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Stocks With Short Interest That Are Rated 'Buy'

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BOSTON ([TheStreet](#)) -- Stocks with short interest are among the riskiest. Investors, after all, are betting they will decline.

Here are three small-cap stocks with large short interest. What differentiates them is that they're rated "buy" at *TheStreet*. Such shares can be volatile. If positive news causes the stock to gain, a so-called squeeze could result, pushing up prices. Either way, these stocks are at an inflection point. With earnings reports looming, they're about to make big moves.

Ebix([EBIX](#)) designs electronic-commerce programs for insurance companies. The company is scheduled to report first-quarter results tomorrow. Short interest stands at 36%, representing the proportion of shares outstanding that are currently sold short.

Fourth-quarter earnings per share beat the consensus by 18%. Shares declined 0.2% on the news. Ebix has gained 82% in the past year and 68%, annually, since 2007. It sells for a price-to-projected-earnings ratio of 12, a 49% discount to its peer average.

Just three analysts cover Ebix, with two rating its stock "buy" and one rating it "hold." **Northland Securities** expects it to rise 28% to \$21.50 and **Singular Research** predicts that it will hit \$21. During the fourth quarter, 10 of the 15 largest shareholders, including **Goldman Sachs**([GS](#)) and **BlackRock**([BLK](#)), purchased additional shares while four decreased their holdings and one retained the size of its position.

Quality Systems([QSII](#)) sells information systems, which automate medical and dental practices. It's scheduled to release fiscal fourth-quarter results May 28. Short interest is clocked at 30%. Fiscal third-quarter EPS narrowly beat analysts' consensus forecast. The shares fell 5.1% on the news. They have risen 24%, annually, since 2007 and sell for a price-to-book ratio of 11, a 115% premium to the industry average.

Of researchers following the stock, seven rate it "buy," 15 rate it "hold" and one ranks it "sell." **Piper Jaffray**([PJC](#)) offers a price target of \$80, leaving a potential 22% return. **JPMorgan**([JPM](#)) believes the shares will climb to \$74. During the fourth quarter, six of the 15 largest shareholders increased their bets while eight, including **Bank of New York**([BK](#)) and **Fidelity**, decreased their positions. One position was unchanged.

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The Buckle([BKE](#)) is a retailer of mid- to high-end jeans and accessories. It's scheduled to release fiscal first-quarter numbers May 19. Short interest is at 32%. Fiscal fourth-quarter earnings per share beat the mean forecast by 7.8%, sending the shares up 1.3%. The Buckle has appreciated 15%, annually, since 2007. It trades at a price-to-projected-earnings ratio of 12, a 34% discount to its peer average. It's expensive based on book value and sales.

Of firms rating The Buckle, six, or 40%, advocate purchasing its shares, four recommend holding and five say to sell them. **Sidoti & Co.** offers a price target of \$47, leaving a potential 25% return. **Roth Capital** believes the shares will ascend to \$43. During the fourth quarter, six of the 15 largest shareholders purchased more stock while eight, including **State Street**([STT](#)) and

Morgan Stanley(MS), decreased their holdings. One held steady.

View the Under-the-Radar Portfolio

-- Reported by Jake Lynch in Boston.

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IDC calculates the Market Cap for the basic symbol to include common shares only. Year-to-date mutual fund returns are calculated on a monthly basis by Value Line and posted mid-month.

*Oil Data in Market Overview is Brent Crude Pricing