

Seeking Alpha α

9 Small Caps With Hefty Earnings Currently On Sale

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| includes: [BPI](#), [CDE](#), [EBIX](#), [ECPG](#), [ICON](#), [JCOM](#), [NNI](#), [PDLI](#), [PRAA](#)

Hunting for good small cap investments is always an interesting activity. Small cap stocks tend to offer investors greater growth opportunities than larger alternatives, although this comes with its fair share of added risk. One strategy for picking good small caps is to look for companies that can bring in profits, and currently appear overlooked (i.e. undervalued) in the market. If you're looking for stocks that fit this category, you might like what we've put in our list.

The Operating Profit Margin is a profitability ratio that measures the effectiveness of the company's operating efficiency. This metric allows investors to see how much profit is left after all variable costs are covered. If the company's margin is increasing over time this means that it's earning more per dollar of sales. Finding trends in the Operating Profit Margin helps investors identify companies that are improving profitability over time and managing the economic landscape better than competitors.

EPS growth (earnings per share growth) illustrates the growth of earnings per share over time. EPS growth rates help investors identify stocks that are increasing or decreasing in profitability. This profitability metric is generally a key driver in the price of the stock as it directly correlates to the profitability of the company as a whole.

The Price/Cash Flow ratio is a price-multiple valuation metric that also measures a firm's future financial health. An advantage of using cash flow is that it removes non-cash factors, which helps provide a clearer picture of how much money the firm is taking in from a valuation standpoint. Price/Cash Flow Ratio = Current Stock Price/Cash Flow Per Share

The forward P/E is a price multiple valuation metric, which is similar to the current P/E ratio, except that it uses the forecasted earnings instead. While this number might not be as accurate because it uses "forecasted" numbers, it does offer the benefit of illustrating analysts' expectations of a firm. If the market believes that earnings will grow moving forward, then the forward P/E should be lower than the current P/E. Financial Leverage, also known as the Equity Multiplier, illustrates how a firm is financing its assets. The lower the number the more a firm is financing its assets internally through stockholder equity. The higher this metric is the more the firm is relying on debt to finance its assets.

We first looked for small cap stocks. We then looked for companies with strong profit margins (1-year operating margin>15%) (1-year fiscal EPS Growth Rate>10%). We then looked for companies that are trading at low price-multiple valuations (P/CFO<10)(forward P/E<10). We did not screen out any sectors.

Do you think these small-cap stocks are worth more than their current valuations? Use our list to help with your own analysis.

1) Encore Capital Group, Inc. ([ECPG](#))

Sector: Financial
Industry: Credit Services
Market Cap: \$596.75M
Beta: 2.08

Encore Capital Group, Inc. has a Operating Profit Margin of 24.01% and Earnings Per Share Growth Rate of 21.37% and Price/Cash Flow Ratio of 38.62 and Forward Price/Earnings Ratio of 6.86. The short interest was 2.02% as of 05/29/2012. Encore Capital Group, Inc., through its subsidiaries, engages in consumer debt buying and recovery business primarily in the United States. The company purchases and manages portfolios of defaulted consumer receivables, such as consumers' unpaid financial commitments to credit originators, including banks, credit unions, consumer finance companies, commercial retailers, auto finance companies, and telecommunication companies; and receivables subject to bankruptcy proceedings or consumer bankruptcy receivables. It also provides bankruptcy services to the finance industry, such as negotiating bankruptcy plans, monitoring and managing consumer's compliance with bankruptcy plans, and recommending courses of action to clients in case of a deviation from a bankruptcy plan.

2) Portfolio Recovery Associates Inc. ([PRAA](#))

Sector: Services
Industry: Business Services
Market Cap: \$1.18B
Beta: 1.19

Portfolio Recovery Associates Inc. has a Operating Profit Margin of 36.88% and Earnings Per Share Growth Rate of 34.47% and Price/Cash Flow Ratio of 42.21 and Forward Price/Earnings Ratio of 8.25. The short interest was 13.88% as of 05/29/2012. Portfolio Recovery Associates, Inc., a financial and business service company, engages in the purchase, collection, and management of portfolios of defaulted consumer receivables. It detects, collects, and processes unpaid and normal-course accounts receivables owed primarily to credit grantors, governments, and retailers. The company also acquires receivables of Visa, MasterCard, and other credit cards; private label credit cards; installment loans; lines of credit; bankrupt accounts; deficiency balances of various types; legal judgments, and trade payables from various debt owners, including banks, credit unions, consumer finance companies, telecommunication providers, retailers, utilities, insurance companies, medical groups, hospitals, auto finance companies, and other debt buyers.

3) Bridgepoint Education, Inc. ([BPI](#))

Sector: Services
Industry: Education & Training Services
Market Cap: \$1.03B
Beta: -

Bridgepoint Education, Inc. has a Operating Profit Margin of 25.15% and Earnings Per Share Growth Rate of 41.34% and Price/Cash Flow Ratio of 3.14 and Forward Price/Earnings Ratio of 6.98. The short interest was 18.61% as of 05/29/2012. Bridgepoint Education, Inc. provides postsecondary education services. It offers associate's, bachelor's, master's, and doctoral programs in the disciplines of business, education, psychology, social sciences, and health sciences. The company offers its programs at campuses of its Ashford University located in Clinton, Iowa; and University of the Rockies located in Colorado Springs, Colorado, as well as through online.

4) PDL BioPharma, Inc. ([PDLI](#))

Sector: Healthcare
Industry: Biotechnology
Market Cap: \$906.49M
Beta: 0.45

PDL BioPharma, Inc. has a Operating Profit Margin of 94.31% and Earnings Per Share Growth Rate of 112.98% and Price/Cash Flow Ratio of 4.84 and Forward Price/Earnings Ratio of 3.66. The short interest was 10.69% as of 05/29/2012. PDL BioPharma, Inc. engages in intellectual property asset management and royalty bearing assets investment activities. The company is involved in the humanization of monoclonal antibodies and the discovery of a new generation of targeted treatments for cancer and immunologic diseases.

5) Nelnet Inc. ([NNI](#))

Sector: Financial
Industry: Credit Services
Market Cap: \$1.08B
Beta: 1.42

Nelnet Inc. has a Operating Profit Margin of 49.35% and Earnings Per Share Growth Rate of 11.00% and Price/Cash Flow Ratio of 17.75 and Forward Price/Earnings Ratio of 4.90. The short interest was 2.59% as of 05/29/2012. Nelnet, Inc., an education services company, focuses on providing fee-based processing services, and education-related products and services in the areas of loan financing, loan servicing, payment processing, and enrollment services. It operates in four segments: Student Loan and Guaranty Servicing, Tuition Payment Processing and Campus Commerce, Enrollment Services, and Asset Generation and Management. The Student Loan and Guaranty Servicing segment provides services that include loan origination activities, loan conversion activities, application processing, borrower updates, payment processing, due diligence procedures, and claim processing for the company's student loan portfolios and the portfolios of third parties.

6) j2 Global, Inc. ([JCOM](#))

Sector: Technology
Industry: Internet Software & Services
Market Cap: \$1.12B
Beta: 0.90

j2 Global, Inc. has a Operating Profit Margin of 43.82% and Earnings Per Share Growth Rate of 34.57% and Price/Cash Flow Ratio of 6.83 and Forward Price/Earnings Ratio of 9.14. The short interest was 28.17% as of 05/29/2012. j2 Global, Inc. provides cloud services to businesses of various sizes through the Internet worldwide. It offers online fax, virtual phone systems, hosted email, email marketing, online backup, customer relationship management, and bundled suites of these services. The company markets its services principally under the eFax, eVoice, FuseMail, Campaigner, KeepItSafe, LandslideCRM, and Onebox names.

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

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

Ebix Inc. has a Operating Profit Margin of 41.36% and Earnings Per Share Growth Rate of 15.39% and Price/Cash Flow Ratio of 17.27 and Forward Price/Earnings Ratio of 9.44. The short interest was 27.34% as of 05/29/2012. Ebix, Inc. provides on-demand software and e-commerce solutions to the insurance industry. The company operates data exchanges, which connects multiple entities within the insurance markets and enables 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.

8) Coeur d'Alene Mines Corporation ([CDE](#))

Sector: Basic Materials
Industry: Silver
Market Cap: \$1.57B
Beta: 1.68

Coeur d'Alene Mines Corporation has a Operating Profit Margin of 29.96% and Earnings Per Share Growth Rate of 209.22% and Price/Cash Flow Ratio of 10.22 and Forward Price/Earnings Ratio of 6.30. The short interest was 4.66% as of 05/29/2012. Coeur d'Alene Mines Corporation, together with its subsidiaries, engages in the ownership, operation, exploration, and development of silver and gold mining properties primarily located in the United States, Mexico, Bolivia, Argentina, and Australia. Its properties include the San Bartolome silver mine in Bolivia; the Palmarejo silver-gold mine in Mexico; the Kensington gold mine in Alaska; and the Rochester silver-gold mine in Nevada. The company owns and operates the Martha silver-gold mine in Argentina, as well as owns a non-operating interest in a silver-base metal mine in Australia.

9) Iconix Brand Group, Inc. ([ICON](#))

Sector: Consumer Goods
Industry: Textile - Apparel Footwear & Accessories
Market Cap: \$1.10B
Beta: 1.43

Iconix Brand Group, Inc. has a Operating Profit Margin of 61.76% and Earnings Per Share Growth Rate of 26.26% and Price/Cash Flow Ratio of 6.75 and Forward Price/Earnings Ratio of 8.32. The short interest was 19.56% as of 05/29/2012. Iconix Brand Group, Inc., through its subsidiaries, engages in licensing, marketing, and providing trend direction for a portfolio of consumer brands primarily in the United States, Canada, Japan, and Europe. It owns various consumer brands, including Candie's, Bongo, Badgley Mischka, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific/OP, Danskin/Danskin Now, Rocawear, Cannon, Royal Velvet, Fieldcrest, Charisma, Starter, Waverly, Zoo York, and Sharper Image, as well as Ed Hardy, Ecko, and Peanuts brands. The company licenses its brands through approximately 1,000 direct-to-retail and wholesale

licenses for use in a range of product categories comprising apparel, footwear, fashion accessories, sportswear, home products and decor, beauty and fragrance, consumer electronics, and novelty products.

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

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