

Seeking Alpha α

6 Highly Profitable, Vastly Undervalued Tech Stock Buying Opportunities

by: David Alton Clark

May 12, 2011 | about: [CRUS](#), [EBIX](#), [ENTR](#), [IDCC](#), [MSFT](#), [RBCN](#)

These six tech stocks have above industry average profit margins of greater than 30% over the trailing twelve months and PEG ratios of less than 1. The PEG ratio is a broadly-used indicator of a stock's prospective worth. It is preferred by numerous analysts over the price/earnings ratio because it also accounts for growth. Similar to the P/E ratio, a lower PEG means that the stock is more undervalued. Many financiers use 1 as the cut-off point for PEG ratios. A PEG of 1 or less is believed to be favorable. These are bullish indicators regarding a stock's possible future performance.

Nonetheless, this is only the first step in finding winners for your portfolio. Now that we have cut the wheat from the chaff, let's take a closer look to distinguish the driving factors behind these remarkable statistics and ensure the stories are intact.

Below are four tables with detailed statistics regarding company summaries, price performance, fundamentals and earnings and dividends followed by a brief analysis of each company's current events. Please use this as a starting point for your own due diligence.

Summary Statistics

Symbol Company Name	Component	Sector	Industry	Prior Close	5-Day Change	4-Week Change	52-Week Change	Market Cap
CRUS Cirrus Logic, Inc.	NASD	Technology	Semiconductors	\$16.18	↑ +1.57%	↓ -12.59%	↑ +53.80%	1.1B
EBIX Elix, Inc.	NASD	Technology	Software & Programming	\$21.84	↓ -3.36%	↓ -2.46%	↑ +48.57%	867.2M
ENTR Entropic Communications, Inc.	NASD	Technology	Semiconductors	\$9.37	↑ +6.12%	↑ +21.22%	↑ +103.70%	802.8M
IDCC InterDigital, Inc.	NASD	Technology	Communications Equipment	\$46.02	↑ +0.88%	↓ -0.80%	↑ +77.41%	2.1B
MSFT Microsoft Corporation	NASD	Technology	Software & Programming	\$25.83	↑ +0.66%	↓ -0.58%	↓ -8.44%	217.8B
RBCN Rubicon Technology, Inc.	NASD	Technology	Semiconductors	\$25.50	↓ -9.28%	↓ -1.92%	↑ +9.72%	587.4M

(Click to enlarge)

Price Performance

Symbol Company Name	10 Day vs 90 Day	Price Change vs S&P 500 Industry					Near 52 Wk High/Low	Beta	Short Interest as % of Float
		13 Wk	52 Wk	4 Week	13 Week	52 Week			
CRUS Cirrus Logic, Inc.	+38.44%	-32.84%	+53.80%	-14.01%	-34.20%	+26.91%	34% within 52 Wk Low	0.60	6.90%
EBIX Elix, Inc.	-57.92%	-11.15%	+48.57%	-4.04%	-12.95%	+22.59%	50% within 52 Wk Low	1.25	23.61%
ENTR Entropic Communications, Inc.	+14.90%	-12.61%	+103.70%	+19.25%	-14.38%	+68.08%	49% within 52 Wk High	2.45	36.88%
IDCC InterDigital, Inc.	-14.03%	-14.00%	+77.41%	-2.41%	-15.74%	+46.39%	36% within 52 Wk High	0.72	16.12%
MSFT Microsoft Corporation	+48.51%	-8.40%	-8.44%	-2.19%	-10.26%	-24.45%	44% within 52 Wk Low	1.05	0.87%
RBCN Rubicon Technology, Inc.	-0.40%	+41.82%	+9.72%	-3.51%	+38.94%	-9.46%	43% within 52 Wk Low	1.49	35.13%

(Click to enlarge)

Fundamentals

Symbol Company Name	PEG Ratio	Profit Margin	P/E Ratio TTM	Price / Sales	Price / Book	Price / Cash	Return on Equity	Return on Assets	Debt to Capital
CRUS Cirrus Logic, Inc.	0.2870x	55.1x	5.7x	3.0x	2.5x	—	61.95%	53.26%	—
EBIX Elix, Inc.	0.9615x	44.6x	14.4x	6.6x	3.4x	13.3x	29.36%	20.87%	13.33%
ENTR Entropic Communications, Inc.	0.5527x	30.6x	10.8x	3.3x	3.0x	—	44.33%	39.99%	—
IDCC InterDigital, Inc.	0.9316x	35.9x	16.3x	5.8x	5.5x	13.7x	42.08%	14.51%	0.11%
MSFT Microsoft Corporation	0.9526x	31.8x	10.2x	3.2x	4.1x	8.9x	43.96%	23.61%	18.23%
RBCN Rubicon Technology, Inc.	0.7706x	37.6x	20.5x	7.6x	3.0x	16.7x	20.11%	18.91%	0.00%

(Click to enlarge)

Earnings & Dividends

Symbol Company Name	EPS Growth CY**	EPS Growth NFY**	Revenue Growth CY**	Revenue Growth NFY**	Dividend Growth 5 Year	Dividend Yield	Annual Dividend	Last QTR Dividend
CRUS Cirrus Logic, Inc.	-1.61%	22.13%	9.38%	12.53%	—	—	—	—
EBIX Elix, Inc.	-5.30%	16.08%	28.99%	12.39%	—	—	—	\$0.00
ENTR Entropic Communications, Inc.	41.82%	2.56%	31.42%	11.33%	—	—	—	—
IDCC InterDigital, Inc.	-21.28%	11.11%	-11.02%	11.77%	—	0.87%	\$0.40	\$0.10
MSFT Microsoft Corporation	22.86%	6.98%	11.70%	6.39%	10.20%	2.48%	\$0.64	\$0.16
RBCN Rubicon Technology, Inc.	114.06%	-14.96%	124.61%	31.01%	—	—	—	\$0.00

(Click to enlarge)

Company Reviews

Cirrus Logic, Inc. (CRUS) - Develops high-precision analog and mixed-signal integrated circuits. The company offers analog and mixed-signal audio converter and audio digital signal processor products, which include analog-to-digital converters; digital-to-analog converters; chips for integrating ADCs and DACs into an IC; digital interface ICs; volume controls; and digital amplifiers, as well as audio DSPs for consumer electronics applications, such as A/V receivers, digital TVs, and CobraNet ICs and modules for networked audio applications.

Standard & Poor's has added Cirrus to its stock index for smaller companies. CRUS replaced Epicor Software Corp. ([EPIC](#)) on the S&P Small Cap 600 index after the close of trading on Friday, May 6th.

Cirrus reported fiscal 2011 fourth-quarter results that fell short of Wall Street's expectations. The company reported net income of \$130.4 million, or \$1.80 per share, on \$91.4 million in revenue for the three months ended March 26. That compares with net income of \$20.4 million, or 31 cents per share, on \$62.6 million in revenue for the same period a year ago.

Cirrus recently announced that its president and chief executive officer, Jason Rhode, was selected as the semiconductor industry "Executive of the Year" by EE Times at their seventh Annual Creative in Electronics Awards in San Jose, California. The ACE Awards celebrate the creators of technology who demonstrate leadership and innovation in the global industry and shape the world we live in.

The company is trading significantly below analyst's estimates. CRUS has a median price target of \$24 by 3 brokers and a high target of \$33. The last up/downgrade activity was on Aug 19, 2010 when, Stifel Nicolaus downgraded the company from Buy to Hold. Please review the illustration for CRUS's summary and key statistics.



Ebix, Inc. (EBIX) - Together with its subsidiaries, provides software and e-commerce solutions to the insurance industry primarily in North America, Australia, New Zealand, India, and Singapore. The company operates data exchanges, which provide connectivity between consumers, agents, carriers, and third party providers, as well as enables the participants to carry and process data in the areas of life insurance, annuities, employee health benefits, and property and casualty (P&C) insurance.

EBIX recently reported record financial results for the first quarter of 2011. Total Q1 2011 revenue grew to a record \$40.1 million, an increase of 27% on a year-over-year basis, as compared to Q1 2010 revenue of \$31.6 million. The Q1 2011 results include financial results from the ADAM acquisition, as of 7th February 2011. EBIX's operating expenses for the quarter grew by 30 percent to \$24.4 million as compared to \$18.8 million for the first quarter of 2010. The Q1 2011 expenses include a one-time non-recurring charge of \$1.79 million associated with the payment of investment banking fees of \$1.39 million and severance costs of \$0.4 million, related to the A.D.A.M. Acquisition. Reflecting the one-time acquisition related expenses in the quarter, EBIX reported an operating margin of 39% for the three months ending March 31, 2011 as compared to 40% for the same period during 2010. Q1 2011 net income rose 22% to \$15.2 million, as compared to Q1 2010 net income of \$12.4 million. The Q1 2011 net income number includes a non-operating charge of \$354 thousand resulting from the increase in the fair value of the put option that was issued to the two former stockholders of E-Z Data who received shares of EBIX common stock as part of the acquisition consideration paid by the Company in October 2009.

The company is trading significantly below analyst's estimates. EBIX has a median price target of \$29.50 by 4 brokers and a high target of \$35. The last up/downgrade activity was on Dec 13, 2010 when, Northland Securities upgraded the company from Market Perform to Outperform. Please review the illustration for EBIX's summary and key statistics.



Entropic Communications, Inc. (ENTR) - A semiconductor company, designs, develops, and markets systems solutions to enable connected home entertainment. Its products include integrated circuits and related software associated with home networking solutions based on the Multimedia over Coax Alliance standard; direct broadcast satellite (DBS) services; high-speed broadband access; and silicon tuners.

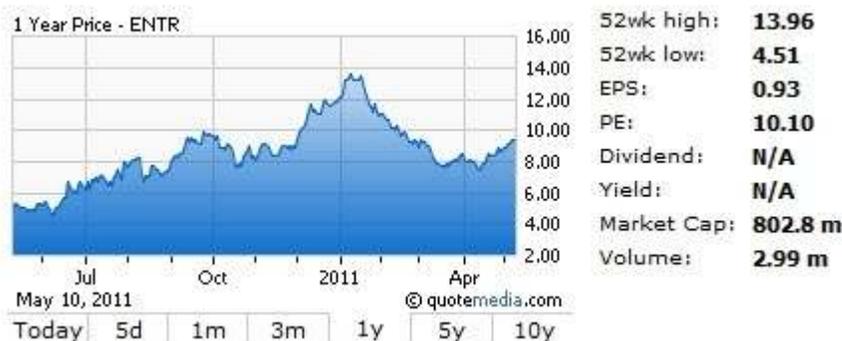
ENTR recently reported its first quarter results for the period ended March 31, 2011. Entropic reported first quarter net revenues of \$71.5 million, an increase of 1 percent compared with \$70.8 million in the fourth quarter of 2010 and an increase of 91 percent compared to \$37.5 million in the first quarter of 2010. In accordance with US. generally accepted accounting principles, the Company's first quarter net income was \$11.9 million, or \$0.13 per share (diluted). This compares with GAAP net income of \$48.6 million, or \$0.55 per share (diluted) in the fourth quarter of 2010. Included in GAAP net income for the fourth quarter of 2010 was a one-time tax benefit of \$31.6 million, or \$0.36 per share (diluted), associated with the reversal of a valuation allowance related to certain deferred tax assets. Non-GAAP net income in the first quarter was \$19.6 million, or \$0.22 per share (diluted), compared to non-GAAP net income of \$20.3 million, or \$0.22 per share (diluted) in the fourth

quarter of 2010.

Patrick Henry, president and CEO of Entropic Communications said:

"In the first quarter we saw continued expansion of the connected home entertainment market and momentum toward delivery of IP-based video into and throughout the home. During the quarter, we benefited from a ramp in our MoCA products by U.S. Cable MSOs as they continued to roll-out advanced service offerings. This momentum coupled with strength at Verizon offset seasonal softness from U.S. Satellite service providers. We are optimistic about the long-term growth prospects for Entropic and are excited about the rapidly growing, large markets we serve. By driving innovation, staying ahead of competition on delivering next-generation silicon including the first MoCA 2.0 products and by working closely with our partners and customers, we will continue to shape the market and enrich the connected home experience."

The company is trading significantly below analyst's estimates. ENTR has a median price target of \$13 by 13 brokers and a high target of \$15. The last up/downgrade activity was on Jul 29, 2010 when, The Benchmark Company upgraded the company from Hold to Buy. Please review the illustration for ENTR's summary and key statistics.



InterDigital, Inc. (IDCC) - Engages in the design and development of digital wireless technologies for use in cellular and wireless IEEE 802 related products. It also develops solutions for enhancing bandwidth availability and network capacity.

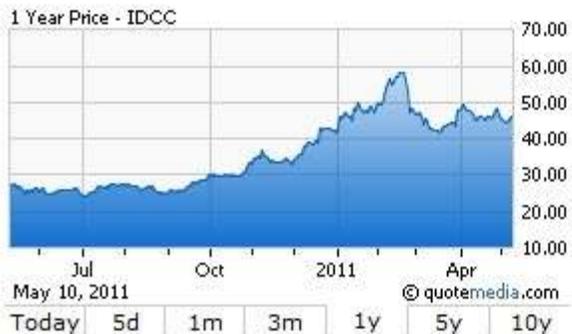
InterDigital said Wednesday that it expects \$69 million in revenue during the second quarter, which represents a drop of 24 percent compared with the \$91.2 million the company reported in the year-ago quarter. InterDigital cited several reasons for the decline, including a \$2.8 million drop in revenue from Japan-based per-unit customers.

IDCC recently announced results for the first quarter ended March 31, 2011. First Quarter 2011 Highlights were revenue of \$78.5 million, net income of \$23.3 million, or \$0.51 per diluted share and ending cash and short-term investments totaling \$527.4 million.

William J. Merritt, InterDigital's president and chief executive officer commented:

"Our first quarter results for 2011 marked a good start to the year with solid revenues, net income, and a strong cash balance. In addition, we completed the private placement of \$230 million in senior convertible notes in early April, which was extremely well received in the capital markets. We believe that this offering provides additional opportunities to create value through targeted acquisitions, partnering opportunities and attractive new investments. During the quarter, we continued to have success in adding new patent licenses. In January, we entered into a patent license agreement with Acer, Inc. that covers 2G, 3G and 4G wireless technologies," added Merritt. "Also, we continue to have discussions with industry-leaders in mobile technologies, including LG, for new, renewed and extended license agreements covering 2G, 3G and 4G technologies and a variety of connected devices."

The company is trading significantly below analyst's estimates. IDCC has a median price target of \$56 by five brokers and a high target of \$66. The last up/downgrade activity was on Apr 27, 2011 when, Barclays Capital initiated at Overweight. Please review the illustration for IDCC's summary and key statistics.



52wk high:	58.64
52wk low:	22.81
EPS:	2.85
PE:	16.10
Dividend:	0.40
Yield:	0.873553
Market Cap:	2.08 b
Volume:	421.89 k

Microsoft Corporation (MSFT) - Develops, manufactures, licenses, and supports a range of software products and services for various computing devices worldwide.

MSFT and Skype Global recently announced that they have entered into a definitive agreement under which Microsoft will acquire Skype, the leading Internet communications company, for \$8.5 billion in cash from the investor group led by Silver Lake. The agreement has been approved by the boards of directors of both Microsoft and Skype. The street is divided on the move with many calling for MSFT's cash hoard to be distributed back to shareholders rather than spent on Skype. MSFT seems to have paid quite a premium for the company. I question the integration of MSFT's pay services with Skype's nonpaying customers. MSFT has significant free cash flow so this is a relatively insignificant purchase for MSFT, but on the other hand. I don't see the Skype acquisition moving the growth needle for them much either. Time will tell.

The company is trading significantly below analyst's estimates. MSFT has a median price target of \$34 by 28 brokers and a high target of \$38. The last up/downgrade activity was on Feb 17, 2011 when, Collins Stewart initiated coverage on the company at a Buy. Please review the illustration for MSFT's summary and key statistics.

Rubicon Technology, Inc. (RBCN) - Develops, manufactures, and sells monocrystalline sapphire and other crystalline products for light-emitting diodes, radio frequency integrated circuits, blue laser diodes, optoelectronics, and other optical applications.

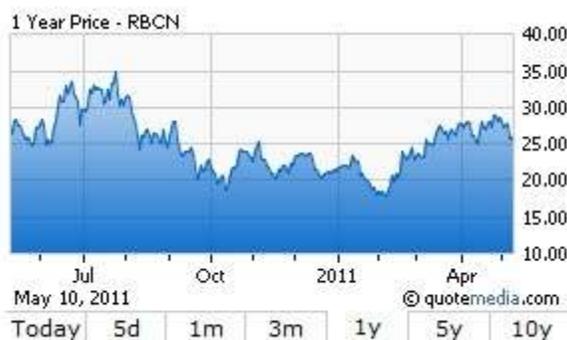
First Quarter 2011 financial highlights were as follows; revenue rose to \$38 million, up 29 percent sequentially, gross margin of 63 percent, operating margin reaches 53 percent, and diluted earnings per share increased \$0.16 sequentially to \$0.80.

Commenting on the results, Raja Parvez, President and CEO said,

"I am very pleased with our exceptional start to the new year and believe that 2011 will be a very productive year in terms of financial performance, extending our technological leadership, and expanding our customer base worldwide."

RBCN shares recently dropped 4% even though posting a remarkable first-quarter earnings report that beat Wall Street estimates. Rubicon earned \$19.1 million, or 80 cents a share, compared with \$1.6 million, or 7 cents a share, a year earlier as revenue more than doubled to \$80 million. Analysts were expecting a profit of 66 cents a share on revenue of \$35.9 million. Kaufman raised its 2011 GAAP EPS estimate for Rubicon to \$3.29 from \$2.94.

The company is trading significantly below analyst's estimates. RBCN has a median price target of \$35.50 by 10 brokers and a high target of \$40. The last up/downgrade activity was on Jan 31, 2011 when, Canaccord Genuity downgraded the company from Buy to Hold. Please review the illustration for RBCN's summary and key statistics.



52wk high:	35.90
52wk low:	17.65
EPS:	2.00
PE:	19.90
Dividend:	N/A
Yield:	N/A
Market Cap:	635.6 m
Volume:	697.36 k

Information was gathered from CNBC, Yahoo Finance and respective company websites. Based on the current market conditions I would suggest scaling in to any position to reduce risk. I believe all these stocks are currently undervalued and provide significant opportunities for long term investors. Please use this information as a starting point for your own due diligence.

Disclosure: I have no positions in any stocks mentioned, but may initiate a long position in CRUS, EBIX, ENTR, MSFT, IDCC, RBCN over the next 72 hours.