

Seeking Alpha α

6 Stocks Over \$20 To Double In 2012

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Every year, there are a handful of stocks that more than double with fundamental gains and investor optimism. However, in 2012, the stocks that more than double could be stocks that fell in 2011 despite fundamental gains. There are a large number of stocks that are trading lower in 2011 despite showing incredible growth. Conditions in Europe have caused us to trade stocks with fear rather than with an eye to fundamental growth. I anticipate that 2012 will be the year of the recovery, with fewer momentum stocks trending higher. Although there will be some stocks with large gains in 2011 that will continue to trend higher, I expect the majority of large gains to be stocks that have been beaten down in 2011 because of fear and speculation. Therefore, we'll be looking at 7 stocks expected to trade higher in 2012 and potentially double. Most are stocks that have yet to trade higher on fundamental gains along with a few stocks that have posted gains in 2011, but are growing so remarkably fast that gains should continue.

United States Steel Corporation



United States Steel Corporation (X) is trading with a 56% loss year-to-date after questions surrounding the economy and the future of steel pushed the stock lower. This stock is the most controversial and difficult to predict because steel stocks are so volatile and the opinions regarding steel futures vary by a large degree. In my opinion, steel stocks are the best to own at this time: because most are over sold and with the encouraging data surrounding the economy it's likely that these stocks see a push higher during the first half of 2012. U.S. Steel is my second favorite steel stock and I'd say it's probably the safest investment of the steel companies. It's very diversified and should benefit from strong auto sales; an increase in farming equipment; and additional oil drilling equipment. U.S. Steel is affected by a large number of industries that are showing significant strength that I expect will drive the price of steel higher.

U.S. Steel is currently trading at \$25.50 and is showing its highest level of growth since 2008. During the last 12 months the company's reported double digit revenue growth and posted \$19.36 billion. The last time this stock was reporting this level of revenue it was trading over \$100 a share; however it's slipped with increased fear surrounding Europe along with uncertainty regarding the demand of silver during the immediate future. I'm encouraged with recent economic data and believe that X has the potential to double from its current price. It's trading with a forward P/E of just 9.94 and is now trading with two consecutive quarters of net income which should create optimism among investors. However, a large factor will be demand in China along with the company's costs which will affect its bottom line. Yet even with questions the future is too bright to reflect such loss within the company's stock and I believe that 2012, especially the first quarter, will prove to be particularly well for investors of X.

General Motors Company Common S



The auto industry is perhaps my favorite industry for long-term value within the market and I believe that **General Motors (GM)** will more than [double](#) in 2012. The fundamental gains of GM are yet to be realized and the stock has traded lower with a year-to-date loss of 45%. The company's reported solid quarters with strong revenue growth year-over-year and is selling units at its best rate since cash-for-clunkers. Yet the stock has slipped with the volatility of the market and is now trading at just 4.5x earnings.

There have been many to speculate as to why the auto industry has been hit so hard during the last 6 months. The only logical explanation is fear regarding the impact of the European financial crisis along with fear of a potential recession in the U.S. The company does have a dependency on Europe, however the majority of the company's business has always been American sales and even though sales in Europe have been problematic people still have to drive and the drop isn't enough to offset the strong domestic improvements.

The issues in Europe are severe and have caused widespread panic within the markets and many believe we are headed towards another recession. This belief seems somewhat premature since auto sales are increasing and nearly all economic data suggests growth within the economy. Therefore I believe our economy is less dependent on Europe than what we may believe. However, the threat of another recession is enough to entice fear among investors and cause us to relive the harsh reality of GM's performance during the recession in 2008.

I'm expecting large gains from GM in 2012 and I believe that the questions surrounding both the U.S. economy and this company will soon be answered with gains. The company's new found emphasis on fuel efficiency has created a demand among consumers who are actually saving money by purchasing a new vehicle. And with higher sales; a new labor deal; and improving economic data I see no reason that this company won't trade off fundamental progress in 2012 which would be substantial gains of more than 100%.

Diamond Foods, Inc.



Diamond Foods (DMND) is one of the most volatile stocks in the market. During the first 9 months, through September 21, the stock traded with optimism and large gains of 75% yet during the last 3 months the stock's lost more than 60% of its value. It's now trading at 13x earnings with a year-to-date loss of 45% despite substantial revenue and earnings growth during the last 12 months compared to 2010.

Diamond Foods has been one of the fastest growing food processing companies within the market and has returned very large gains over the last five years. The last two years have been significant for the company as it's grown revenue and earnings by the largest margin in its history. However, the stock's gains have also been a result of speculation regarding the acquisition of Pringles and investors believing that with Pringles DMND could become a massive company and expand with additional brands. Therefore, when Procter & Gamble (PG) announced that the sale was being postponed due to accounting issues and an investigation its stock got hammered and has traded lower ever since.

The stock continues to trade volatile at any mention of its purchase of Pringles. Earlier this month the stock nearly doubled after a [report](#) that its accounting probe was near an end and would find no wrong doings. The reaction of the stock to this news shows the level of interest in this company and what could happen if no accounting issues are found within the company. Therefore the future of this stock depends on what you believe will be found during the investigation and if the company will be able to acquire Pringles. Procter & Gamble has reassured investors on several occasions that it plans to sell Pringles following this investigation and I believe it will occur sometime in 2012. As a result I expect large gains in DMND and I anticipate the stock continuing its trend towards all-time highs within the next six months.

SodaStream International Ltd.

■ SODA ■ S&P500



Sometimes people forget that The Coca-Cola Company (KO) began with one product and with innovation and time became a \$150 billion company; and I believe that **SodaStream (SODA)** presents the same possibilities. SODA has been a hot stock over the last year as investors purchased the company that develops, manufactures, and sells home beverage carbonation systems. The stock is now trading at near even year-to-date after a 60% loss since August 1. The loss is a result of several factors which include volatility within the market and a fear that the company's products are nothing more than just a fad or products that will no longer be relevant in the future.

I believe that SODA's best years are still to come and that it will post huge gains in 2012. During its most recent quarter the company grew revenue by nearly 40% and posted an income growth of 275% year-over-year. In addition the company's margins are improving and the company's balance sheet is flawless with no debt. I am bullish on this company's short-term and long-term future and believe that it has the potential to become a very large stock. SODA continues to innovate with additional soda makers and flavors that appeal to all consumers. And the products are more available to consumers with over 45,000 retail stores selling its product, after the company significantly added to the number of retailers that sell its products. Therefore with new products and more vendors I anticipate faster growth and for SODA to trend much higher in 2012.



Ebix (EBIX) is trading with a year-to-date loss of nearly 4% after several discouraging articles accused the company of fraudulent accounting practices. Yet over the last three months the stock has recovered and posted a gain of more than 50% with fundamental progress that is too strong to ignore. Ebix is a fast growing supplier of cloud based software and is the leading vendor for the insurance industry; and has a strong global presence. The company's overseas growth has been a catalyst for its fundamental gains which include revenue growth of nearly 30% during its most recent quarter.

During the last twelve months Ebix has operated with a profit and operating margin of 40% and has solid returns on both its assets and equity. The company's balance sheet improves year-over-year with less debt and additional assets from multiple acquisitions. The company's growth during the last 12 months include a 21% revenue gain and net income gains of 18% compared to 2010; and most believe these gains will remain consistent over the next several years as cloud based software grows in usage and as the company enters into new regions of the globe. Overall, I see very few issues with this company and I believe that its fundamental progress has been ignored as a result of fear regarding accounting issues and a potential recession in Europe. And although there is no way of knowing for sure if accounting issues are present I believe investors can benefit from reading an [article](#) from fellow SA writer Sunil Shah. Shah did a great job at breaking down the allegations and used his experience as an accountant to pick apart the misleading articles from Copperfield Research and Barrons. These two articles were instrumental in the fall of EBIX and I urge investors to read both sides before making a decision. And after reading both sides and performing my own due diligence of this company I believe it has great growth potential and that it will soon post very large gains and more than double in 2012.

IPG Photonics Corporation



IPG Photonics (IPGP) provides high power fiber lasers for diverse applications in numerous markets. Its lasers are used for cutting, drilling and welding among others and has a large presence in many industries which includes medical and communications. IPG Photonics is a behind-the-scenes company with advanced technology that is only growing and showing

no sign of slowing down. However, the stock began to fall in early July as concerns in Europe began to take control of U.S. markets and sent momentum stocks such as IPGP trending lower.

Prior to July 1 the stock had returned a gain of nearly 370%, in the year prior, after posting remarkable fundamental growth. However, the stock's lost more than 50% since July 1, as a result of heavy selling pressure within the market and mounting concerns over the future of the euro zone. I believe that IPGP is presenting unprecedented value and that its current valuation of just 14.5x earnings is a great purchase point for large gains in 2012. During its most recent quarter the company posted revenue gains of 61% and earning gains of nearly 150% year-over-year. The company's returned similar growth throughout 2011 with revenue growth of 51% and net income growth of 110% during the last 12 months compared to 2010 which reflect much better margins. I see no reason that this stock doesn't recover in 2012 and trade significantly higher. The losses over the last 6 months have been a result of speculation and profit taking after a 370% gain during the year prior. But now that profits have been taken I anticipate the stock trading off fundamental gains in 2012 which will provide a substantial return for investors who take advantage of its value.

Disclosure: I am long [SODA](#), [IPGP](#).