



Stock Smackdown: Cramer vs. CAPS

<http://www.fool.com/investing/general/2010/02/09/stock-smackdown-cramer-vs-caps.aspx>

Rich Duprey
February 9, 2010

There's no denying that "Mad Money" host Jim Cramer is entertaining, popular, and [passionate](#). On many occasions, he's even right. So he's smart, funny, and the closest thing to a stock market [rock star](#) -- but is he smarter than you?

Cramming for Cramer

The Fool's free investing community, [Motley Fool CAPS](#), aggregates the opinion of more than 145,000 members to assign ratings for each stock's likelihood of outperforming or underperforming the market.

Below, we look at some top stocks that Cramer picked and panned during last week's "lightning rounds," and compare them to how the CAPS community sees their future.

Stock	Lightning Round Show Date	Cramer's Rating	CAPS Rating (out of 5)
Cisco	Monday	Bullish	****
DryShips (Nasdaq: DRYS)	Monday	Bearish	***
Ebix (Nasdaq: EBIX)	Tuesday	Bullish	*****
Motorola (NYSE: MOT)	Tuesday	Bearish	**
Under Armour	Wednesday	Bullish	****
Caterpillar (NYSE: CAT)	Wednesday	Bullish	****
Burger King	Thursday	Bearish	**
Frontier Communications (NYSE: FTR)	Thursday	Bearish	***
Neutral Tandem (Nasdaq: TNDM)	Friday	Bearish	*****
Stillwater Mining (NYSE: SWC)	Friday	Bearish	***

Cramer says

The China miracle is increasingly looking like a case of [government-induced overheating](#) and Beijing is set to pour some cold water on its engines of growth. The supercharged economy exploded as a result of government spending, but now the [reins are being pulled back](#) and that has many people, including Jim Cramer, worried, particularly about companies like [Caterpillar](#), which has some exposure there.

The flipside is that those that will benefit from an increase in infrastructure spending here at home could end up doing quite well this year, and that's why Cramer is ultimately bullish on Caterpillar:

Yes, the answer is yes ... I was going over the chapter where I talk about the great comeback stocks for next year, including Caterpillar, in *Getting Back To Even* ... I think Caterpillar is over done to the down side ... it has got over done to the upside ... I want to pull the trigger Caterpillar ... yes, I am worried about China ... I have said that many times ... but in the end, Caterpillar is a come back story, and this year will be the infrastructure spend for the United States ... buy Caterpillar.

CAPS says

Yes, Caterpillar has exposure to China, but as CAPS member [pl2358](#) points out, Caterpillar has *global* exposure, and that tends to smooth out a lot of the bumps, particularly if the worst of the Great Recession is behind us. And it has a healthy dividend that's currently yielding more than 3%:

CAT is a very strong, global company. Management is skilled at adding market share in developing markets for its equipment. With strategic agreements in developing countries, CAT is poised to maximize sales through the next two years. Paying a strong dividend with a concern to show return to shareholders, CAT will significantly exceed the S&P 500 through cost-cutting measures taken during the recession and strong management of product lines during the recovery. Earnings should grow to levels higher than before the recession due to these measures, which will cause a parallel rise in share prices.

This Fool says

Although I'm not so sure that we're out of the woods just yet economically, there is still a lot of government spending to come that is targeted towards infrastructure projects, and that will benefit the heavy equipment operator.

Much of the Obama administration's stimulus spending package was back loaded so that the bulk of [the spending came years after its passage](#) -- only a small percentage was spent in 2009. While I think there's a very real possibility we will see a double dip recession (was the selloff in the market last week the signal it's begun?), as more government projects come on line it will trickle down to Caterpillar.

The stock has given back almost 16% after hitting a 52-week high of \$64 a share. It's trading at just 14 times 2011's earnings and it has been generating generous amounts of free cash flow. With an enterprise value going for 15 times its FCF it's not rock-bottom, but it's not prohibitively expensive either. I'd have to agree that Caterpillar is worth a look here.

Your say

While CAPS members may stand with Jim Cramer or on opposite sides of the field, the investor intelligence community is more than what some All-Stars think, even if they are TV personalities. But what do you think? Is Cramer right or off his rocker? The contents are hot over on CAPS, but it's still a gas to share your views on the [Caterpillar CAPS page](#) and tell us whether it can dig its way out of the recession.

[Motley Fool CAPS](#) is a great place to start your own research on these stocks. 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. Best of all, it's free.

[Legal Information](#). © 1995-2008 The Motley Fool. All rights reserved.

[Previous Page](#)