

Warren Buffett Would Love These Stocks - 39277 views

By Stockpickr Guest Columnist Glen Bradford

Stock buybacks are better than dividends when it's tax time. Buybacks decrease the quantity of outstanding shares, enhancing returns for long-term investors such as Warren Buffett.

The following companies are even better than that. Their net incomes are growing faster than their peers'. Buffett loves his mainstays, such as **Wells Fargo** (WFC), **Johnson & Johnson** (JNJ), **U.S. Bancorp** (USB) and **Bank of America** (BAC), but here are some other plays he might like to get his hands on.

Ebix (EBIX): Recently, the board of directors approved a 3:1 split on the stock. This split and increasing share buyback programs are a sign that upper **management** sees growth on the horizon. The return on investor equity is strong, too, which proves that management is highly capable of reinvesting within the company. Now we're rolling, and it's full steam ahead with the release of record earnings. Check the chart. Net incomes are on an exponential growth curve as Ebix expands from the insurance to health care industry. I'll buy this stock, and I'll sell it back to the company at a higher price.

Terex (TEX): Terex manufactures heavy construction equipment -- more along the lines of building hospitals and skyscrapers than homes. The sector has been in trouble, but this stock is poised to rocket. If you look closely at this buyback, they are taking all their income and using it to buy shares at this monster discount. You know global infrastructure is bound to increase as more people move to the thriving cities. The P/E is super low, and the earnings are growing as if there weren't a housing bust. This company might be paying for your next house if you decide to own it.

LSB Industries (LXU): LSB Industries just did some serious damage to its earnings expectations. It crushed them. This company also is involved in buying back shares but hasn't announced specifics. Jim Cramer has announced that this company is flying under the radar. At least he caught this one! On March 12, LSB announced that it will be undertaking a share buyback. The trick here is to buy the shares before LSB gets to them. Granted, climate control is really boring, and you've never heard of this company. It's cheap, growing and boring -- perfect for Buffet.

Companies such as these can effectively manage their returns on equity and grow even faster. They demand attention. When they announce they are buying back their shares in a weaker economy and their shares are dirt cheap, it's time to get in.

Disclosure: I own EBIX, TEX and LXU. You should too.

You can check out my other ideas at GlenBradford.com.

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