

Seeking Alpha α

9 Profitable Small Cap Stocks That Analysts Rate As Strong Buys

May 29, 2012
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| includes: [CRUS](#), [DLX](#), [EBIX](#), [EPHC](#), [FF](#), [GORO](#), [HF](#), [ICUI](#), [LOPE](#)

Small-cap stocks tend to offer investors greater growth opportunities than large-cap alternatives, although this comes with its fair share of added risk. Are you looking for small-caps? Do you prefer investing in stocks that analysts rate as 'strong buys'? Looking for ways to dig deeper into a company's profitability? If so, here are a few ideas to start your search.

Return on Assets [ROA] illustrates how much a company is generating in earnings from its assets alone. This metric gives investors a picture of how profitable the company is relative to the assets in current possession. It also lets investors see how efficient and effective management is at generating earnings from the company's assets. While most management teams can probably make money by throwing money at an issue, very few can make very large profits with little investment.

The Net Margin is a profitability metric that illustrates, by percentage, how much of every dollar earned gets turned into a bottom line profit. This is just one of many profitability metrics used by investors and analysts to better understand what the company is being left with at the end of the day. Generally, a firm that can expand its net profit margins over a period of time will see its stock price rise as well due to the trend of increasing profitability. $\text{Net Margin} = \text{Net Income} / \text{Total Revenue}$

We first looked for small cap stocks. Next, we screened for businesses that analysts rate as "Strong Buys" (mean recommendation < 2). We then looked for companies with strong profitability (ROA > 10%)(Net Margin [TTM]>10%). We did not screen out any sectors.

Do you think these small-cap stocks will trade at a higher valuation? Use our list along with your own analysis.

1) HFF, Inc. ([HF](#))

Sector: Financial
Industry: Mortgage Investment
Market Cap: \$485.74M
Beta: 2.59

HFF, Inc. has a Analysts' Rating of 1.50, Return on Assets of 10.31% and Net Margin of 15.53%. The short interest was 2.84% as of 05/28/2012. HFF, Inc. provides commercial real estate and capital markets services to users and providers of capital in the commercial real estate industry in the United States. The company offers debt placement services, including construction and construction/mini-permanent loans, adjustable and fixed rate mortgages, entity level debt, mezzanine debt, forward delivery loans, tax exempt financing, and sale/leaseback financing to the owners of various types of properties, such as office, retail, industrial, hotel, multi-housing, self-storage, assisted living, nursing homes, condominium conversions, mixed-use properties, and land. It also provides investment sales services to commercial real estate owners; structured finance and private equity alternatives and solutions at various levels of the capital structure comprising mezzanine and equity; and distressed debt and real estate owned advisory services.

2) ICU Medical, Inc. ([ICUI](#))

Sector: Healthcare
Industry: Medical Instruments & Supplies
Market Cap: \$735.42M
Beta: 0.49

ICU Medical, Inc. has a Analysts' Rating of 1.40, a Return on Assets of 12.53% and Net Margin of 14.43%. The short interest was 16.48% as of 05/28/2012. ICU Medical, Inc. engages in the development, manufacture and sale of medical technologies used in infusion therapy, oncology and critical care applications. The company's product line includes custom infusion systems, closed delivery systems for hazardous drugs, needleless infusion connectors, catheters and cardiac monitoring systems. Its products enhance patient outcomes by preventing bloodstream infections, protecting healthcare workers and patients from exposure to infectious diseases or hazardous drugs, and monitoring the cardiac output of critical care patients.

3) Deluxe Corp. ([DLX](#))

Sector: Services
 Industry: Business Services
 Market Cap: \$1.17B
 Beta: 1.93

Deluxe Corp. has a Analysts' Rating of 1.30 and Return on Assets of 11.45% and Net Margin of 10.80%. The short interest was 15.59% as of 05/28/2012. Deluxe Corporation, together with its subsidiaries, provides printed products, forms, and marketing solutions to small businesses and financial institutions, primarily in the United States, Canada, Europe and South America. The company offers checks; printed forms, including billing forms, work orders, job proposals, purchase orders, invoices, and personnel forms, as well as computer forms, deposit tickets, and check registers; and accessories and other products, such as envelopes, office supplies, stamps, and labels, as well as retail packaging supplies and checkbook covers. It also provides marketing solutions, which include Web design, hosting and other Web services, logo design, search engine marketing, and digital printing services for the sales and marketing needs of small businesses, business cards, greeting cards, brochures, and apparel; and customer acquisition programs and marketing communications services, and package insert programs. In addition, the company offers fraud protection services; payroll services; and financial institution profitability, regulatory, and compliance programs.

4) Ebix Inc. ([EBIX](#))

Sector: Technology
 Industry: Business Software & Services
 Market Cap: \$653.91M
 Beta: 1.29

Ebix Inc. has a Analysts' Rating of 1.50, Return on Assets of 17.07% and Net Margin of 41.62%. The short interest was 27.34% as of 05/28/2012. Ebix, Inc. provides on-demand software and e-commerce solutions to the insurance industry. The company operates data exchanges which connect multiple entities within the insurance markets and enable the participant to carry and process data from one end to another in the areas of life insurance, annuities, employee health benefits, risk management, workers compensation and property and casualty (P&C) insurance. It is also involved in designing and deploying broker systems comprising three back-end systems consisting of eGlobal for multinational P&C insurance brokers; WinBeat for P&C brokers in the Australian and New Zealand markets; and EbixASP for the P&C insurance brokers in the United States.

5) Cirrus Logic Inc. ([CRUS](#))

Sector: Technology
 Industry: Semiconductor - Specialized
 Market Cap: \$1.76B
 Beta: 0.77

Cirrus Logic Inc. has a Analysts' Rating of 1.30, Return on Assets of 16.90% and Net Margin of 20.61%. The short interest was 15.07% as of 05/28/2012. Cirrus Logic, Inc., a fabless semiconductor company, develops high-precision analog and mixed-signal integrated circuits [ICS] for audio and energy markets worldwide. The company offers analog and mixed-signal audio converter and audio digital signal processor [DSP] products, which include analog-to-digital converters (ADCs); digital-to-analog converters (DACs); 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. Its audio products are used in various consumer applications, including portable media players, smartphones, tablets, AVRs, DVD and Blu-ray disc players, home theater systems, set-top boxes, MP3 players, gaming devices, sound cards, and digital televisions; professional applications comprising digital mixing consoles, multitrack digital recorders, and effects processors; automotive applications consisting of amplifiers, satellite radio systems, telematics, and multi-speaker car-audio systems; and networked digital audio applications.

6) Gold Resource Corp ([GORO](#))

Sector: Basic Materials
Industry: Gold
Market Cap: \$1.38B
Beta: 1.07

Gold Resource Corp has a Analysts' Rating of 1.00, Return on Assets of 79.01% and Net Margin of 55.18%. The short interest was 13.93% as of 05/28/2012. Gold Resource Corporation, an exploration stage company, engages in the exploration for and production of gold and silver in Mexico. It also explores copper, lead, and zinc ores. The company holds a 100% interest in 6 properties, including the El Aguila Project, the El Rey property, the Las Margaritas property, the Solaga property, the Alta Gracia property, and the El Chamizo property located in southern State of Oaxaca.

7) Grand Canyon Education, Inc. ([LOPE](#))

Sector: Services
Industry: Education & Training Services
Market Cap: \$816.39M
Beta: 0.46

Grand Canyon Education, Inc. has a Analysts' Rating of 1.50, Return on Assets of 17.76% and Net Margin of 12.56%. The short interest was 5.79% as of 05/28/2012. Grand Canyon Education, Inc. provides postsecondary education services in the United States and Canada. It focuses on offering graduate and undergraduate degree programs in education, healthcare, business, and liberal arts disciplines. The company provides its courses through traditional ground campus in Phoenix, Arizona; online; and onsite at the facilities of employers.

8) Epoch Investment Partners, Inc. ([EPHC](#))

Sector: Financial
Industry: Asset Management
Market Cap: \$557.90M
Beta: 1.56

Epoch Investment Partners, Inc. has a Analysts' Rating of 1.50, Return on Assets of 34.53% and Net Margin of 25.46%. The short interest was 3.98% as of 05/28/2012. Epoch Investment Partners, Inc. is a publicly owned investment manager. The firm primarily provides its services to pooled investment vehicles, typically mutual funds. It also caters to high net worth individuals, investment companies, corporations, public funds, foundations, state or municipal government entities, endowments, pension and profit sharing plans, and charitable organizations.

9) FutureFuel Corp. ([FF](#))

Sector: Basic Materials
Industry: Chemicals - Major Diversified
Market Cap: \$412.37M
Beta: 0.50

FutureFuel Corp. has a Analysts' Rating of 1.00, Return on Assets of 10.61% and Net Margin of 11.43%. The short interest was 2.97% as of 05/28/2012. FutureFuel Corp. engages in the manufacture and sale of diversified chemicals and biobased products in the United States. The company operates in two segments, Chemicals and Biofuels. The Chemicals segment offers custom manufacturing products, including nonanoyloxybenzene-sulfonate, a bleach activator for detergent and consumer products manufacturers; a proprietary herbicide for life sciences companies; and chlorinated polyolefin adhesion promoters and antioxidant precursors for chemical companies, as well as a biocide intermediates for other diversified chemical companies.

*Company profiles were sourced from Finviz. Financial data was sourced from Finviz and Yahoo Finance.

Disclosure: I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.