	PRICE TARGET: \$37.8

5.

IAC/InterActiveCorp(IACI) is an Internet company with more than 50 brands serving consumers across more than 30 countries. The company operates in four business segments: search, match, servicemagic and media, and other business segments.

For full year 2010, cash generated from operations was \$340.7 million compared to \$348.5 million in the previous year. Cash and cash equivalents were higher at \$742.1 million as against \$1.2 billion at the end of 2009. Free cash flow stood at \$300.9 million, while FCF yield was 9.9%.

Full year revenue increased 21.5% to \$1.6 billion from \$1.3 billion a year ago, while net income was \$99.4 million, or 93 cents per share, compared to a loss of \$978.8 million, or \$7.06 per share, in 2009.

Analysts at Oppenheimer recently revised their earnings per share estimates on IACI stock with an outperform rating and a price target of \$45.

Of the 18 analysts covering the stock, 61% recommend a buy while the remaining rate a hold. There are no sell ratings on the stock. Analysts expect an average 9.5% upside to \$37.77 in value from current levels. The stock has already gained 53% during the past one year and 14% during the last one month.

Synaptics (SYNA)

FCF
YIELD:
11%

IMPLIED
UPSIDE:
12%

PRICE
TARGET:
\$32.0

4. **Synaptics(SYNA)** is a worldwide developer and supplier of custom-designed user interface solutions that enable people to interact with a variety of mobile computing, communications, entertainment and other electronic devices.

For the nine months ended March 2011,

cash generated from operations stood at \$64.5 million compared to \$77.6 million in the corresponding period last year. Subsequently, cash and cash equivalents soared 17.4% to \$246.3 million from \$209.9 million. Moreover, free cash flow stood at \$105 million, while FCF yield was 11%.

For full year ended Dec. 2010, revenue jumped 177.4% to \$443.1 million from \$159.8 million in 2009. Moreover, the company swung to net income of \$20.1 million, or 87 cents per share, as opposed to a loss of \$20 million, or 94 cents per share, a year ago. Cash and cash equivalents stood at \$34.6 million, up 30% year-over-year, while current ratio improved to 2.68 from 2.16.

Of the 18 analysts covering the stock, 33% recommend a buy, while 50% rate a hold. Analysts expect an average 11.9% upside to \$32.05 in value from current levels. The stock has gained 6.1% in the last one month and is trading at a PE of 14.5

Insight Enterprises (NSIT)

FCF
YIELD:
13%

IMPLIED
UPSIDE:
1%

PRICE
TARGET:
\$17.0

3. **Insight Enterprises(NSIT)** is a provider of IT hardware, software, and services to small, medium and large businesses and public sector enterprises in North America, Europe, the Middle East, Africa and Asia-Pacific.

For full year 2010, cash generated from operations was \$98.2

million compared to \$122.7 million at the end of Dec. 2009. However, cash and cash equivalents soared 81.8% to \$123.8 million from \$68.1 million. Moreover, free cash flow stood at \$80.2 million, while FCF yield was 13.2%.

During 2010, total revenue increased 16.3% to \$4.8 billion from \$4.1 billion a year earlier, while net earnings more than doubled to \$75.5 million, or \$1.61 per share, from \$33.6 million, or 73 cents per share, in 2009.

Of the four analysts covering the stock, 25% recommend a buy, while the remaining rate a hold. There are no sell ratings on the stock. Analysts at Zacks Investment Research recently reiterated an outperform rating on the stock. The stock has gained 15.4% during the last one year and is trading at a PE of 10.7.

RF Micro Devices (RFMD)

FCF
YIELD:
13%

IMPLIED
UPSIDE:
25%

PRICE
TARGET:
\$8.2

2. **RF Micro Devices(RFMD)** designs and manufactures high-performance radio frequency components and compound semiconductor technologies. The company's products enable worldwide mobility, provide enhanced connectivity, and support advanced functionality in the

cellular handset, wireless infrastructure, WLAN, CATV/broadband, and aerospace and defense markets.

For the year ended April 2011, the company reported cash and cash equivalents of \$131.8 million, up 25.8% year-over-year from \$104.8 million. Moreover, the company generated \$31.4 million in quarterly free cash flow, trailing a 12-month free cash flow of about \$188 million. Free cash flow yield was 13.2%.

Full year 2010 revenue grew 7.5% to \$1 billion from \$978.4 million a year earlier, while net income surged 75.4% to \$124.6 million, or 44 cents per share, from \$71 million, or 25 cents per share.

Of the 19 analysts covering the stock, 58% recommend a buy, while 37% rate a hold. On average, analysts estimate 25% upside to \$8.21 in value from current levels. The stock is trading at a PE of 14.6

QAD (QADB)		
<p>FCF YIELD: 22%</p>	<p>IMPLIED UPSIDE: 16%</p>	<p>PRICE TARGET: \$11.9</p>

1. **QAD(QADB)** is a global provider of enterprise software applications and related services and support, addressing the requirements of manufacturing companies in the automotive, consumer products, food and beverage, high technology, industrial products and life sciences industries.

For full year 2011, cash generated from operations was \$26.3 million, up 48% from the prior year. Subsequently, cash and cash equivalents soared 50.6% year-over-year to \$67.3 million from \$44.7 million. Free cash flow stood at \$25 million, while FCF yield was 22%.

Total revenue reported for 2011 was \$220 million, increasing 2.2% from \$215.2 million a year earlier. Net earnings almost tripled to \$3.9 million, or 21 cents per share, from \$1.3 million, or 7 cents per share, in 2010. The company recently declared a quarterly dividend of 6 cents per share of Class A common stock and 5 cents per share of Class B common stock payable on July 12, 2011 to shareholders of record on June 1, 2011.

Of the three analysts covering the stock, 67% recommend a buy, while the remaining rate a hold. There are no sell ratings on the stock. On average, analysts estimate 16.4% upside to \$11.94 in value from current levels.

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