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INVEST SMARTER, TRADE WISER



TOP PICKS REPORT

The Best Stock and ETF Ideas for the Coming Year



TURNER
Capital Investments, LLC



Investment Advisory Firm

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Top Picks Report

Welcome to the Top Picks 2020 Over 100 Investment Ideas for the New Year

Kim Githler
MoneyShow



Each year for more than three decades, our editorial team has surveyed the nation's leading newsletter advisors and investment experts asking for their favorite stocks for the year ahead.

This year's report — Top Picks 2020 — features 125 investment ideas for the new year.

The report will begin on MoneyShow.com on Monday, January 6th. You can also read the Top Picks each day in our daily free newsletter, [Top Pros' Top Picks](#).

The advisors who participate in this report are among the nation's most respected and knowledgeable investment experts. Each has a time-tested reputation for in-depth research, integrity and a track record of long-term investment success. Most of these advisors have been participating in these reports for many years; indeed, many have participated for decades!

The Top Picks report includes a variety of fast-growing stocks with high potential as well as conservative dividend-paying stocks and iconic blue chips chosen for safe and steady returns.

This year, we see a notable increase in out-of-favor, value plays and turnarounds — as well as stocks in the energy, gold and resource sectors. And, as always, there are compelling growth stocks on the leading edge of science and technology.

Our goal at MoneyShow is to provide you with a well-rounded and diverse shopping list of investment ideas for you to consider as you build your personal long-term portfolios.

We caution that the recommendations presented in this report should be viewed as a starting place for your own research. Any stock you buy should match your own investment strategy and time horizon — and fit your personal levels of risk tolerance.

Thank you for being a part of the MoneyShow family. We hope you enjoy our annual Top Picks report and wish you the very best for investment success in 2020.

Enhanced Dividend Income Portfolio

Capital Wealth Planning, LLC



Domestic

Large-Cap

Dividend Growth

Tactical

Investment Minimum: \$250,000

Market Capitalization: Large-Cap Blend

Style: Moderate Growth

Number of Holdings: 20-25

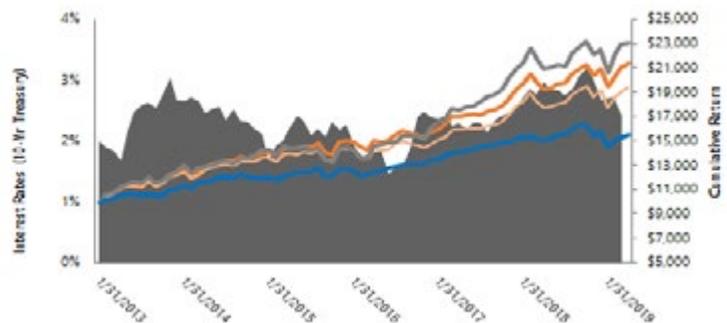
Benchmark: Dow Jones Industrial Average Total Return

Inception Date: 12/31/2012

The Portfolio

The objective of the Capital Wealth Planning (CWP) Enhanced Dividend Income Portfolio (EDIP) separately managed account (SMA) is to enhance overall portfolio equity return through the combination of option premium writing and dividends with an annual estimated target range of 4-7%. When investing in blue chip large-cap dividend growth stocks, CWP managers work to mitigate market risk while providing a solid equity return through a disciplined sector strategy while deploying a conservative tactical covered call writing strategy that works to enhance overall income combined with dividends from portfolio holdings.

Growth of \$10,000 (since inception)



Rating out of 32 Option Writing SMAs as of 9.30.19

About Capital Wealth Planning, LLC

Capital Wealth Planning, LLC (CWP) is an SEC registered fee-only investment advisory firm based in Naples, Florida. Building and managing proprietary income-oriented portfolios since 2005, the company has approximately \$1.5 billion of assets under management. The firm's methodologies are designed to enhance risk-adjusted returns and offer portfolio protection while delivering monthly cash flow.

Visit www.capitalwealthplanning.com for more information.

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AbbVie Inc. (ABBV)

Ben Reynolds

Sure Retirement Newsletter



AbbVie (ABBV) is a top pick from the healthcare sector; the stock has a 5.3% dividend yield, a low valuation, and a compelling future growth outlook thanks to a massive acquisition, suggests Ben Reynolds, editor of [Sure Retirement Newsletter](#).

AbbVie is a pharmaceutical company, spun off from **Abbott Laboratories (ABT)** in 2013. AbbVie generates annual revenue of approximately \$33 billion and it has a market cap above \$130 billion.

The firm's largest single product is multi-purpose drug Humira, which represented approximately 58% of the company's total revenue over the first three quarters of 2019.

There are concerns over Humira — the drug has already lost patent exclusivity in Europe and will lose exclusivity in the U.S. in 2023. This has caused AbbVie's share price to decline from a multi-year high above \$120 to the current level of ~\$90.

But we believe this is simply an opportunity to buy a great company at a very attractive price. AbbVie's \$63 billion acquisition of **Allergan (AGN)** is a major catalyst for 2020 and beyond. Allergan is the maker of the highly popular cosmetic product Botox.

The deal presents a number of strategic benefits for AbbVie, by diversifying its product portfolio into cosmetic products with Botox and also Juvederm.

And, it also provides AbbVie ownership of one of the most successful individual products on the market today, which continues to grow. Botox generated \$2.63 billion of revenue for Allergan over the first three quarters of 2019, up 5.3% from the same nine-month period last year.

Allergan has a strong portfolio outside Botox as well. For example, sales of its Juvederm collection increased 8% to \$830 million over the first three quarters of 2019. Meanwhile, sales of anti-psychotic Vraylar increased 71% to \$337 million in the same period.

These multiple catalysts are expected to fuel continued growth for AbbVie in 2020 and beyond. In the meantime, investors are paid a hefty dividend yield above 5%.

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AbbVie (ABBV)

Kelley Wright

Investment Quality Trends



AbbVie, Inc. (ABBV) is a global, research-based biopharmaceutical company; the firm develops and markets advanced therapies that address some of the world's most complex and serious diseases, notes value investing expert **Kelley Wright**, dividend expert and editor of [Investment Quality Trends](#).

AbbVie's products are focused on treating conditions such as chronic autoimmune diseases in rheumatology, gastroenterology and dermatology; oncology, including blood cancers; virology, including hepatitis C virus (HCV) and HIV.

The company is also involved in neurological disorders, such as Parkinson's disease; metabolic diseases, including thyroid disease and complications associated with cystic fibrosis; pain associated with endometriosis; as well as other serious health conditions.

The firm also has a pipeline of promising new medicines in clinical development across such important medical specialties as immunology, oncology and neuroscience, with additional targeted investment in cystic fibrosis and women's health.

In June 2019, AbbVie entered into a definitive transaction agreement to acquire **Allergan plc (AGN)**. The transaction is expected to close in early 2020 and would create a massive biopharmaceutical company with about \$48 billion in combined 2019 revenue.

Management expects that shareholders will see 10% EPS accretion in the first full year of the combination and that the company can achieve annual pre-tax synergies and other cost reductions of over \$2 billion by year 3.

The company's combined net debt of approximately \$95 billion will be reduced by \$15 to \$18 billion by 2021-end, while continuing to support dividend growth and pipeline investment.

Historically the shares offer good value when the dividend yield is 4.50%. Based on the current dividend of \$4.72 per share, a 4.50% dividend is realized at \$105 per share. Trading recently around \$88 per share, the stock is about a 20% discount from its historically repetitive area of high yield.

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Alkaline Water Company (WTER)

Jason Williams

Wealth Daily



*My top speculative pick for 2020 is the fastest-growing brand in a relatively new industry that's been sweeping the nation — **Alkaline Water Company (WTER)**.*

The bottled water business has grown from literally nothing to a massive \$19 billion a year industry. Last year alone, nearly 14 billion gallons of bottled water were sold. That's enough to fill more than 20,000 Olympic-sized pools.

Alkaline water has a pH above 7. It's one of the latest developments to change the face of bottled water. And it's projected to grow to an \$18.24 billion industry of its own by 2025.

Proponents claim many health benefits; opponents claim there is little research to back up those claims. But to be perfectly honest, I'm not really concerned either way — as long as it's not making anyone sick and I can make a profit.

And the profits are out certainly out there waiting for smart investors. CORE Water used to be just another bottled water brand. But then it hit \$80 million in annual sales. Immediately after that, **Keurig Dr. Pepper (KDP)** bought the company in a deal worth \$525 million. That's a price to sales premium of 6.56.

And Alkaline Water Company is the best of all the options out there. The company has grown sales by double-digits every year in existence. And it's barely spent a penny on marketing. But every cent it does spend comes back several times over in new sales.

But it's not the past that's got me so excited about this company. It's the future. And that future looks very bright. Early in 2020, Alkaline Water Company will be merging with competitor AQUAhydrate — a brand founded by Sean "Diddy" Combs and Mark Wahlberg.

When the merger is complete, the combined company will be looking at 2020 full year revenues around \$65 million. Now, compare that to the current market cap of the stock and you'll see the massive disconnect that's creating an incredible profit opportunity. Alkaline Water Company is trading at a valuation around \$55 million. That's \$10 million less than the company will bring in this year in sales. And it's a huge mismatch.

Other similar businesses carry a price to sales ratio between two and six. That means investors are willing to pay between \$2 and \$6 for every \$1 of sales those companies make. But right now, investors can buy \$1 of Alkaline Water Company's sales for less than \$0.85. That's a disconnect that won't last.

If Alkaline Water Company traded at a valuation relative to its peers, it would cost between two and three times more per share. A buyout offer from one of the bigger groups would likely give the company at least a five times sales valuation. That works out to a market cap of \$325 million or over \$6 per share. At the CORE Water multiple of 6.56, you're talking about \$427 million.

*(Editor's note: Jason Williams picked cannabis-focused REIT, **Innovative Industrial Properties (IIPR)** as his conservative top stock for 2019; the shares are up 70%. Jason explains, "IIPR started 2019 with 11 medical cannabis properties across the U.S. It's ending the year with 42. I still love it a year later. I can see it doubling or perhaps even tripling in the coming year.")*

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Algonquin Power & Utilities (AQN)

Vivian Lewis

Global Investing



*My favorite investment idea for 2020 is a Canadian firm that reports under US GAAP accounting, making it a safe retirement holding, explains international investing expert **Vivian Lewis**, editor of [Global Investing](#).*

The stock in focus in **Algonquin Power & Utilities (AQN)**, a cross border low-carbon utility from Canada operating also in the USA. The stock was my Top Pick for conservative investors in 2019; it has risen 41% for the year-to-date.

Utilities are doing well in this market, a way to get the dividend income we older folks need with less risk than we incur with financial or energy companies.

Algonquin Power is rated “buy” by all Canadian analysts who cover it according to Investor’s Digest — a rare occurrence. Its current quarterly dividend is 14.1 US cents so this is both a growth and a 4% yield stock. It is expected to boost earnings next year from 64 loony cents to 74¢ (which should pan out similarly in US cents).

Algonquin Power just updated its long-term growth program by identifying \$9.2 billion in new mostly green greenhouse gas-lowering sustainable investment opportunities over the next 15 years, up from a prior level of \$7.5 billion and also raised its projected compound growth rate over the next 5 years to 9%-11% per year.

It combines regulated service investment with investment in sustainable energy, like fiber-optics, thermal, hydro, wind, and solar, and also in new sectors like water through its Liberty Utilities Co. subsidiary in southeastern New York (but not in Manhattan.)

It aims to produce 75% renewable electricity by 2023, not that far off by adding 2000 megawatts over that period and reducing carbon emissions by a million metric tons from the 2017 level.

Algonquin Power generates electricity and sells gas and runs about 50 different utility holdings with 768,000 customers in the US and Canada from sea to shining sea, along with indirect interests in 7 other countries.

The utility started out green, with hydroelectricity and grew from that. This is a utility which cuts its CO2 emissions by 10% from year to year. In the first 9-months of the calendar year, Algonquin Power upped its output of electricity, hydro, wind, and solar, but thermal power fell sharply.

The firm is aggressively adding new sites on both sides of the border. Overall, this is a top play on climate change — and the best stock I can think of for doing well by doing good.

*(Editor’s note: Vivian Lewis’ favorite speculative Top Pick from 2019, **Azure Power (AZRE)** — another “green” play — also rose more than 40% last year.)*

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Alphabet (GOOGL)

Richard Moroney

Dow Theory Forecasts



With **Alphabet (GOOGL)** co-founders Larry Page and Sergey Brin stepping aside, Sundar Pichai, head of the Google unit since 2015, is taking the helm of the internet behemoth, observes **Richard Moroney**, editor of [Dow Theory Forecasts](#).

Pichai will have more than his fill of legal headaches, the latest being the U.S. Justice Department's reported decision to open a formal review of the company's proposed \$2.1 billion acquisition of Fitbit.

Alphabet also agreed to pay \$327 million to settle a tax dispute with Australia that stretched from 2008 to 2018. In addition, France fined Alphabet \$167 million for allegedly abusing its dominance in the search market. Alphabet promised to appeal the ruling.

Nevertheless, Alphabet's per-share profits are expected to climb 10% in 2020 on revenue growth of 18%. The shares trade at 25 times estimated 2020 profits, in line with the median for interactive-media and services stocks in the S&P 1500 Index. Excluding net cash of \$152 per share lowers Alphabet's 2020 P/E ratio to 22.

Looking further out, Waymo is making progress toward becoming a meaningful business for Alphabet. Twelve months after launching a robo-taxi service in Phoenix, Waymo boasts more than 1,500 monthly active riders.

Last October, Waymo began offering fully automated rides without the presence of attendants in the vehicles. Alphabet is rated as buy on our Focus List of top recommendations.

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Altigen Communications (ATGN)

Faris Sleem

The Bowser Report



Altigen Communications (ATGN) specializes in the design, delivery, and support of Voice over Internet Protocol (VoIP) phone systems and call center solutions, notes low-priced stock expert **Faris Sleem**, editor of [The Bowser Report](#).

The company is a Silicon Valley-based Microsoft Independent Software Vendor (ISV) and Cloud Solutions provider. Over the past few years, Altigen has consistently generated increasing top and bottom line results.

The company's recurring revenue business model promotes value creation with minimal risk and trailing twelve-month sales are up 27% since fiscal 2017, with cloud services revenue up 24% in fiscal 2019 alone.

Management has provided strong guidance for the upcoming year based on the company extending its service agreement with its largest strategic partner and acquiring the customer base of Workspace Communications, which will contribute to growth in the Microsoft UC space.

Higher top line results have largely dropped through to the bottom line as research and development and selling, general and administrative costs have largely remained flat. As a result, trailing 12-month operating income is up 379% compared to Fiscal 2017.

Reducing risk is Altigen's strong balance sheet. The company operates with a current ratio of 2.7 and no long-term debt.

As long as Altigen Communication's cloud services segment maintains growth and the company continues to make synergistic acquisitions by leveraging its \$4 million in cash and strong debt position, it has a bright future ahead.

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Altria Group (MO)

Ben Reynolds

Sure Retirement Newsletter



Altria Group (MO) is a consumer staples manufacturer; it built its historical growth on its flagship Marlboro cigarette brand, but in recent years has diversified itself beyond tobacco, explains **Ben Reynolds**, editor of [Sure Retirement](#).

It also has non-smokable brands, such as Skoal and Copenhagen chewing tobacco, Ste. Michelle wine, and it owns a 10% investment stake in global beer giant **Anheuser Busch Inbev (BUD)**. Altria has made these investments to adapt to changing consumer habits, specifically the declining smoking rate. Altria expects smoking volumes to decline 5% to 6% this year and continue at a 4% to 6% annual decline through 2023.

As its smokable products segment still represents over 80% of its operating profit, the company needs to branch out into new areas. It has made huge moves into two specific categories—vaping and marijuana—which should fuel the company's future growth.

Altria recently announced a \$1.8 billion investment for 45% of Canadian marijuana producer **Cronos Group (CRON)**. It has also invested nearly \$13 billion in e-vapor manufacturer Juul Labs for a 35% equity stake in the company.

And in June, Altria invested \$372 million for an 80% stake in Burger Söhne, a Swiss company that makes oral nicotine pouches. These investments into adjacent categories are designed to take leadership positions in new areas of growth, and to protect its cash flow from further declines in smoking.

We believe Altria has a highly secure dividend. The company targets a dividend payout ratio of 80% of its adjusted earnings per share. Altria has increased its dividend for 50 years in a row, qualifying it as a Dividend King. The stock has a current yield of 6.5%, which is very attractive for income investors.

Altria is also a very appealing stock in the event of a recession. Sales of tobacco products hold up very well in recessions.

Altria's products enjoy tremendous brand loyalty, as Marlboro controls more than 40% of the U.S. retail market share. Investors expecting a recession in the next few years would continue to see their dividend income rise with Altria stock.

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American Express (AXP) and Mastercard (MA)

John Reese

Validea



*In the stock market, there may not be such a thing as a truly conservative stock. Some stocks that look conservative, can get thrown out the window when things get tough, notes **John Reese**, editor of [Validea](#).*

With that being said, there are ways an investor can attempt to find what we'll call "conservative compounders" which is a company that has shown the ability to continuously produce profits and above average returns on equity and capital.

These stocks also exhibit certain stock price and fundamental characteristics that help uncover lower volatility stocks that are appealing to the conservative investor. The combination of these two approaches is how we will source our conservative stock idea for 2020.

To start, we need a model for the "compounders" and for this we'll take the Warren Buffett method. We have extracted the method outlined in the book *Buffettology* and computerized it.

That model, which looks for 10 years' worth of consistent earnings, returns on equity, returns on capital and a bunch of other fundamental factors is the core of the strategy.

The model rewards companies with moats around their profits and are that more profitable than your average firm, and then it looks to select those companies where the stock price presents a fair and reasonable valuation.

Now we need a systematic selection process for the "conservative" portion of the model. For this, we will draw from research from Pim van Vliet, not a household name in the U.S., but in Europe he is a leading investment manager.

He is also the author of the book, *High Returns From Low Risk*, which demonstrated the effectiveness of selecting low volatility stocks and combing that with other fundamental factors, like how much cash was being returned to shareholders.

We can then effectively combine, or screen, these two models to give a short list of names we can look at. Something interesting emerged from that search: the two companies making the cut are also in Berkshire Hathaway's actual portfolio.

Based on this approach, our conservative Top Pick for 2020 is a split between **American Express (AXP)** and **MasterCard (MA)**. Both companies get high marks from the models on Validea, making them impressive conservative compounders. Plus, Buffett has major stakes in these companies.

That combined with a strong U.S. consumer and the increasing use of credit, along with attractive margins and sustainable growth figures, make these two stocks interesting conservative picks for the next 12 months.

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Americold Realty Trust (COLD)

Eddy Elfenbein

Growth Stock Advisor



Americold Realty Trust (COLD) — our top conservative idea for the coming year — is a real estate investment trust that successfully completed its \$834 million IPO in January of 2018, recalls **Eddy Elfenbein**, editor of [Growth Stock Advisor](#).

Americold is the largest global and U.S.-based real estate investment trust focused on the ownership, operation, development and acquisition of temperature-controlled warehouses, which are an indispensable component of the food industry infrastructure.

The company owns and operates 176 temperature-controlled warehouses, with over one billion refrigerated cubic feet of storage, in the United States, Australia, New Zealand, Canada and Argentina.

Led by the millennial generation's love of online shopping, research suggests that 70% of U.S. consumers will shop for at least part of their groceries through the internet in the next seven years.

With consumers embracing online grocery shopping, demand for cold storage facilities for storing frozen goods is rising. That is forecast to lead to a need for greater U.S. cold storage space by perhaps in excess of 35 million square feet, according to research from the industrial real estate firm CBRE.

This number may turn out to be a lot higher when you consider the steady rise in the number of consumers dining out goes hand in hand with additional demand for fresh produce, meat, poultry and fish.

That in turn also increases the need for refrigerated warehouses in cities across the U.S. Couple that with the demographic shift to more urban locations and the ever-increasing U.S. population, and the need for more cold storage buildings becomes obvious.

Refrigerated warehouses account for most of the company's revenues (74%) and its customer list is a who's who of the food industry including the likes of Unilever, Conagra, Danone, Lamb Weston and KraftHeinz. And among the food distributors, its list of clients includes Kroger, Safeway, Trader Joe's and Whole Foods.

I want to emphasize to you again the uniqueness of its business. Americold owns temperature-controlled, mission critical infrastructure and leases it to more than 2,400 different food manufacturers and grocers.

The company also provides the customary services necessary to properly preserve their goods and facilitate the movement from the point of manufacture through the supply chain to the point of consumer acquisition.

Here's an important stat: 96% of all the frozen food that you find in the grocery store comes through some company like Americold. The food manufacturers don't do this themselves, nor do they invest in that infrastructure. It's left to specialists like Americold.

I expect Americold to even build on its lead as number one in the sector. That will be good news for investors because of the growth in the refrigerated warehouse sector.

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Amgen (AMGN)

Mike Larson

Safe Money Report



*The biotechnology company **Amgen (AMGN)** — my more speculative favorite for 2020 — sells several different medical treatments, notes growth stock specialist **Mike Larson**, editor of [Safe Money Report](#).*

The firm's products include the infection-fighting drug Neulasta, migraine treatment Aimovig, cholesterol drug Repatha, rheumatoid arthritis drug Enbrel, and kidney therapy Sensipar. Enbrel is its biggest seller, at approximately 25% of sales, followed by Neulasta at 13%.

In the third quarter of 2019, Amgen posted adjusted net income of \$2.2 billion, or \$3.66 per share. That topped the average analyst forecast by 13 cents.

Revenue slipped 3% to \$5.7 billion. But that wasn't a surprise – and it was balanced by good news about strong “biosimilar” sales. Those are drugs Amgen sells that are relatively similar to competing products produced by rivals.

Amgen has also been active on the M&A front. It recently acquired the rights to Celgene's Otezla psoriasis drug for \$13.4 billion. That product generated around \$1.6 billion in sales last year.

Plus, Amgen announced plans to invest \$2.7 billion for a 20.5% stake in the Chinese biotechnology firm **BeiGene (BGNE)**. The deal will give Amgen's cancer drugs greater exposure to the Chinese market.

This will also allow the firm to profit if BeiGene's pipeline of molecularly targeted and immuno-oncology products prove to be effective and ready for commercialization.

Amgen earned an upgrade to “Buy” territory from our Weiss Ratings system in August 2019. The firm also pays a generous quarterly dividend of \$1.45 per share. That was good for an indicated yield of 2.7% in December 2019.

Furthermore, the shares broke out to a fresh all-time high on heavy volume late last year. And it goes without saying that biotechnology is not an industry affected by the vicissitudes of the U.S. economy. That makes this promising, relatively defensive pharma play a great addition to investor portfolios.

*(Editor's note: Last year, Mike Larson chose **Starbucks (SBUX)** as his Top Pick; the stock gained 37% last year and the advisor has since sold his shares.)*

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Anavex (AVXL)

Tom Bishop

BI Research



***Anavex (AVXL)** is a bio-pharmaceutical company that amazingly few know about, but those who do are passionate about, asserts **Tom Bishop**, an industry-leading small cap stock expert and editor of **BI Research**.*

Its lead drug is Anavex 2-73 (A2-73), an orally available drug with a clean safety profile that gives every indication so far of being highly effective against Alzheimer's disease.

I'll explain. Though there are 4 drugs approved, none of them really works beyond 6 months. It is currently in a 1-year, 450-patient Phase 2b/3 Alzheimer's trial that is halfway through enrollment. If successful, the company will file for provisional approval.

In Anavex's Phase 2a trial the high dosage of A2-73 cohort saw only a 3-point decline in ADL score (a normal score is about 70 or better) as compared to a 25 point decline (8 times the decline) in the low dosage group (that basically did not work so was effectively a placebo) at 148 weeks.

Same story with the Mini Mental State Exam (MMSE) score (perfect is 30, in this realm scores run below 26) where those taking the higher dose of Anavex 2-73 saw a drop of 1.1 in the MMSE score over two years vs. a drop of 4.4 in untreated patients.

This is phenomenal. Nothing on the market today can come even close to this and if the company can prove this in the Australian trial it will be on track to become the lead Alzheimer's drug in a market that is at least \$10 billion worldwide.

Proof of the pudding, 94% of those who have completed the current 1-year trial period are voluntarily continuing to take A2-73, and some (from the earlier Phase 2a trial) have continued for as much as 3 to 4 more years now. Sometimes that speaks louder than the hard data.

In addition, Anavex is currently wrapping up a Phase 2, 120-patient study with A2-73 for Parkinson's dementia and is working on three Phase 2 trials for Rett Syndrome, a devastating disease that strikes girls in infancy handicapping them severely in almost every function.

Data from these trials are expected in 2020. I could go on for pages. There are no guarantees on Wall Street, but I hope you will agree that the above at least stacks the odds in our favor.

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AT&T (T)

Ben Reynolds

Sure Dividends



Ben Reynolds chose **AT&T (T)** as his Top Pick for conservative investors in 2019; the stock is up 37% over the past year. The editor of **Sure Dividend** again turns to the telecom firm as a favorite for 2020.

AT&T dominates the U.S. telecom industry; the company has over 100 million customers, and generates over \$180 billion in annual revenue; it offers a variety of services including cable, Internet, and wireless phone, observes

It is a highly profitable company and has developed a reputation for consistent, if unspectacular, growth. However, we believe the massive \$81 billion acquisition of Time Warner will provide AT&T with compelling growth in 2020 and beyond.

AT&T is already a telecom giant and will become a giant in content as well. Time Warner owns multiple valuable content properties, such as CNN and HBO. Time Warner also owns the Warner Bros. movie studio and sports rights across the NFL, NBA, MLB, and NCAA.

AT&T recently updated its three-year financial targets. The company expects to grow its adjusted earnings per share by approximately 10% per year through 2022, at the midpoint of its earnings forecast.

It also expects free cash flow of \$30 billion to \$32 billion by 2022. Its high level of free cash flow will allow the company to pay down debt, invest in growth, and continue to reward shareholders with a high dividend payout.

We view AT&T as a significantly undervalued stock, trading for a price-to-earnings ratio just above 10. We see potential for a higher valuation multiple in 2020, due to the company's accelerating growth. In addition, AT&T has a 5.3% dividend yield, and the company has increased its dividend each year for 36 years in a row.

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Atrion (ATRI) and Upland Software (UPLD)

Peter Mantas

Logo LP



*Our investment goal is to find high-quality businesses that are priced below their intrinsic value; here are two that stand out as new ideas for 2020, notes money manager **Peter Mantas**, editor of [Logo, LP Blog](#).*

Atrion (ATRI)

The small cap maker of fluid pumps and medical devices is having a tough fourth quarter as trade deal concerns has made for a volatile period of time.

The company reported slowing growth last quarter (especially in Asia) which sent the stock tumbling. Currently, the stock is trading below 50, 100 and 200 moving day average and is well off highs.

With high ROIC (over 18% 5-year average) and a dividend increase of roughly 15% we think Atrion offers compelling value for the long term given the recent underperformance. We have initiated a position and will look to add on further weakness.

Upland Software (UPLD)

We think **Upland Software (UPLD)** is a compelling buy here. With the recent results we saw from **Enghouse Systems** (Toronto: [ENGH](#)), we think that fiscal 2020 will be a good year for the consolidators.

With a plethora of venture capital investments ending up as zombies (and more to come as capital becomes more disciplined), we think there is a robust pipeline in niche work management cloud companies (think software that tracks consumer sentiment when you call your telco to complain about your bill).

At 3.8x sales, 13x forward PE and 4.1x book, the company is not trading at a premium valuation considering it is a consolidator with rapidly growing revenue in a highly fragmented software market. We have initiated a position and will look to add on further weakness.

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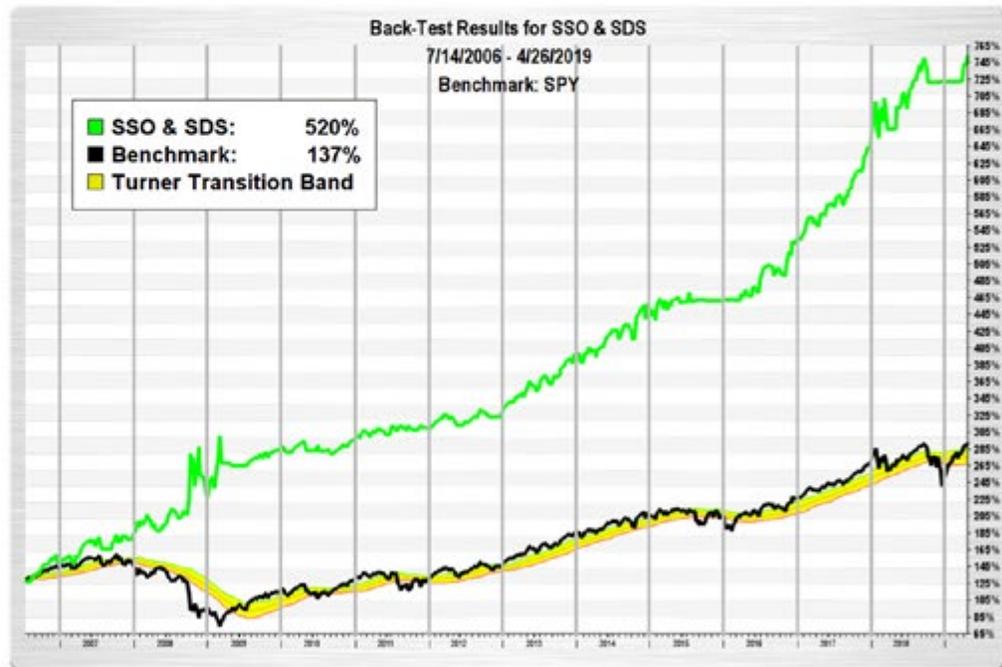
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Bank OZK (OZK)

Ben Reynolds

Sure Dividends



Bank OZK (OZK) is a top pick for income investors from the financial sector — where higher yields are difficult to find, suggests **Ben Reynolds**, dividend specialist and editor of [Sure Dividend](#).

Among the biggest U.S. bank stocks, many such as **JPMorgan Chase (JPM)**, **Citigroup (C)**, and **Bank of America (BAC)** have dividend yields between 2%-2.6%.

Bank OZK is a smaller regional bank, and it is a more attractive choice for income investors as it offers a 3.1% dividend yield.

It also offers very strong dividend growth — the company has increased its quarterly dividend in each of the last 37 quarters. The most recent quarterly dividend of \$0.25 per share was increased 19% from the same quarter last year.

Another advantage is that Bank OZK has more room to grow than the mega-cap bank stocks. Bank OZK has a market capitalization of \$4 billion. Its service territory mainly includes Florida, North Carolina, Georgia, Arkansas and Texas, but it also has locations in five other states.

Bank OZK has a very strong history of growth, compounding earnings at a 22% annual rate from 2009 to 2018. The bank has generated strong growth due to a combination of organic and acquired growth.

Even in a challenging environment for banks this year, with interest rates on the decline throughout 2019, Bank OZK has still generated growth. Over the first three quarters of 2019, diluted earnings per share increased 7.2% from the first nine months of 2018.

While valuations have increased across the financial sector, Bank OZK remains a modestly valued stock. Shares trade for a price-to-earnings ratio of 9.

We believe the valuation could expand in 2020, while earnings and dividend should continue to grow. As long as the U.S. economy avoids recession, Bank OZK could be among the top financial stocks to buy for 2020.

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Best Buy (BBY)

Mike Larson

Safe Money Report



*I'll admit it. I set foot in our local **Best Buy (BBY)** on 2019's Black Friday and the place was a madhouse! Is that anecdotal evidence? Sure, asserts **Mike Larson**, editor of [Safe Money Report](#).*

But what isn't anecdotal is the data showing Best Buy has found success carving out a profitable retailing niche — despite the best efforts of **Amazon (AMZN)**.

That's why I believe a stake in this electronics and appliances retailer makes sense for your Dynamic Income Portfolio. Let's start with the big picture: Best Buy provides the advice, guidance and expertise consumers need in today's increasingly complex marketplace for tech gear.

Best Buy has turned its formerly struggling business around by focusing on a "unique combination of tech and touch" (as a recent investor presentation put it). It provides in-home advisors who design connected home and home theatre solutions, services tech gear through its "Geek Squad" business, and much more.

You can't get that from Amazon. And that's why Best Buy is doing so well these days. Just look at the details from the firm's most recent quarterly earnings report:

- Net income in the fiscal third quarter that ended Nov. 2 climbed almost 6% to \$293 million, or \$1.10 per share, from \$277 million, or 99 cents per share, in the year earlier period.
- Adjusted for non-core items, per-share profit beat analyst estimates by a dime.
- Revenue rose 1.8% to \$9.76 billion from \$9.59 billion. Plus, the gains would've been even better if it weren't for the negative impact of currency fluctuations between the U.S. and Canadian dollars.

What else is worth noting? Best Buy bought back \$368 million in shares during the quarter. That brought year-to-date repurchases to almost \$1.1 billion.

The company also pays out 50 cents per share in quarterly dividends. That's good for an indicated yield of 2.5% at recent prices. It has grown that dividend at an annualized rate of more than 22% in the past half-decade.

Finally, BBY shares have earned a "Buy" grade from our Weiss Ratings system for the lion's share of the last few years. Consider it a solid play for 2020 and beyond.

*(Editor's note: Last year, Mike Larson chose **Starbucks (SBUX)** as his Top Pick; the stock gained 37% last year and the advisor has since sold his shares.)*

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BG Staffing (BGSF)

Jason Williams

Wealth Daily



BG Staffing (BGSF) is a top pick for conservative investors; it is part of an industry that I see growing for the next few decades — at least, suggests **Jason Williams**, growth stock expert and editor of **Wealth Daily**.

Temporary and contract positions in the U.S. workforce are expected to grow 23% faster than full-time positions for the next five years. And a trend is developing that will extend that growth, potentially forever.

You see, more and more businesses are turning to staffing companies to supply the talent they need to drive their businesses forward. And more and more employees are looking to contract work, too.

Companies like the flexibility that temporary staff offers. They're easy to hire and easy to fire. And when you're not sure what the future holds, that's a major benefit to hiring managers.

We're also getting close to full employment. And that makes it harder for companies to find top talent to fill their positions. And surprisingly, workers like the flexibility, too. They can often do the job from anywhere and work on their own time.

There are over 20,000 staffing companies in the U.S. But there are only one or two that operate nationwide. Most are small mom-and-pop operations hoping to fill a need and make a little cash on the side. But it's the big nation-wide ones that have the expertise and the deep talent pool major companies will be looking for.

And that's a big part of why I like BG Staffing so much. Staffing companies get hit harder than most at the onset of a recession. And the stock has been getting beaten down as if we're already in one. But pretty much all other signs point to a continued economic expansion.

That's a disconnect. And it's not going to last. BG Staffing can easily shoot back up to its all-time highs. And once it hits that level, its steadily growing revenues and best-in-class profit margins will keep shares climbing.

Speaking of recessions, another strong point for BGSF is the type of employee the company provides.

Not only does it help companies find laborers for light industrial work and technical employees for more skilled tasks (think IT and accounting), but it also helps fill the offices of apartment buildings and residential communities across the country.

So, while other staffing stocks are getting crushed in a recession, BG Staffing has a segment that will be growing as demand for apartments tends to grow when the economy is bad. And it's the company's biggest revenue-generating segment. That means, while we would see a pretty big drop to start, BGSF will recover earlier and faster than nearly any other stock on the market.

If I'm right and we're not heading for recession in 2020, then you've got the potential for at least 30% to 40% growth. And let's not forget that juicy (and well-covered) 6% dividend, too. This is definitely a stock you can buy and hold for a long time.

*(Editor's note: Jason Williams picked cannabis-focused REIT, **Innovative Industrial Properties (IIPR)** as his conservative top stock for 2019; the shares are up 70%. Jason explains, "IIPR started 2019 with 11 medical cannabis properties across the U.S. It's ending the year with 42. I still love it a year later. I can see it doubling or perhaps even tripling in the coming year.")*

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Boeing (BA)

Jon Markman

Strategic Advantage



Management at **Boeing (BA)** put stakeholders through a rough patch in 2019; I now consider the stock a top speculative idea for 2020, suggests growth stock specialist **Jon Markman**, editor of *Strategic Advantage*.

Nine months ago, the second of two 737 Max jetliners crashed, killing everyone aboard. The popular plane has been grounded since. Boeing shares have tumbled 20%. The weakness looks like a buying opportunity.

Making commercial aircraft is a unique business. To do it right, a company needs massive scale. Managers must have the latitude to ride the ups and downs, focusing on much longer product cycles.

Consequently, there are only two companies making commercial fleet aircraft: Boeing and Airbus, a European multinational corporation based in the Netherlands. The composition of the industry is important. Like it or not, it means Boeing really is too important to fail.

By most accounts, Boeing managers messed up big time. It looks like the 737 crashes were the result of a software glitch that caused the aircraft to stall on takeoff. The Max is an aerospace engineering oddity. The fourth generation 737 seats up to 230 passengers, a 27% bump over the classic design.

Yet larger CFM turbofan engines positioned ahead of the wing and other changes made it 14% more fuel efficient. Unfortunately, in some cases, the rejiggered avionics caused the nose of Max to lift unexpectedly on takeoffs. Software was supposed to fix this problem.

Grounding the 737 Max has certainly tarnished Boeing's reputation and hurt the commercial airplane business. The company announced Oct. 23 that financial costs to that point reached \$9.2 billion. But keep in mind, the Max is only one variant of the 737 product line. Over 10,000 737s have been produced, the first commercial jet to reach that milestone. And the 777x, due in 2021, is the largest product launch in commercial jetliner history.

The 777x is a long range, wide body jetliner with 2 new engines, composite wings and terrific fuel economy. It's the future of the company. Boeing analysts project that 75% of the existing fleet of 19,000 will be replaced in the next 20 years. A further increase of 56% will be needed to accommodate growth.

Meanwhile, the company other businesses are fine. Boeing Defense, Space and Security operates on a global scale. BDS is expected to post 2019 sales between \$26.5 billion and \$27.5 billion on the strength of rising defense budgets.

Boeing Global Services, the company's global parts supplier, should have 2019 sales of between \$18.5 billion and \$19.0 billion. Gross margins are pegged in excess of 15%. Apparently, keeping all of those older 737s in the sky is a great business that keeps on giving.

Investors are worrying too much about one piece of Boeing's business. In December the company fired Dennis Muilenburg, its chief executive. A fresh set of eyes will refocus investors on the parts of the business that matter most going forward. Shares will seem cheap.

Boeing shares trade at 18.8x forward earnings and only 2x sales. Given where the sector is headed, and the importance of Boeing, that is cheap. The market cap, currently \$189 billion, could reach \$273 billion in 12 months, a 44% increase.

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Boeing (BA)

Jim Powell

Global Changes & Opportunities Report



*I think 2020 will be much more challenging year for investors than 2019. If my analysis is correct, we will have disruptive innovations coupled with serious political, economic, and investment volatility, cautions **Jim Powell**, editor of [Global Changes & Opportunities Report](#).*

My top pick for 2020 for risk-oriented investors is **Boeing (BA)** — a blue chip fallen angel that is America's leading commercial aircraft manufacturer, and our biggest exporter.

As most readers may know, Boeing ran into trouble when its popular 737 Max aircraft recently suffered two crashes with multiple fatalities. In the aftermath, almost 500 "Maxes" were grounded throughout the world and have yet to be recertified for use.

On December 16, the FAA announced that the 737 Max recertification has been pushed back again. On the same day, Boeing announced that it would suspend 737 Max production in January. Industry insiders believe recertification may not happen until March 2020.

At the same time, the pressure from airlines who want their 737 Max aircraft put back in service is growing. The aircraft is so fuel efficient and profitable, the airlines that invested heavily in them want the safety problem fixed ASAP and the planes put back in the air.

Other airlines that ordered 737s want the aircraft recertified so that their orders can be filled. The economic — and political — pressure on the FAA and Boeing to get the job done is enormous — and it's growing.

Meanwhile, Boeing is taking some costly hits from the 737 Max crashes. Many lawsuits have been filed by the families of the passengers who were killed. Airlines with grounded aircraft are seeking relief for the losses they are suffering.

At the first indication that the innovative 737 Max is about to be recertified, I think Boeing's stock will soar. The stock was appreciating strongly before the troubles began. The up-trend suggests that Boeing will do more than just recover from the 737 Max problem — it should resume its upwards course. If you wish to ride along, you must be onboard ahead of time.

Meanwhile, on December 23, Boeing's Board of Directors replaced the company's efficient, but cool, Chief Executive, Dennis Mullenburg, with the much more empathetic David Calhoun, the current Board chairman.

The shakeup should help Boeing rebuild the confidence of travelers, improve its image in the airline industry, and rebuild its relations with the FAA. The change should be a long-term benefit for Boeing — and its investors.

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Bristol-Myers Squibb (BMY)

Chuck Carlson

DRIP Investor



*With politicians on both sides of the aisle calling for drug price controls, and a number of the Democratic candidates calling for “Medicare for all,” it has been a challenging environment for a host of medical sectors, suggests income expert **Chuck Carlson**, editor of [DRIP Investor](#).*

However, you can often find good value in such segments, and **Bristol-Myers Squibb (BMY)** is a shining example of that value. The stock is a Top Pick recommendation for total return.

Bristol-Myers Squibb has a number of factors in its favor, not the least of which is solid revenue and earnings growth potential over the next 12 months, an attractive dividend yield of nearly 3%, and a potential kicker in its recent acquisition of Celgene.

Bristol-Myers Squibb is a leading provider of pharmaceuticals. Leading brands include *Opdivo, Eliquis, Plavix, Orencia, and Yervoy*. Revenues will grow sharply with the addition of Celgene.

The addition of Celgene will push annual revenues over \$40 billion and give the combined company the number one position in oncology and cardiovascular drugs. Celgene will bring onboard a decent new-product pipeline, which increases the opportunities for finding the next blockbuster drug.

Bristol-Myers Squibb shares trade for just 10 times the 2020 earnings estimate, so investors aren't paying much for the expected growth.

Bristol-Myers is taking on a big chunk of debt to pay for the Celgene deal. Despite the increased debt load, the company just raised its dividend approximately 10%, indicating the firm is fairly confident in its future.

Bristol-Myers stock traded in the low \$70s in 2018 and was a \$77 stock as recently as 2016. I think expected appreciation in the 10%-15% range plus a nearly 3% dividend yield sets up for a nice total return in 2020.

The stock has shown much better price action in recent months, and I expect these shares to outperform the market over the next year. Please note Bristol-Myers Squibb offers a direct-purchase plan whereby any investor may buy the first share and every share directly from the company.

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Brookfield Renewable Partners (BEP)

Gordon Pape

Internet Wealth Builder



Last year, **Gordon Pape**, editor of *Internet Wealth Builder*, selected Canada-based info tech firm **CGI, Inc. (GIB)** as his Top Pick for conservative investors. The shares rose 37%. This year, he turns to an idea in the renewable space.

Renewable energy is suddenly a hot item with investors and the sector we turn to for our favorite conservative investment idea for the coming year.

Brookfield Renewable Partners (BEP) — a Bermuda-based limited partnership — is one of the global leaders in the field with a portfolio that consists of over 18,000 MW of capacity and 5,253 generating facilities in North America, South America, Europe and Asia.

It has almost 900 generating facilities in North America, South America, Europe and Asia. The majority of the assets (75%) are in hydroelectric power. Brookfield Renewable Partners also operates wind, solar, distributed generation, and storage facilities.

The investment objective is to deliver long-term annualized total returns of 12%–15%, including annual distribution increases of 5–9% from organic cash flow growth and project development.

The price moved sharply higher recently after the partnership announced plans for a more tax-efficient spin-off, that will result in investors receiving one share of the new entity for every four units of the partnership they own – effectively a tax-free share split. The new company will be listed on the Toronto and New York stock exchanges. Brookfield expects to complete the process in the first half of 2020.

The class A shares will be structured with the intention of providing an economic return equivalent to the partnership units, including identical distributions, and will be exchangeable, at the shareholder's option, for one BEP unit. This is a long-term growth story with an excellent 4.5 per cent yield.

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CAE Inc. (CAE)

Tony Daltorio

Growth Stock Confidential



In 2017, **Boeing (BA)** released a study that estimated that the world's airlines would need about 637,000 new pilots over the next two decades to meet demand, explains **Tony Daltorio**, editor of **Growth Stock Confidential**.

That works out to be 87 new pilots entering the commercial ranks every day for the next 20 years! About 40% of that number will be needed just to replace the pilots globally that will be retiring over the next 20 years.

The remaining 60% will be needed to cover all the additional flying airlines are expected to do over the next 20 years.

Another study, conducted by the International Civil Aviation Organization, found that the global airline industry will need 980,000 pilots in 2030, more than double the level of 2010. The situation is even more dire in Asia (led by China), which will require another 230,000 pilots by 2030, more than quadruple the 2010 number.

Bottom line: to meet the needs of the air travel industry will require the training of 50,000 pilots worldwide annually! That's where **CAE Inc. (CAE)** comes in. It has the broadest global presence in the industry, with over 160 sites and training locations in over 35 countries.

CAE has the world's largest civil aviation training network with over 50 training locations, more than 250 full flight simulators, over 2000 instructors and more than 160 aircraft.

And while CAE is a market leader in civil aviation training, it addresses less than a third of what the company estimates to be a \$3.5 billion training market.

It says that 50% of the commercial pilots that will be active in 2027 have not begun training yet. CAE predicts there will be a need for 180,000 new captains and 250,000 new first officers over the next decade.

That demand makes for a smooth glide path for CAE. I consider the stock a top pick for conservative investors over the coming year.

*(Editor's note: Last year, Tony Daltorio chose **Innovative Industrial Properties (IIPR)** as his Top Pick; it has risen 66%. He explains, "The marijuana industry has developed much more slowly than expected, forcing some firms to sell their real estate to fund operations. Buying up some of this real estate on the cheap has been IIPR. As the pot industry does develop, this REIT will be there waiting to rent out all this space.")*

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Canada Goose (GOOS)

Matthew Timpane

Schaeffer's Investment Research



*The shares of outwear specialist **Canada Goose (GOOS)** could be set to make a major turnaround after choppy trading in 2019, asserts **Matthew Timpane**, senior market strategist for **Schaeffer's Investment Research**.*

Starting on the charts, GOOS has recently found a home near the \$35-\$36 area, which is roughly half the stock's all-time high. This region also equates to about three times the stock's initial public offering price (IPO) from 2017 and is the site of the early 2018 highs.

Beyond that, we can call out a trendline connecting higher lows for Canada Goose since June, along with a year-long symmetrical triangle pattern that looks overdone. Considering the bearish sentiment setup on the retail concern that we'll soon dive into, we would expect this technical phenomenon to resolve to the upside.

Overall, the convergence of all these non-trivial price points near GOOS's current trading position seems to be pointing to a solid entry point for bulls.

But as we alluded to, the overly bearish stance seen from traders and analysts is what really makes Canada Goose stand out on our contrarian radar.

Take the short interest levels surrounding the stock. The number of shorted shares hit an all-time high in mid-November and has started to roll over -- but close to 30% of the total float remains dedicated to short interest, making the retailer a prime short-squeeze candidate.

Bears are prevalent in the options pits, as well. In fact, the security's 10-day put/call open interest ratio at the major options exchanges is at an annual high of 3.40 as of this writing, underscoring the pessimism surrounding the stock.

With many analysts also still sitting with bearish views, there's potential for a shift in sentiment from speculators and analysts to also spark upside in GOOS.

As for the fundamentals, the company looks to be making the proper moves to compete in the current world of retail. Maybe most importantly, it's expected to see growth of 20%-30% in its direct-to-consumer business, which should help gross margins as it moves away from wholesale.

As part of this transition, it's set to nearly double its physical store presence in 2020, while it's also planning a strong push into footwear that will give it another product category for growth potential.

Given this well-rounded setup for Canada Goose, we're looking for a move up to \$52.50 for the stock, with additional upside possible to the \$57.50 region — a more than 50% move.

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Canadian National Railway (CNI)

Ingrid Hendershot

Hendershot Investments



Having celebrated its 100th birthday in 2019, **Canadian National Railway (CNI)** has become a major transportation and logistics company with a network that reaches from the Pacific to the Atlantic to the Gulf of Mexico, notes **Ingrid Hendershot**, value expert, money manager and editor of [**Hendershot Investments**](#).

Operating the largest rail network in Canada and the only transcontinental network in North America, the company serves close to 75% of the U.S. population and all major Canadian markets. CNI carries more than 300 million tons of cargo for exporters, importers, retailers, farmers and manufacturers.

Canadian National Railway leads the North American rail industry in terms of efficiency and operating margins. Scheduled Railroad and Supply Chain Collaboration Agreements with ports, terminal operators and customers helps Canadian National Railway drive efficiencies across the entire supply chain.

With a business model focused on cost efficiency and asset utilization, the firm generates highly profitable operations. Net profit margins have approximated 26% or better over the last five years. Over the same time period, the company has invested nearly \$14 billion in capital expenditures to expand their network and build for the future.

Canadian National is committed to long-term shareholder value creation through strong financial performance, dividend payments and share repurchases. The railroad is loaded with strong free cash flows, which have totaled more than \$12 billion over the last five years.

The firm has boosted its dividend for 23 straight years with the dividend compounding at a 16% annual growth rate since 1995. In addition, Canadian National Railway has repurchased C\$9 billion of its common stock over the last five years.

Long-term investors should hop aboard Canadian National Railway, a high-quality industry leader generating solid growth and profitable operations while also rewarding shareholders with growing dividends and share buybacks.

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Centene (CNC)

Dr. Joe Duarte

In the Money Options



*In 2019, Dr. Joe Duarte, editor of [In the Money Options](#), selected **Texas Instruments (TXN)** as his Top Pick; the stock has risen 37%. He now highlights a healthcare insurer as a favorite conservative idea for the coming year.*

The healthcare sector has the potential to be among the most pleasant surprises for 2020; **Centene Corp. (CNC)** is a low profile health insurer with high gain potential.

Centene has long been a sector and market laggard compared to industry giants such as **UnitedHealth (UNH)**; the stock is now poised to power higher in 2020.

The stock gathered some steam in late 2019 after it had been beaten down for most of the year due to election season talk of "Medicare for All," and some merger related issues.

Yet, even as the stock was struggling, management continued to move on its business plan and they delivered some good news in early November as Centene won a big West Texas Medicaid contract in 2020 as the state of Texas terminated its arrangement with its rival **Molina (MOH)**.

The new contract will cover two new regions for the company and broadens the company's already existing seven contracts in the state. Furthermore, West Texas has a large Medicaid population and the contract is expected to be profitable in the short term given the number of covered members.

Moreover, if there is a decline in the West Texas oil boom, the potential for an increase in Centene's services will likely increase, a factor which could positively impact both the top and bottom lines.

As usual, it's important to keep a market perspective on any shares owned. Yet, the company seems to be in the early stages of what could be a sizable turnaround. I would recommend an 8%-10% sell stop. For disclosure, I own the stock as of late December 2019.

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Chart Industries (GTLS)

Crista Huff

Cabot Undervalued Stocks Advisor



Chart Industries (GTLS) — my Top growth stock for the coming year — is a leading independent global manufacturer of highly engineered equipment serving multiple market applications in energy and industrial gas, asserts **Crista Huff**, editor of [Cabot Undervalued Stocks Advisor](#).

The company is actively growing its global presence and revenue with operations in the U.S., Europe, Asia, Australia and Latin America.

In listening to the webcast of the company's November 2019 Investor Presentation, it becomes clear that Chart Industries is focused on business expansion and efficiency, people and safety, cutting wasteful costs and making acquisitions that enhance current operations.

The firm's webcast delivered one of the most impressive corporate presentations I've ever heard. Chart has no direct peers, offering turnkey solutions with a much more broad set of product offerings than other industry participants.

Revenue has been growing aggressively since 2017. Consensus estimates point to 2020 revenue and EPS growing 23% and 75.5%, respectively, while the 2020 P/E is very low at 13.2. Clearly, the investment community has not caught on to Chart's expertise and success.

GTLS is a small-cap stock with significant institutional ownership. The share price declined in 2019, and is now rebounding, with over 40% upside as GTLS aims to retrace its 2019 high of \$95.

*(Editor's note: Last year, Crista Huff had two big winners. **Apollo Global Management (APO)** was up 103% and Crista suggests that investors exit their positions. **Sleep Number (SNBR)**, rose 53% and Huff says, "While the numbers at SNBR no longer support an aggressive growth outlook, this volatile stock should continue to offer a capital gain opportunity in 2020.)*

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Chewy (CHWY)

Hilary Kramer

IPO Edge



Chewy (CHWY) — my top pick for aggressive investing — is a pet food phenomenon, suggests growth stock expert **Hilary Kramer**, editor of the specialty advisory service, **IPO Edge**.

My channel checks in many U.S. cities reveal box after box delivered in affluent neighborhoods, sometimes on every doorstep.

I've been a fan of the company since its June IPO but at the time the drag on the stock was simply too intense to reward anything but a long-term mentality.

After all, while CHWY only priced at \$22, only early stage investors and the lucky were able to get in below \$35 on the first day. Those who chased the hot deal from there might have bought in above \$40.

All of those investors have had to suffer through six months of selling and ridicule. Some of them had to hang on through as much as a 45 percent paper loss and are still deep underwater today.

We weren't them. Once I saw the way the wind of sentiment was blowing, we kept our powder dry and waited for CHWY to print a clear bottom. I think it's here now.

For one thing, the lock-up period keeping insiders from selling has now expired as of today. They're not dumping their company stock at this level. They're evidently holding on for better days ahead.

I agree. After all, quarterly performance remains solid. The company is automatically shipping \$865 million a quarter in pet food and other subscription-based products, and that end of the business is growing 49 percent a year.

Automated billing is great. When consumers get locked into a habit, it's hard to get them to change. And as long as the account is open, Chewy has an open window to upsell each household to put a little more in those blue-labelled boxes.

Pet medicine is becoming a big deal here. Those prescriptions are relatively expensive, and they need to be administered regularly, sometimes over long periods. This side of the product universe is already profitable for the company and could ultimately boost margins about 5 percentage points.

That's a big deal, theoretically enough to take CHWY to breakeven faster than I hoped. And in that scenario, this is no dot-com flash in the pan, but a sustainable business that can go head to head with Amazon and Walmart in online retail.

After all, it's still expanding fast. Customer growth is tracking above 30 percent a year. All it takes to accelerate that growth rate is a little relief on the margins freeing up cash to pour back into advertising.

CHWY can go as far as management chooses to reach. After that, in the Jeff Bezos model, it's time to consider profitability. Fed fear was also a factor. I didn't want to buy before I saw that Jay Powell wasn't going to break the market's nerve. We're clear there now.

But the last factor that turned this stock into a buy for us has a lot of room to go from here. People who mocked the company bet big against it. A staggering 30 percent of the CHWY float is tied up in short-selling obligations. Those short contracts are unwinding messily now.

They recognize that the stock has gone down as far as it can, at least for the foreseeable future. Remember, insiders aren't dumping. And there's a lot of room left for cautious investors to make money on the upswing.

There's plenty of historical upside left to capture before CHWY even tests its post-IPO peak. We weren't able to get one share of CHWY below \$30 back in June. Now we can accumulate up to that price. But as always, don't chase the action. Once you get a taste, feel free to wait for dips.

(Editor's note: In last year's report Hilary Kramer picked Ultimate Software as her Top Pick for 2019; the company was acquired in May, for a 35% gain.)

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Cisco Systems (CSCO)

Zach Jonson

Stack Financial Management



*Known as the worldwide leader in networking equipment, **Cisco Systems (CSCO)** designs and sells a broad range of technologies that help their customers provide a highly secure and intelligent platform for digital business, notes **Zach Jonson**, CFA and senior portfolio manager at [Stack Financial Management](#).*

Over the last few years, CSCO has set out to reinvent IT architectures to help customers simplify the ever-changing technology landscape. In doing so, they are focusing on six core elements: applications, data, security, cloud, infrastructure, and teams.

These six core elements add value as more and more business migrate from an internal network structure to private, hybrid, and even multi-cloud environments.

While the internal business transition has gone well, CSCO has seen a decline in overall demand due to uncertainty created by global macroeconomic weakness. However, we feel this near-term decline presents an excellent opportunity for investors to own a company that is well positioned for future growth.

As the dominant supplier of routers, switches, and data center products, CSCO maintains a strong core business as a networking vendor. In the meantime, CSCO has shifted their focus towards innovation and becoming a more software-centric firm.

In fact, the company aims to deliver approximately 50% of sales from software and services by 2020. This shift towards a recurring stream of revenue will help insulate CSCO from changes in the macroeconomic environment.

From a valuation standpoint, CSCO trades at a forward P/E of approximately 14.5 times which is right in line with long-term historical averages. While the communications equipment industry tends to trade at a discount to the broad Information Technology sector, we believe CSCO's high quality balance sheet and 3% dividend yield justifies a much higher multiple.

At Stack Financial Management, we analyze stocks using four key factors: Value, Growth, Quality, and Technical. Utilizing these four components, we create a proprietary score which ranks stocks on a relative basis. Cisco's ranks high due to its attractive value characteristics, strong quality score, and forward growth prospects.

While the Technology sector as a whole has been dominated by high growth internet-based names, CSCO represents a true conservative growth opportunity trading at a discount to its intrinsic value. *(Disclosure: Clients and individuals associated with Stack Financial Management hold positions in and may, from time to time, make purchases or sales of this security.)*

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Cisco Systems (CSCO)

Chris Quigley

The Prudent Speculator



Chris Quigley — contributing editor to [The Prudent Speculator](#) — selected **Target (TGT)** as his Top Pick for last year; he still considers the stock attractively valued, but given the 100%+ gain, he now highlights a technology idea for more conservative investors.

Cisco Systems (CSCO) is a tech powerhouse that specializes in Internet Protocol (IP)-based networking equipment for professional, telecom provider and residential use.

While shares rose strongly in the first seven months of 2019, the stock faded in the back half of the year. CSCO faced global macro pressures that resulted in weaker-than-expected EPS guidance for fiscal 2020 and pedestrian revenue growth.

These headwinds, plus competitive challenges coming primarily from **Broadcom (AVGO)** — another one of our holdings — caused CSCO to alter its course and open its chip portfolio to third-party development.

CSCO announced the move in December, saying that it will start supplying chips to major data center operators, regardless of a customer's choice for networking machines. That is a significant change, as previous CSCO policy was for the company's chips to be included only with its own networking equipment.

The company said via press release, "Cisco's new flexible business models will allow customers to consume solutions as they see fit. Some will buy the Series 8000 systems, others will subscribe to the software and perhaps run it on their own hardware. Still others will do something that's a departure for Cisco."

We like the added flexibility and believe that the competition for 5G-related hardware and software is both a significant opportunity to gain and a significant opportunity to lose.

We also like the strong balance sheet and believe that shares are still inexpensive, with forward earnings projections of at least \$3.25 each of the next three years, a forward P/E ratio of 15 and solid yield near 3%.

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Comerica (CMA)

Chris Quigley

The Prudent Speculator



*Chris Quigley — contributing editor to [The Prudent Speculator](#) — selected **Target (TGT)** as his Top Pick for last year; he still considers the stock attractively valued, but given the 100%+ gain, he now looks to a regional bank for risk-oriented investors.*

Shares of regional banking concern **Comerica (CMA)** trailed the S&P 500 Financials sector index in 2019, after the company struggled with charge-offs related to its energy portfolio and lower interest rates.

CMA CEO Curtis C. Farmer explained last quarter, “Throughout our 170-year history, we have managed through many different economic, credit and interest rate cycles. Our third quarter results demonstrate our ability to drive a strong return on equity of 16% and a return on assets of 1.6%, despite recent declines in interest rates.”

Farmer continues, “Broad-based fee income growth, solid credit quality, the benefit of discrete tax adjustments and continued active capital management were positive contributors to our performance. In addition, our careful cost control helped keep our efficiency ratio low at under 52%. We remain focused on building relationships within our diverse footprint and maintaining our credit and expense discipline in order to continue to produce strong performance metrics.”

Despite having what we think is one of the most attractive deposit franchises, CMA continues to face operational headwinds as the potential for another interest rate cut by the Federal Reserve remains likely in the early part of 2020. CMA is more sensitive to falling rates than many banks due to a large portion of its loan portfolio being made up of adjustable rate loans.

We think that in a “Bear” case, shareholders will get a near-4.0% yield with consistent earnings around \$7.00 per share, not bad for a \$71 stock. On the other hand, continued macroeconomic strength that results in the Federal Reserve returning to a less accommodative monetary policy could send CMA soaring.

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ConocoPhillips (COP)

Robert Rapier

Investing Daily's Utility Forecaster



*Since the oil price downturn in 2014, the energy sector has mostly been in a bear market. There are some fundamental reasons for energy's decline, and some psychological ones, observes **Robert Rapier**, editor of Investing Daily's [Utility Forecaster](#).*

From a fundamental perspective, oil and gas prices today are much lower than they were a decade ago. Thus, investor sentiment for the energy industry is decidedly negative.

But one company has risen above its peers since the energy bear market began. That company is also poised to outperform once the bear market ends.

I am speaking of **ConocoPhillips (COP)**. Today ConocoPhillips is the world's largest publicly traded, pure oil and gas producer. Because the roots of Conoco and Phillips date back over 100 years, the company has experienced numerous oil booms and busts.

As a result, ConocoPhillips has adopted a far more fiscally responsible approach to driller than many of its competitors. When oil prices declined, the company took defensive measures. It sold assets, paid down debt, cut its dividend, and put itself in a position to profit in an era in which oil prices might be \$50 a barrel.

The result has been a steady increase in the company's cash flow. Since 2015, cash flow has increased each year. In fact, today ConocoPhillips is generating more cash flow with oil prices in the \$50s than it was in 2013 when oil prices were over \$100.

In November, the company release third quarter earnings that were outstanding. While many peers struggled, ConocoPhillips reported:

- Free cash flow generation of \$1 billion.
- Repurchased \$750 million of shares and paid \$340 million in dividends representing a return of 41% of cash from operations to shareholders.
- Q3 production (excluding Libya) of 1.3 million barrels of oil equivalent/day, which represented an increase of 7% year-over-year
- Announced a 38% increase in the quarterly dividend to \$0.42/share, and \$3.0 billion in planned 2020 share repurchases (~5% of the current market cap).
- Ended the quarter with \$8.4 billion of ending cash and short-term investments.

ConocoPhillips has been a shareholder friendly, cash generation machine despite oil prices that remain below \$60. Also, in November the company held an Analysts and Investors Meeting at which they unveiled a 10-year strategic plan.

Net debt is a quarter of what it was just three years ago, but the company has increased by 50% its oil and gas resource that breaks even at a \$40 WTI price. No other independent oil and gas producer can come close to these financial measures.

Over the next decade, the company projects that it will generate about \$50 billion in free cash flow if oil prices remain at \$50/bbl. The company's top stated priority is to maintain production and pay its dividend. Just behind that is annual dividend growth, while returning 30% of cash from operations to investors.

The company projects a total return to shareholders through dividends and share buybacks over the next decade of \$50 billion. This is substantial, given the current market cap of \$65 billion. This bear market in oil won't last forever. But ConocoPhillips is built to survive it and thrive once it ends.

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Corning (GLW)

Jim Pearce

Investing Daily's Personal Finance



*Since I have modest expectations for the overall stock market in 2020, I will be satisfied with a stock that delivers a solid double-digit total return (capital appreciation plus dividends), suggests **Jim Pearce**, editor of Investing Daily's [Personal Finance](#).*

At the same time, I would prefer a stock that increases steadily in value throughout the year instead of one that gyrates wildly. I would also like a company with strong business partners that sells a product currently in high demand.

For those reasons, I have chosen **Corning (GLW)** as my one growth stock to own in 2020. The company formerly known as Corning Glassware was founded in 1851 as a maker of industrial grade glass. Since then it has evolved into a quasi-tech company given the level of sophistication in many of its products.

Corning is poised to capitalize from increased 5G spending no matter which direction it goes. Last October, the company announced a strategic collaboration with **Intel (INTC)** to provide 5G infrastructure in commercial office buildings using a type of high-speed fiber optic material manufactured by Corning.

In addition to Intel, Corning has a strong corporate partner in **Apple (AAPL)**. In September, Apple made a \$250 million investment from its Advanced Manufacturing Fund to Corning for glass used in the iPhone, Apple Watch, and iPad. That amount is on top of a \$200 million infusion Apple made last year to Corning.

The upshot of all those developments is that Corning should post sales results next year that catch the stock market by surprise. I believe the trading algorithms that extrapolate recent results into the future are underestimating how quickly Corning will be able to grow earnings over the next several quarters.

Corning is valued at 15 times forward earnings compared to a multiple of 19 for the S&P 500 Index. However, I suspect the company is lowballing its earnings guidance for 2020 to keep expectations modest, so a more accurate forward price-to-earnings ratio may be closer to 13.

If my hunch proves correct, I expect GLW to rise back up to \$34 by the end of next year. Combined with its 2.8% dividend yield, that works out to a total return of 20%, which should make Corning a market-beating growth stock in 2020.

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CurrencyShares British Pound Sterling Trust (FXB)

Omar Ayales

Gold Charts R Us



*Our Top Pick for conservative investors is an exchange-traded fund that benefits from a rise in the British Pound — **CurrencyShares British Pound Sterling Trust (FXB)**, notes **Omar Ayales**, chief trading strategist for [Gold Charts R Us](#).*

For the past 3 years, Brexit woes have put downside pressure on the pound. Uncertainty regarding the U.K.'s decision to leave the union and what may come from it were keeping investors at bay, waiting for 'smoke signals' of any sort before making financial commitments.

The recent landslide win by the Conservative party in the U.K. not only guarantees a swift Brexit, but it also allows the U.K. to take advantage of momentum and restructure its country to allow for stronger unshackled growth, trying to emulate the economic growth success story the U.S. has shown since the conservatives took over the political landscape in Jan 2017.

Consider that the U.K. is not only in a position to redefine its political spectrum, but it's also a country with sound fiscal discipline, manageable debt load and lower budget deficits which could get slashed without union expenses.

The British Pound is positioned to be the strongest currency in 2020. I'm selling some U.S. dollar for some pounds. For conservative investors seeking to benefit from the strength of the British Pound, my Top Pick recommendation is the CurrencyShares British Pound Sterling Trust.

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Delta Air Lines (DAL)

Joe Laszewski

Stack Financial Management



Delta Air Lines, Inc. (DAL) is a primary international airline that provides service to every major domestic and international market, suggests **Joe Laszewski**, CFA, CPA and senior portfolio manager at [Stack Financial Management](#).

Although they are one of the world's largest airlines as measured by traffic, revenue from the U.S. accounts for roughly 70% of total revenue and is growing by more than 7% year-over-year. From a branding standpoint, DAL has done an outstanding job of positioning themselves as a premium airline and shifting their focus towards experience, brand loyalty, reliability, and service.

Delta is viewed as a premium brand within the industry and is considered by many to be the best run airline. DAL's focus is on margin improvement through operating efficiency and long-term cost management.

Specifically, Delta is improving margins and lowering per unit fuel costs by retiring low-seat aircrafts in order to simplify their fleet and increase traffic on larger narrow-body aircrafts. DAL has also been able to improve efficiency and grow revenue by shifting their pricing mix to focus on more premium cabin seating options.

The company's ability to improve operating efficiency is evident through the notable increase in two key industry metrics — Passenger Revenue per Available Seat Mile (PRASM), and Average fare per passenger mile (Yield).

While the airline industry has its share of risks, valuation metrics provide ample upside opportunity. Highlighting its best of breed nature, DAL produces above average margins when compared to peers.

While this comes at a price, the relative valuation premium to peers is small considering their consistently superior profitability and premium brand. Trading at a trailing P/E of 8.4 and a dividend yield of approximately 2.7%, DAL presents a unique value opportunity today.

At Stack Financial Management, we analyze stocks using four key factors: Value, Growth, Quality, and Technical. Utilizing these four components, we create a proprietary score which ranks stocks on a relative basis. Delta Airlines ranks high today primarily due to its attractive value characteristics, while still offering strong scores for both quality and growth.

Fleet modernization, fare segmentation, and cost control give us confidence that DAL can continue to grow earnings even if global economic growth rates remain soft. *(Note: Clients and individuals associated with Stack Financial Management hold positions in and may, from time to time, make purchases or sales of, this security.)*

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Descartes Systems Group (DSGX)

Gordon Pape

Internet Wealth Builder



Descartes Systems Group (DSGX) provides on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses, explains **Gordon Pape**, editor of [Internet Wealth Builder](#).

Its headquarters are in Ontario and it has offices and partners around the world. Customers use its solutions to route, schedule, track, and measure delivery resources; file customs and security documents for imports and exports; and complete numerous other logistics processes.

This information is especially important to importers and exporters during this time of global trade tensions and changing tariff structures.

Increasing demand for the company's services pushed up the share price by about 60 per cent in 2019 but given the uncertainty in global trade markets and the need for up-to-the-minute data I am looking for more upside in 2020.

In December, the company released its financial results for the third quarter of fiscal 2020 (to Oct. 31). For the first nine months of the fiscal year, Descartes reported revenue of \$241.6 million, up from \$204.1 million in fiscal 2019.

Income from operations was \$38.7 million compared to \$30.7 million last year. Net income was \$25.6 million (\$0.31 per share), a modest improvement from \$23.4 million (\$0.30 a share) the year before.

The company continues to grow by acquisition. Last August, Descartes acquired BestTransport, a cloud-based transportation management system provider focused on flatbed-intensive manufacturers and distributors.

World trade disputes and tariff wars should continue to fuel demand for Descartes' software solutions, which provide up-to-date information required by importers and exporters. We rate the stock a buy.

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Discover Financial Services (DFS)

Stephen Biggar

Argus Research



Stephen Biggar — senior analyst at [Argus Research](#) — chose **PayPal (PYPL)** as his Top Pick last year; the stock rose 28% and continues to earn his buy rating. For the new year, he favors a leader in the credit card market.

Discover Financial Services (DFS) is a direct banking and payments network company; the company pioneered cash-rewards credit cards.

The network business consists of the Discover Network; PULSE, one of the nation's leading ATM/debit networks; and Diners Club International, a global payments network. Discover also offers personal loans, student loans, online savings accounts, money market accounts, and CDs.

International expansion remains a significant opportunity for Discover, as its domestic credit card portfolio still accounts for 80% of average earning assets. In terms of loan growth, credit quality, and ROA, Discover has outperformed most of its major card peers in recent quarters.

Where Discover has competed in the higher-rewards space, it has done so in lucrative areas. These include a travel rewards card targeting prime credit customers that hold a monthly balance.

The remainder of the lending mix consists of private student loans and personal loans, but at about 20% of the total, these products have not yet had a strong influence on balance sheet growth.

We expect credit cards to be the strongest driver of loan growth, aided by positive macroeconomic factors, including healthy employment and wage growth.

Based on current EPS growth and a still favorable credit cycle, we believe that multiples on leading credit card companies have room to improve. Discover's dividend yield of 2.2% adds to the investment case.

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Disney (DIS)

Timothy Lutts

Cabot Stock of the Week



Everyone knows **Disney (DIS)**, which is our Top Pick for conservative investors; the blue chip company is famous for its theme parks, movie brands and various media properties, suggests **Timothy Lutts**, editor of [Cabot Stock of the Week](#).

The stock also offers a dividend of 1.2%. But the real driver of Disney today is the firm's online properties — and the big attraction today is Disney+, the recently launched streaming platform.

Disney+ contains all of the company's films (including Pixar, Marvel and *Star Wars*), myriad TV shows (including *The Simpsons* and various National Geographic and Disney Channel shows) plus some original content; *The Mandalorian*, a new *Star Wars* series, is the most streamed show in the U.S.

Plus, the company controls Hulu and ESPN+, both of which are being offered in a package with Disney+ (just \$13 a month for all three).

The stock broke out of a four-year consolidation in the spring when the plans and forecasts for Disney+ were announced, and the stock had a decent run after that. But then it fell into a correction in August and September, falling back to its breakout level and its 40-week moving average.

However, when Disney+ was launched, that brought the buyers back in; the stock rallied seven weeks in a row to new highs before easing into December. I think DIS is a good buy right around here as it gathers strength for its next move higher.

*(Editor's note: Tim Lutts' Top Pick for speculative investors in 2019 was **Innovative Industrial Properties (IIPR)** — a REIT in the cannabis sector. The stock rose 73% last year and he continues to recommend the stock for those seeking relatively low risk exposure to the cannabis industry.)*

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Disney (DIS)

Bryan Perry
Cash Machine



*Of the major media stocks taking center stage this year, **Disney Co. (DIS)** stands to march higher following the acquisition of Fox and the recently announced launch of its subscription streaming service, observes **Bryan Perry**, growth and income expert and editor of **Cash Machine**.*

Back on June 20, 2018, Fox accepted Disney's massive \$71.3 billion offer in cash and stock to buy the company. In the whopping deal, Disney outbid Comcast's \$65 billion all-cash offer. Disney's acquisition includes the 20th Century Fox film and TV studio, Fox's American cable channels and U.K.-based Sky News.

The deal arguably makes Disney the new "king of content" and the synergies with its own studios Disney Pictures, Pixar, Marvel, Lucasfilm and Touchstone.

Plus, 2019 box office hits like *Avengers: Endgame*, *Captain Marvel*, *Dumbo*, *Aladdin*, *Toy Story 4* and *The Lion King* will most certainly pad third and fourth-quarter earnings.

Heading into the fourth quarter, the release of *Star Wars "The Rise of Skywalker"* was set to do well per reviews and the movie has generated box office receipts of over \$500 million as of the last week in December. It was also the second-highest grossing Christmas Day earnings of all time.

Disney+ now boasts over 20 million subscribers and though the launch didn't go as smoothly as planned, drawing some to scoff at its execution, nobody is laughing now.

Shares of Disney vaulted higher to a new all-time high of \$153.41 on the back of very strong third quarter results before settling back to its rising 50-day moving average at the \$145 level where I believe there is good technical support. Of the 25 analysts that cover the stock, the highest forecasted price target on the Street is \$175, but I believe the stock can hit \$200 by New Year's Eve 2020.

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Disney (DIS)

Chris Preston

Cabot Wealth Network



Walt Disney (DIS) — the company — is universally known and beloved. Disney — the stock — has been overlooked and undervalued, until recently, observes **Chris Preston**, senior editor of [Cabot Wealth Network](#).

Disney stock was up 30% in 2019, roughly in line with the S&P 500. In the last two years, it's up just 33.5%. DIS shares currently trade at just 21 times earnings. The company also pays a modest dividend, with a 1.2% yield.

Those numbers are the profile of a fairly conservative safety stock. And yet, Disney is growing like an upstart biotech, at least on the top line.

In the last two quarters, the company's sales growth has been right around 33%. For the 2019 fiscal year (which ended September 30), sales improved by 17%. Entering 2019, the company hadn't grown sales by more than 8.4% (in 2014) all decade.

The reasons for the revenue jump are many. Here were the main catalysts.

- 1) Disney's flourishing movie studio, which accounted for nearly 40% of the entire 2019 U.S. box office thanks to smash hits like *Avengers: Endgame*, *Frozen 2* and *Star Wars: The Rise of Skywalker*.
- 2) A new deal with 21st Century Fox, which closed last March, added \$785 million in net income last quarter. Going forward, the Fox addition should only add to Disney's film studio growth.
- 3) Hulu. Disney used to own a minority stake in this streaming service; with the 21st Century Fox acquisition, it now owns a majority. The results have been immediate: revenue in the company's streaming segment came in at \$3.4 billion in the last quarter, up from \$825 million in the fourth quarter a year ago.

And all of those sales drivers came before the company launched its new Disney+ streaming service on November 12. The service, which costs just \$6.99 as a standalone or \$12.99 bundled with Hulu and the Disney-owned ESPN+ streaming service, has been a huge hit: it had 10 million subscribers on the first day, and 24 million by the end of November. For comparison, ESPN+, which launched in April 2018, has roughly 3 million subscribers.

Turns out, the Disney name carries a lot of weight with people seeking entertainment options in today's increasingly congested streaming landscape. By subscribing to Disney+, viewers gain access not only to Disney's vast library of cartoon and Pixar movie classics, and all the *Avengers* and *Star Wars* films, but also to instant-hit originals like *The Mandalorian*, which gave the world something called "Baby Yoda."

The addition of Disney+ revenues to the company's top line should accelerate Disney's growth in 2020 and beyond. Analysts are expecting another 17% sales growth next year — but many of those estimates came before Disney+ launched and exceeded even the company's own lofty expectations.

As for the bottom line, Disney's earnings per share declined roughly 20% last year thanks to heavy investment in the Disney+ launch and the \$85.1 billion it shelled out for 21st Century Fox. With those big-ticket items in the rearview mirror, Disney should return to bottom-line growth soon.

Meanwhile, Disney stock is in a very good place, trading above its 50- and 200-day moving averages but down from its late-November/post-Disney+-launch-fervor highs. Given the Disney+ growth to come and the modest P/E, looks like an excellent buying opportunity as we head into the New Year. Buy Disney stock now!

(Editor's note: Last year, Chris Preston chose **Starbucks (SBUX)** as his Top Pick; the shares are up 36%. He now says, "The stock may not jump another 36% in 2020. But if earnings don't disappoint, there's no reason to believe Starbucks stock won't continue to trend higher into 2020 and beyond, particularly after getting taken down a few pegs.")

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Enterprise Product Partners (EPD)

Tom Hutchinson

Cabot Dividend Investor



*Despite the market riding at an all-time high, there is a sector of the market that is actually very cheap — energy stocks; the sector also happens to pay great dividends, and it might just be poised for a strong year in 2020. observes income expert **Tom Hutchinson**, editor of [Cabot Dividend Investor](#).*

Certain energy companies aren't levered to volatile commodity prices but rather collect a fee for the storage and transportation of such. These midstream companies make money on the fact that there is a lot of oil and gas sloshing around the country, and business and future prospects have never been better.

Enterprise Product Partners (EPD) is one of the largest midstream energy companies in the country with a vast portfolio of service assets connected to the heart of American energy production.

It has \$36 billion in annual revenues from an unparalleled reach in the industry with over 49,000 miles of oil and gas pipelines connected to every major US shale basin and 90% of American refiners east of the Rockies, and offers export facilities as well in the Gulf of Mexico.

There are several reasons why EPD is my favorite pick in the energy sector. As a big company it has an advantage as it is much easier to get regulatory approval for expansions to existing facilities than new ones.

The company also has great exposure to the fastest growing areas like liquid natural gas (LNG) and crude oil exports. In fact, Enterprise has over \$9 billion in major projects under construction that will boost earnings, with billions coming on line in the next year.

It also has a pristine balance sheet with debt at just 46% of assets and the highest credit rating in the midstream energy space. Since the IPO in July of 1998, the stock has returned over 1800% compared to just 296% for the S&P 500 over the same period.

And that's despite the fact that the stock is selling 30% below the 2014 high. Yet over that five-year period earnings have grown by an average of over 11% per year, and the stock is selling close to the lowest valuations in its history.

Then there's the dividend. EPD currently yields a whopping 6.3% on a dividend that is rock solid. It's solid because the company has an industry high 1.7 times distribution coverage. It has also raised the payout every year for more than twenty years in good times and bad.

This is a dirt cheap stock with great value that should move higher at some point. In the meantime, you get over 6% to wait on a stock with limited downside.

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Enviva Partners, LP (EVA)

Robert Rapier

Investing Daily's Utility Forecaster



*A global renewable energy revolution is underway. The key driver has been the steady rise of carbon dioxide concentrations in the atmosphere. The culprit is global consumption of fossil fuels, notes **Robert Rapier**, editor of Investing Daily's [Utility Forecaster](#).*

Coal is most carbon-intensive of the fossil fuels, so many countries have put a high priority on phasing out coal consumption. That's where **Enviva Partners, LP (EVA)** comes in.

Enviva Partners is an unconventional master limited partnership (MLP), as well as the world's largest manufacturer of wood pellets. Although conventional midstream oil and gas MLPs have struggled in recent years, Enviva has been outstanding.

Today, Enviva operates seven wood pellet plants in the southeastern United States. It conducted an initial public offering in 2015. Burning wood pellets from managed forests is different from burning coal.

These trees were planted to be harvested. The pellets that are burned are releasing carbon dioxide that was sequestered when the trees grew.

Then new trees will be replanted. Because there is some slash added to the soil, and the tree roots can remain in the soil for decades, there can be a net sequestration of carbon dioxide from managed forests.

That's different from coal, which is simply adding ancient, sequestered carbon into the atmosphere

The wood pellet export trade from the U.S. to Europe is booming. The main demand driver in Europe is the European Commission's 2020 climate and energy plan.

Member states have national renewable energy targets, which some countries are meeting by using wood pellets to produce electricity. This can either be done by burning the wood pellets alongside coal, or with a dedicated wood pellet power plant.

The U.S. is the world's largest producer of wood pellets. The sourcing of U.S. wood pellet exports has been concentrated in southeastern states because of abundant commercial forests and relatively low shipping costs to Europe. Rising demand and ample supplies have spurred a flurry of new projects in the region.

Enviva Partners owns excellent transportation infrastructure for exporting pellets, with a deep-water marine terminal at the Port of Chesapeake, Virginia and long-term leases with the ports of Mobile, Alabama and Panama City, Florida.

Transportation costs can account for a quarter of the total cost of wood pellets, so companies with strategically located transportation infrastructure will have an advantage over competing pellet manufacturers in Brazil and western Canada.

Enviva is fully contracted through 2025, with a backlog of \$9.5 billion. The weighted average on the company's current contracts is 10.4 years. Industrial wood pellet demand in Europe has doubled since 2012 and is forecast to grow at a compound annual growth rate (CAGR) of 13% through 2023.

Since its IPO, Enviva's distribution has grown at a CAGR of 12.1%, and has a 22.8% annualized total return. Over the past three years, EVA's total return has been more than triple that of the S&P 500. The company has guided toward a distribution between \$2.87 and \$2.97 for 2020, the midpoint of which would represent an annualized yield of 8.6%.

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Equinix (EQIX)

Jacob Kilstein

Argus Research



*Argus Research analyst **Jacob Kilstein** selected **CMS Energy (CMS)** as his Top Pick last year. He continues to rate the stock — which rose 26% last year — as a “buy” based on strong growth in earnings and dividends. For 2020, his top idea is a REIT.*

Equinix Inc. (EQIX) is a real estate investment trust (REIT) that operates global interconnection and data centers. It is focused on helping customers develop secure networks and cloud-neutral data center platforms.

The company is leveraged to the secular transition away from on-premises data centers to cloud colocation centers. Its global platform for digital business serves customers in more than 50 major markets on five continents.

We believe that Equinix, which operates facilities that enable global interconnection, data integration and information management, has strong opportunities in the global colocation market, and note that the company has grown both organically and through targeted acquisitions.

Equinix pays a quarterly dividend of \$2.46 per share, or \$9.84 annually, for a yield of about 1.8%. Concurrent with earnings, the board declared a quarterly dividend of \$2.46 per share.

Over the past five years, the board has raised the dividend at an average annual rate of 7.8%. Our dividend estimates are \$9.84 for 2019 and \$10.56 for 2020.

We believe that the shares remain undervalued at current levels given the company's strong growth prospects. The shares trade at 23.7-times our 2020 AFFO estimate, compared to a peer average of 19.9.

On other metrics, however, EQIX trades closer to the peer average despite what we view as its superior growth prospects. The price/sales ratio is 8.5, compared to a peer average of 7.4, and the EV/EBITDA multiple is 20.2, just above the peer average of 19.9.

We are maintaining our price target at \$630, as we see EQIX as the data center REIT best positioned to take advantage of current industry growth trends and warranting a higher price/AFFO multiple than its peers.

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Ethan Allen Interiors (ETH) and Kohl's (KSS)

John Dobosz

Forbes Dividend Investors



Danbury, Conn.-based **Ethan Allen Interiors** ([ETH](#)) makes furniture and home accessories which it sells through a network of retail stores and via wholesale networks. The company has a market cap of \$504 million and a dividend yield of 4.4%.

Shares trade at substantial discounts to five-year average valuation multiples on measures such as price to earnings, price to sales, price to book value and price to cash flow. Ethan Allen has paid off all its nearly \$200 million in long-term debt since 2010, making the company debt-free today.

Free-cash flow over the trailing 12-month period of \$1.65 per share is more than sufficient to sustain and increase \$0.84 in regular annual dividends. The company has also paid special dividends in 2012, 2018, and 2019. Ethan Allen hiked the quarterly payout from \$0.19 to \$0.21 in 2019.

With more than 1,100 stores, Menominee, Wis.-based **Kohl's** ([KSS](#)) is the largest U.S. department store chain. Its has a market cap of \$7.9 billion. The stock looks cheap after it was thrashed in November due to lackluster quarterly results and lower forecasted profits.

Kohl's trades 13% below its five-year average price-earnings ratio, 24% below its average price-sales ratio, and 5% below its five-year average price-to-cash flow multiple. Revenue in the year ahead is expected to grow 1.8% to \$19.3 billion, with earnings stagnant at \$4.85 per share.

Kohl's is a cash machine, generating \$5.82 in free cash flow per share over the past 12 months, more than double the annual dividend payout of \$2.68 per share. The stock has a dividend yield of 5.3%.

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Top Picks 2020: Evrim Resources (Toronto: EVM)

Adrian Day

Global Analyst



Evrim Resources (Toronto: **EVM**) was our top speculation last year and the thesis behind my recommendation remains much the same, says **Adrian Day**, editor of **Global Analyst**.

The stock has been more-or-less stable in the last 12 months — but importantly, the downside from current levels remains low, with the share price backed by hard assets.

The market cap is just shy of US\$20 million. This is backed by almost US\$10 million in cash and a stack of assets, most importantly a 2% royalty on a property the company discovered called Ermitano, in the mining friendly state of Sonora, Mexico.

Earlier this year, the company sold the property to First Majestic, a mid-size production company, whose adjacent Santa Elena mine is running out of higher-grade ore. Evrim retained a royalty.

Since taking over the property, First Majestic has been aggressively exploring, doubling drill activity. It expects production to commence at the beginning of 2021. There will essentially be no capex, since the mill facilities at Santa Elena will be used to process the Ermitano ore, which is fully permitted.

In short, Ermitano is being fast tracked by a hungry miner, at no cost to Evrim. Once in production, this could generate over \$20 million over its seven or eight-year mine life. (The first few years will be tax free due to tax credits held by the company.)

The royalty, should Evrim wish, could be most readily turned into cash. So the present value of this royalty plus cash-on-hand well exceeds the company's market cap.

All the company's other assets, its exploration properties in British Columbia, Nevada and Mexico; its joint ventures and alliances with companies including **Newmont Goldcorp** (**NEM**) and **Yamana** (**AUY**) — all this comes free. Remember, most of these joint ventures have other companies spending the money, so Evrim operates with a very tight budget.

It has among the best management for a small exploration company. Any success on any of its exploration projects should see the tightly held stock price move rapidly while the downside is protected by hard assets. That's the kind of exploration odds I like.

*(Editor's Note: Adrian Day's Top Pick in 2019 was **Gladstone Investment** (**GAIN**) which rose 60% plus a 9.7% yield. He continues to hold the stock noting that insiders are buying, and the stock is an attractive investment for an above-average and growing income stream.)*

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Exxon Mobil (XOM)

Jim Woods

Successful Investing



*Oil stocks saw relative underperformance in 2019. Factors such as the U.S.-China trade war, a strong U.S. dollar vs. rival foreign currencies, and the depressed trend in crude oil prices throughout most of the year made for a tough slog in the space, notes **Jim Woods**, editor of [Successful Investing](#).*

One of my favorite dividend stalwarts is perhaps the quintessential stock in the oil sector, and it's **Exxon Mobil Corp. (XOM)**, my Top Pick for conservative investors.

The stock did finish last year in positive territory, albeit only slightly. Yet in 2020, the tables are set for a very big turnaround for investors who embrace the oil giant's shares.

Bolstering my opinion of this stock are analysts at Bank of America Merrill Lynch (BAML). In a note to clients in December, the bank said XOM shares could surge to \$100 in 2020, which is about a 43% gain from where the stock closed on Dec. 30 (\$68.48).

As the bank wrote, 2020 could "finally be Exxon Mobil's year." The analysts at BAML cited successful project execution and accelerating growth. They also described a "step change" in cash flow that could also see the stock price climb.

"The inflection in Permian production is well under way while the first oil from Guyana confirmed for December kick starts what we expect to be 7-8 years of growth..." BAML analysts said.

Finally, in a big sign of support for Exxon Mobil, BAML named the stock its top U.S. oil major pick for 2020. I agree with the firm's assessment here, and I think XOM is the perfect stock for contrarian investors looking for a conservative, large-cap dividend stock that's selling at a discount.

*(Editor's note: Last year, Jim Woods selected **Match Group (MTCH)** as a top pick; the shares rose 94%. He now says, "The company announced in December that it would fully separate from parent and incubator company **IAC/Corp. (IAC)**. In 2020, I expect more upside in MTCH.")*

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FedEx (FDX)

Jason Clark

The Prudent Speculator



Jason Clark — contributing editor to *The Prudent Speculator* — selected **Citigroup** (C) as a top pick for 2019; although he still views the stock as attractively valued, given the 57%+ gain, he now looks to a leading package delivery firm as a conservative idea for 2020.

Memphis-based **FedEx** (FDX) is the world's largest cargo airline and offers door-to-door package delivery services for consumers and businesses in more than 220 countries and territories.

Shares of FDX were down in 2019 and have fallen more than 35% over the past two years.

There is little doubt that global trade tensions have taken their toll, with CEO Fred Smith, an outspoken critic of anti-free-trade policy, stating, "Global trade disputes were adversely affecting manufacturing in Europe and Asia, thereby slowing international shipping demand."

Of course, FedEx stands to gain handsomely when products can move across borders freely, so the official position is not surprising.

Even though we think that many of the headwinds are outside FedEx's control, the company still must weather the turbulence and make long-term strategic plans that it sees best for the business many years from now.

That said, we like that FDX is evolving relatively quickly (which has required near-term elevated spending), and is making strategic moves as opportunities present themselves, including things like adding 7-day service.

FedEx, under Mr. Smith's direction, has successfully navigated a variety of presidents, geopolitical issues, trade crises, wars and other major events. We would be surprised if this one plays out any differently.

We continue to believe that FedEx's strong balance sheet, modest dividend yield and position as an industry leader are factors for long-term investors to like.

FDX trades just above 13 times the midpoint of the recently revised-lower EPS guidance, with most analysts expecting fiscal 2020 (ended May 2020) to be a trough year for the bottom line. NTM earnings and EPS expectations for the next two years presently stand at \$12.80 and \$14.48, respectively.

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Fidelity Balanced (FBALX)

Brian Kelly
MoneyLetter



*A balanced fund is a type of hybrid fund which invests in two or more asset classes, explains fund expert **Brian Kelly**, mutual fund expert and editor of [MoneyLetter](#).*

The ratio of equities and fixed income may vary somewhat over time, but does not materially change, as is the case with other hybrid funds such as life-cycle, target-date, and actively managed asset allocation funds.

The latter group shifts its asset allocation in relation to investor age and changing risk/reward preferences, or in response to economic and investment market conditions.

The most typical asset allocation in a balanced fund is 60% stocks and 40% bonds. And again, typically, the stock portion is invested in low- to medium-risk securities, and the income portion in higher-quality bonds.

Within the equity sleeve of **Fidelity Balanced Fund (FBALX)**, manager Robert Stansky chooses the managers for all sectors, and will swap out managers if performance is not satisfactory. Sector weightings, however, are kept in line with that of the S&P 500.

Hence, information technology is the lead sector in the stock portfolio, accounting for 18.8% of assets, followed by health care, financials, consumer discretionary, and industrials (14.0% to 10.2% of assets). About 5% of assets are invested in foreign stocks.

Ford O'Neil has headed the fixed-income side since mid-2015, and runs it in the same manner as **Fidelity Total Bond (FTBFX)** — which he also manages.

He avoids big interest rate bets but does set the portfolio's yield curve and sector exposure based on a macro framework. More than half of bond assets are in US Government debt, with the next largest exposure by quality being in the A/BBB range.

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First United Corporation (FUNC)

Benj Gallander

Contra the Heard Investment Letter



First United Corporation (FUNC) — our top conservative idea for the coming year — is based in Oakland, Maryland with 25 locations in Maryland and West Virginia, notes **Benj Gallander**, value investor and editor of [Contra the Heard Investment Letter](#).

Established in 1900, this enterprise got beaten up like most banks during the recession but has been profitable since 2011 with the bottom line almost tripling last year to \$1.51 a share.

The first three quarters this year have been even better with EPS at \$1.50 already, while touching \$0.63 this past quarter. The rising earnings led to a dividend jump from \$0.09 to \$0.13 this past quarter to boot. Prior to the recession it was as high as \$0.20.

While another dividend increase this year is not expected, one could easily be in the offing before the end of 2021. Strong capitalization ratios should help to support this too.

There is a current wild card in activist investors Driver Management and Rangeley Capital, have been looking to get their members on the board while pushing for a sale of the organization. They opine that the company could fetch between \$26 and \$33 a share, a reasonable premium to the current trading value.

Insiders continue to believe there is upside too, demonstrated in particular by the recent purchases by Chairman/Pres/CEO Carissa Rodeheaver, bringing insider holdings to about 4.25 percent. Given that there is just north of seven million shares, it would not take a lot of money for an acquisition by a bigger player.

Our purchase price averaged \$8.44 so between capital appreciation and dividends, our return has been fantastic. More is expected.

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First US Bancshares (FUSB)

Benj Gallander

Contra the Heard Investment Letter



***First US Bancshares (FUSB)** was our Top Pick last year and it has moved up more than 38% since then — but far more is expected; indeed, it remains our Top Pick for 2020 for more risk-oriented investors, explains value expert **Benj Gallander**, editor of [Contra the Heard Investment Letter](#).*

Given that it is a small regional bank, it is somewhat riskier than the major players in this sector. But the company makes money virtually every year, revenues have been trending upwards, and it sells at a large discount to book value.

Capital ratios are solid, and the dividend was delivered once again at the two-cent level. Prior to the recession it paid a regular quarterly dividend of \$0.27 a quarter, which is one reason that we stand by our belief that this will be hiked, and likely before the end of next year.

The share count has remained flat at six million shares meaning that an increase should not ding the bottom line very much. Insiders own about six percent.

FUSB is based in Birmingham, Alabama. Founded in 1952, there are 20 bank branches in Alabama and Virginia. The latter state joined the bank through a takeover of the Peoples Bank in 2018 and the digestion process appears to have gone well.

James House, the President/CEO since 2011 stated, “As we complete the integration of our organizations and move beyond the nonrecurring acquisition expenses, the acquisition should quickly begin to bring improved efficiency and earnings growth.” That seems to be occurring. In addition, there is stellar loan expansion.

One aspect in particular that we like about this organization is that it is the same old management so to speak. Besides long-serving House, many of the other key personnel have been with the bank for years. That is also true of their Board of Directors. While an investor might fear that management could become stale, at our end that is not a concern.

First U.S. used to trade north of \$33. It would not surprise to see this one move back to the \$25 level, so better than a double from here. And it could be a good tuck-in takeover for a larger player that wants to expand, while buying assets at a very reasonable price.

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Foot Locker (FL)

John Buckingham

The Prudent Speculator



Foot Locker (FL) — a more risk-oriented idea for the coming year — is an athletic footwear and apparel retailer, notes **John Buckingham**, value investing expert, money manager and editor of [The Prudent Speculator](#).

The company operates 3,160 stores in 27 countries in North America, Europe, Australia and New Zealand, as well as the popular Eastbay.com and Footlocker websites.

Although FL posted EPS of \$1.13 in fiscal Q3 (vs. \$1.07 est.), the stock sold off as investors remain concerned about store traffic, margin pressures due to increased operational and digital development costs and direct-to-consumer competition from its largest partners Nike and Adidas.

Given that the bottom line was fine, we thought the latest quarter was solid, but we realize that short-sighted folks were taken aback by the announcement that FL will no longer provide quarterly guidance, but instead offer annual projections.

We like that change as we prefer less focus on quarterly numbers and more attention to long-term initiatives. We continue to believe that the company has several competitive edges, including broad distribution channels, geographic locations, and multiple banners and product categories.

We also think FL will continue to benefit from its strategic cost control and productivity plans, in addition to further penetration of its apparel offerings and solid growth of its digital shopping platforms.

Additionally, we like the strong balance sheet that sports more than \$5 of net cash per share and the solid free cash flow generation, both of which support the generous dividend yield of 3.9%. FL trades for 8 times NTM earnings.

(Editor's note: John Buckingham chose IBM as a top pick last year; the stock is up 22%. He now says, "Given our long-term orientation and long-held belief that patience is a critical component of successful investing, IBM would be a name to which folks should still give strong consideration. This is especially true given its single-digit forward P/E ratio and near-5% dividend yield.")

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Ford Motor (F)

Jim Pearce

Investing Daily's Personal Finance



*I believe 2020 will be a transition year for the stock market; that is one reason why I like **Ford Motor (F)**. Its high dividend yield (6.6%) and low valuation (priced at less than 7 times forward earnings) should appeal to value investors, asserts **Jim Pearce**, growth and income expert and editor of Investing Daily's [Personal Finance](#).*

In 2018, Ford ranked third in domestic vehicle sales with a 14.4% market share compared to a 1.2% share for **Tesla (TSLA)**. Nevertheless, Tesla's stock market capitalization of \$60 billion is nearly twice Ford's \$36 billion valuation.

However, the attention Tesla has drawn to battery powered vehicles could ultimately prove to be Ford's salvation. Ford recently began taking reservations for its Mustang Mach-E battery powered vehicle, a tactic Tesla has exploited to generate gobs of free publicity for its new auto launches.

Although sales of the Mach-E will not be large enough to substantively improve Ford's bottom line, the media exposure could recast the public perception of the company as a legitimate rival to Tesla.

In the meantime, Ford is taking advantage of that diversionary tactic to shore up its operations here and abroad. Ford's third-quarter results include an 8% improvement in year-to-date operating cash flow and an 80% jump in adjusted free cash flow. That should keep Ford's dividend safe for the foreseeable future.

From a longer-term perspective, Ford's recently formed International Markets Group (IMG) will bring nearly 100 separate foreign markets together under a single management team.

Those regional markets, which include India, Africa, Russia, and the Middle East, are growing twice as fast as Ford's primary markets of the U.S., Europe, and China.

The Ford turnaround story will take years to unfold as the company pivots towards EV sales and expands its international presence.

Over the past two years, Ford has traded between \$8 and \$10 and is currently at the midpoint of that range. I don't expect its share price to break out of that range until the company begins making deliveries of its Mach-E next fall, but until then you can buy Ford up to \$10.

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Franco-Nevada (FNV)

Adrian Day

Global Analyst



Franco-Nevada (FNV) — my top conservative investment idea for the coming year — is a leading royalty company in the gold space, suggests resource sector specialist **Adrian Day**, editor of *Global Analyst*.

Despite a consistently strong stock price in recent years, through thick and thin in the gold mining business — the stock is up from under \$40 at the end of 2015 — we are returning to Franco for the simple reason that it is best-of-class, a true “sleep-well-at-night” investment.

Franco’s business model gives it upside exposure but downside protection in the notoriously challenging and volatile mining industry. It acquires royalties (and their cousin, the “stream”) from mining companies. The mining company might need development capital, or it could want to repair its balance sheet.

In short, Franco makes an upfront payment and in return receives a percentage of the production that comes from the mine. It has been a very successful business, with another record of GEOs (“gold equivalent ounces”) received.

Although primarily holding gold assets, Franco also generates revenue from other resources, including silver and even oil.

Significantly, Franco’s newest and largest stream investment, Cobre Panama, a copper mine from which Franco receives the gold by-product, made first deliveries after announcing commercial production September 1st, ahead of guidance. This removes lingering caution on the \$1 billion plus recent investment.

Franco has the best management in the mining business. There is currently a changing of the guard at the top, with CEO David Harquail becoming chairman of the board in May, while founder Pierre Lassonde becomes chairman emeritus. Paul Brink, president and chief operating officer, will become CEO.

Both Lassonde and Harquail have outstanding reputations in the gold industry, and will still be heavily involved with the company, while Mr. Brink has certainly proven himself over the years with the very strong transactions he has supervised.

Franco may not be the top-performing gold stock over the next 12 months, but in a positive environment, I envision returns that will satisfy any conservative investor, while the downside for the low-risk business model remains far lower than for the typical gold stock.

Any conservative investor wanting exposure to the gold sector — and I believe this is a good time to be buying gold — should look no further than Franco-Nevada.

*(Editor’s Note: Adrian Day’s Top Pick for conservative investors in 2019 was **Gladstone Investment (GAIN)** which rose 60% plus a 9.7% yield. He continues to hold the stock noting that insiders are buying, and the stock is an attractive investment for an above-average and growing income stream.)*

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Franco-Nevada (FNV)

Frank Holmes

US Global's Frank Talk



Since 2008, when it first went public, **Franco-Nevada (FNV)** has outperformed gold bullion and gold equities, in both bull markets and bear markets, explains **Frank Holmes**, CEO of US Global Investors and editor of his blog, [Frank Talk](#).

I'm a huge fan of royalty and streaming companies. Investors who like gold as an asset do so because they understand that the yellow metal can limit losses in their equity position and reduce volatility during downturns.

Adding a royalty company such as Franco-Nevada to the mix can be like injecting nitro into your souped-up sports car.

This is because while Franco-Nevada, the world's largest streamer with a market cap of \$25 billion, enjoys a lot of the upside potential when gold prices are rising, it shares very little of the downside potential with producers and explorers when the metal is in decline.

Franco is better insulated from bear markets because it has a diversity of high-quality active mines in its portfolio, including those in the oilfield.

What's more, Franco isn't the company spending money to develop a project. It simply puts up the capital, and in exchange it receives either a royalty on whatever the miner produces or rights to a stream of metal or oil supply at a fixed, lower-than-average cost. It's a win-win for Franco and the miner, a win-win-win if you also include the investor.

To give you an idea of just how profitable Franco-Nevada is, when you compare its net income per employee to those of blue chip stocks, there's really no contest.

Some of the world's most recognizable names — including **Apple (AAPL)**, **Facebook (FB)** and **Goldman Sachs (GS)** — are highly profitable, generating around half a million dollars or more per employee after expenses.

And then there's Franco-Nevada, which makes approximately \$3.5 million per employee, or seven times Facebook's net income. It's simply in a league of its own.

*(Editor's note: Frank Holmes' Top Pick for 2019 was also a royalty streaming company; **Wheaton Precious Metals (WPM)** was up more than 51% last year and he continues to recommend the stock.)*

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Franco-Nevada (FNV) and B2Gold (BTG)

Mark Skousen

Forecasts & Strategies



*I'm bullish on gold, due to easy money policies by The Fed, and volatility & instability in an election year, as well as potential geo-political trouble, asserts growth stock expert **Mark Skousen**, editor of the industry-leading advisory, [Forecasts & Strategies](#).*

For conservative investors, my 2020 recommendation is **Franco Nevada Corp. (FNV)**; the Toronto-based mining/energy finance company, is now ahead 48% this year, handling beating the market. I suspect we won't see FNV falling under \$100 a share again.

It has a lot of upside potential since earnings and revenue growth have accelerated for three straight quarters, especially the last one. It is the only stock in the mining sector that has a long-term upward trend. It has a rising though modest dividend plan (1%).

For speculators, my 2020 recommendation is **B2Gold (BTG)**, a Vancouver-based low-priced (below \$4) gold mining stock with great promise, and could even be a buy out candidate. It was founded in 2006 by executives from Bema Gold.

It has built a diversified portfolio of mines in Nicaragua, the Philippines, Mali, Colombia, and Namibia with relatively low debt. It's already making money.

Third-quarter results released in November were spectacular, with \$311 million in revenues, and earnings coming in at 9 cents per share in the quarter, up an impressive 125% from the prior-year quarter.

It produced a record 258,200 ounces, 7% above the company's budget. The Fekola Mine in Mali is expected to produce 450,000 ounces this year, and 600,000 ounces in 2020. It also announced its first dividend, a modest 1 cent per share.

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General Dynamics (GD)

Ingrid Hendershot

Hendershot Investments



General Dynamics (GD) has grown both internally and through acquisitions since 1952 to become a market leader in the aerospace and defense industry, notes value investing expert **Ingrid Hendershot**, value-oriented money manager and editor of [Hendershot Investments](#).

Under the capable leadership of Phebe Novakovic, appointed as the company's CEO and chairwoman in 2013, each business unit is responsible for its strategy and operational performance while the lean staff at corporate headquarters sets the company's overall strategy and is responsible for allocating and deploying capital.

In 2018, 65% of General Dynamics' revenue was from the U.S. government, 11% was from non-U.S. government customers and 24% was from commercial customers.

The company's sustained focus on continuous operational improvements has generated an exceptional 26.4% average return on shareholders' equity during the past five years.

Net earnings have compounded at a 6% annual rate since 2014 with EPS growing at an even faster 9% pace due to the company's share repurchase program.

The company's robust cash flow generation provides the fuel for share buybacks, dividends and a disciplined acquisition strategy to spur future profitable growth.

During the past three years, the company spent \$5.3 billion on share repurchases, reducing its share count by about 8%. Since 2014, dividends have compounded at an 11% annual clip with the firm raising its dividend by 10% in 2019, marking the 22nd annual increase.

With profitable growth, exceptional returns on shareholders' equity, robust free cash flow and disciplined capital deployment, General Dynamics is a high quality company. Investors seeking solid long-term returns should salute the General! We rate the stock a buy.

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General Electric (GE)

Jim Powell

Global Changes & Opportunities Report



*My conservative Top Pick for 2020 is **General Electric (GE)** — a fallen angel that was also my leading choice for 2019. The stock gained 54% after my recommendation last year. I think the stock will continue to do very well in 2020, explains **Jim Powell**, editor [Global Changes & Opportunities Report](#).*

As you may recall, GE stumbled badly several years ago when it strayed from its profitable industrial businesses into areas where it had little experience.

The worst-performing of the new operations was GE's expansion into financial services during that sector's boom. At the time, everyone in the industry was coining money with subprime mortgages and rocketing housing prices.

When the financial service boom turned into a bust starting in 2007, GE suffered huge losses. The Great Recession further hammered GE's earnings. The shocks took GE's stock down from \$31.60 in November 2017 to just \$7.26 in December 2018.

As usually happens when a company goes from great success to much harder times, the board of directors cleans house and hires new management. In GE's case, Larry Culp was brought in as the new CEO. Since then, Mr. Culp has been doing an outstanding job dumping what wasn't working and returning the company to its profitable industrial roots.

In October, Mr. Culp made another tough decision to slash the company's pension deficit by as much as \$8 billion, and its debt by as much as \$6 billion. To reach those targets, GE will freeze the pensions of 20,000 salaried workers and offer lump sum buyouts to many others. The pension change was a shock – but it was a good financial decision.

GE's turnaround will not happen quickly and probably not smoothly. However, I feel strongly that long-term investors who take positions in GE at today's price will be very happy they did. It won't be the first time that this 126-year-old company stumbled badly and then recovered.

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General Motors (GM)

John Buckingham

The Prudent Speculator



Auto and truck maker **General Motors (GM)** — a more conservative stock idea for 2020 — turned in a strong Q3, especially as the now-over UAW strike took \$1 billion from EBIT and \$0.52 from diluted EPS, asserts **John Buckingham**, value investing expert, money manager and editor of [*The Prudent Speculator*](#).

That said, the company still turned in better-than-expected adjusted EPS of \$1.72. There is no doubt that the strike will also impact Q4, especially in the highly profitable pickup business.

However, we think the recent results demonstrate GM's evolution as a company and think that management has done a terrific job of ensuring that earnings won't collapse in the next cyclical downturn in auto sales.

While the competition is always fierce in the auto industry and input costs can be a wildcard, we believe that GM's core business continues to shine, while the company has conservatively deployed capital toward higher-return opportunities.

This is not the GM of old as the company has fully participated in Autonomous Vehicle development via its investment in Cruise Automation and in ride-sharing services through investments in Lyft and Maven.

We still like its solid balance sheet (more than \$26 billion in cash and marketable securities), cost controls initiatives, ability to generate free cash flow, generous capital return programs, and electric and autonomous vehicle programs.

With EPS expected to trough above \$4.75 in 2019 and rebound above \$6.00 in 2020, we think GM is very inexpensive, especially as the stock also yields 4.1%.

(Editor's note: John Buckingham chose IBM as a top pick last year; the stock is up 22%. He now says, "Given our long-term orientation and long-held belief that patience is a critical component of successful investing, IBM would be a name to which folks should still give strong consideration. This is especially true given its single-digit forward P/E ratio and near-5% dividend yield.")

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GNB Financial Services (GNBF)

Doug Hughes

BankNewsletter



GNB Financial Services (GNBF) started in 1934, and they waited 72 years to open a second branch — both were in East Central, Pennsylvania, explains **Doug Hughes**, regional bank sector specialist and editor of [BankNewsletter](#).

This bank earned almost \$5.00 a share in 2018. Earnings will be more than \$5.50 a share in 2019 yet trades, at only a P/E of 10. That will drop in 2020 to a P/E multiple of 9 or less. This is one of the most profitable banks I have ever followed.

Loan growth is robust at 8.5% in this market; they do a great job and always seem to make good money.

In 1996 they had \$24 million in loans, today they have over \$243 million. They show one of the best returns on average assets that you will see in today's banking world.

GNBF is a money machine. I have followed hundreds of banks over the past 20 years; this is one the best, hands down. They are in the sweet spot for earnings today and could fetch at least two times book maybe 2.20 times with their stellar earnings power.

Banks like this also usually get a P/E of like 20 in a deal, so you get to a \$95 to \$105 price — or a 100% premium from today's levels. The book value should also grow by about 5%-10% per year, depending on the dividends paid out.

While we know such thinly traded stocks can be bought and sold at discounts, this one is just so mis-priced.

It has limited downside risk and 90% or more upside — odds we will take all day long.

The stock offers a stable 2% yield; management just raised the cash dividend to \$0.028 up from \$0.025. They just earned \$1.21 a share in the latest quarter, a 9% increase from the same period last year. The bank also loves to pay stock splits the last one was a 25% stock dividend in 2016.

This is the second largest holding in our model portfolio, and I believe the stock has the best risk-reward that I have seen in the past five years. Insiders own about 25% of the stock and should be ready to retire. But if they don't sell the bank this year, you will make 12% on your money year in and year out until they do sell.

There are just 777,543 shares outstanding so please buy slowly and use limits. You never have to watch, keep buying it any time you see shares for sale at a fair price. I would put this stock away for any non-trading account and hold it till they sell.

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Great Lakes Dredge & Dock (GLDD)

Tony Daltorio

Growth Stock Confidential



*Our \$18 trillion economy relies on a vast network of infrastructure from roads and bridges to freight rail and ports to electrical grids, suggests **Tony Daltorio**, editor of **Growth Stock Confidential**.*

However, many of the systems currently in place were built decades ago and have deteriorated. That was evidenced in the 2017 'report card' from the American Society of Civil Engineers (ASCE), which gave our nation's infrastructure an overall grade of D+.

That means the condition of U.S. infrastructure is "mostly below standard," exhibiting "significant deterioration," with a "strong risk of failure."

The ASCE estimates that there is a total "infrastructure gap" of nearly \$1.5 trillion needed by 2025. It added that the U.S. needed to invest \$4.59 trillion by 2025 to bring the grade up to an adequate B-.

One specific area that needs upgrading is our ports. As ships get bigger, ports will need to make navigation channels deeper and also there is a need to dredge those channels to keep them open. That's where **Great Lakes Dredge & Dock (GLDD)** comes in.

The company (founded in 1890) is North America's dredging industry leader and the largest provider of marine dredging. It owns and operates a diverse dredging fleet composed of numerous specialized maritime vessels and operates marine yards in five locations nationwide.

The company has maintained its U.S. market share (46% market share on average for the past three years) for literally decades. And there are definite 'triggers' for future growth for the company, including the growing use of 'post-Panamax' vessels.

This will require the deepening of U.S. ports along the East and Gulf Coasts in order to accommodate these deeper draft vessels. And thanks to LNG exports, several port development projects are underway. Both will factor in to GLDD's continued growth.

*(Editor's note: Last year, Tony Daltorio chose **Innovative Industrial Properties (IIPR)** as his Top Pick; it has risen 66%. He explains, "The marijuana industry has developed much more slowly than expected, forcing some firms to sell their real estate to fund operations. Buying up some of this real estate on the cheap has been IIPR. As the pot industry does develop, this REIT will be there waiting to rent out all this space.")*

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Guardant Health (GH)

Bryan Perry
Cash Machine



*For investors looking for a stock that has a real shot of doubling in value during 2020, they should consider purchase of **Guardant Health Inc. (GH)**, notes growth and income expert **Bryan Perry**, editor of [Cash Machine](#).*

The company is a leader in the high-growth non-invasive cancer technology space. Liquid biopsy in the form of precision blood testing and advanced analytics is quickly replacing tissue biopsy procedures and is proving transformational in cancer diagnostics.

The company's flagship products, Guardant360 liquid biopsy and GuardantOMNI tests are seeing rapidly expanding application for use across a vast majority of advanced solid tumors.

It is estimated that as many as 30% of advanced cancer patients are not biopsiable for tissue testing, and therefore key biomarkers for advanced treatment decisions can take two to three times as long to determine using conventional methods.

The FDA recently granted Guardant expanded coverage of Guardant360 to address multiple cancers such as breast, colorectal, gastric, uterine, lung, thyroid and melanoma. Medicare quickly followed suit, granting expanded policy coverage by several big private insurers including Cigna and multiple Blue-Cross Blue-Shield plans.

2019 proved to be a phenomenal year for Guardant Health. In its most current third quarter set of results, earnings beat by \$0.23 per share and revenue of \$60.8 million was up +180% Y/Y and \$15.4M higher than forecast.

The company reported an 89% increase in tests to clinical customers and an 111% increase in tests to biopharma customers. To top of the quarter, the company raised 2019 revenue guidance to \$207-\$220 from \$180M-\$190M.

SoftBank's Vision Fund was an early and big investor in Guardant Health and though it sold 4.9 million shares to shore up its finances after the WeWork debacle, it remains the largest holder with more than 20 million shares.

The stock traded to a high of \$110.30 in August and before the lockup period expired and the large sales by SoftBank, but has since found buyers stepping in at \$70 level. At its current price of \$80, I think the stock can trade to \$160 in the year ahead. It's that good of a story — a true game changer.

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Hannan Metals (Vancouver: HAN) (OTC Pink Sheets: HANNF)

Gerardo del Real

Junior Mining Monthly



*I anticipate an exciting year for copper and gold which brings me to my Top Pick for 2020, notes **Gerardo del Real**, editor of [Junior Mining Monthly](#); we note that this idea is only suitable for experienced investors aware of the risks of buying a micro-cap, penny stock.*

My high risk for 2020 is a copper-silver-zinc exploration company active in Ireland and Peru — **Hannan Metals** (Vancouver: [HAN](#)) (OTC Pink Sheets: HANNF).

Hannan Metals is a tiny copper-silver-zinc explorer (C\$7 million market cap) that has managed to put together a massive and district scale land package in a very under-explored part of central Peru.

The company recently doubled its land holding at the Sacanche area to now cover 60 kilometers of the prospective strike at the 100% owned San Martin project in north central Peru. The land package now covers 60 kilometers of the prospective strike.

The new Sapo mining concession application covers a further 30 kilometers along strike from the same prospective host rocks as found at Sacanche, being located immediately along strike from high-grade copper silver mineralization that Hannan recently identified, assaying up to 2m @ 5.9 % Cu and 66 g/t Ag.

Hannan believes the Sapo mining concession application is prospective for two styles of sediment-hosted copper-silver mineralization, observed throughout the 100 kilometers of strike of prospective sedimentary rocks hosted within Hannan mining concession claim areas

The land package has kicked off a staking rush in the area and I believe Hannan's first-mover advantage will be rewarded with discoveries and partnerships in 2020 that validate the exploration concept mapped out by the Hannan team. Drilling should commence in Q2/Q3 of 2020 and any discovery of significance will lead to much higher share prices.

*(Editor's note: **Gerardo del Real** chose **Great Bear Resources** (Toronto: [GBR](#)) (OTC: GTBDF) as his Top Pick last year. The shares rose 260%. He now says, "The success at its 100%-owned Dixie project in the Red Lake district of Ontario has allowed Great Bear to expand its already aggressive drill program to a remarkable 200,000 meters. There is a lot to like in the context of what I expect will be a pivotal year for gold and the better juniors in the space.")*

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Heritage Commerce Corp. (HTBK)

John Dobosz

Forbes Investors



San Jose, Calif.-based **Heritage Commerce Corp. (HTBK)** is a small-cap regional bank holding company; the bank has a market cap of \$758 million and offers a dividend yield of 3.8%, explains **John Dobosz**, editor of [Forbes Dividend Investor](#).

The bank owns the Heritage Bank of Commerce, which has branches throughout Silicon Valley in cities including Palo Alto, Sunnyvale, Pleasanton, Redwood City, San Francisco, San Jose, and Walnut Creek.

It also owns Bay View Funding which provides working capital factoring financing throughout the United States.

Net interest income is expected to grow 8.3% this year, with earnings per share rising 13% to \$0.95 per share, giving Heritage a price-earnings ratio of 13.

The stock has traded for an average of 20.7 times trailing 12-months of earnings over the past five years, and 14.6 times forward earnings. The company pays \$0.48 in annual dividends, well below \$1.12 in free cash flow per share generated over the past 12 months.

Insiders have been bullish on HBTK, with three members of the board of directors making significant purchases at prices just below where the stock currently trades.

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Horizon Therapeutics (HZNP) and Qorvo (QRVO)

Jeffrey Hirsch

Stock Trader's Almanac



Jeffrey Hirsch — editor of *Stock Trader's Almanac* — select **Global Brass and Copper Holdings** as his favorite small cap stock for 2019. Following an April merger announcement, Global Brass shareholders received \$44 per share in cash for a gain of roughly 75%. This year, Hirsch offers two risk-oriented ideas.

Horizon Therapeutics (HZNP) was part of our October "Best Months" Stock Basket and was added to our newsletter portfolio on October 18 at \$27.94. Horizon develops therapies for rare and rheumatic diseases.

HZNP has rallied recently following a positive recommendation for its experimental eye drug from a Food and Drug Administration advisory committee. The committee voted 12-0 in favor of the FDA approving teprotumumab as a treatment for thyroid eye disease (TED), a rare autoimmune disorder.

Qorvo (QRVO) was also part of our October "Best Months" Stock Basket and was added to our newsletter portfolio on October 18 at \$77.89. QRVO is a leader in the 5G space, which promises to be the place for innovation in the near future.

QRVO is the best performing position from our October Stock Basket thus far due to strong earnings and guidance. QRVO gave credit to an upswing in smartphone manufacturing and the 5G build out. The company produces some of the best quality radio frequency solutions necessary for 5G deployment.

Both stocks came through our fundamental screens back in mid-October exhibiting accelerating revenue and earnings growth with attractive valuations, flying below Wall Street's radar.

Both stocks are up dramatically since our October 2019 recommendations, but these moves appear to be just the beginning of much larger moves based on HZNP's developmental pipeline and QRVO's place as one of the best positioned stocks to cash in on the 5G led semiconductor resurgence.

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Insperty, Inc. (NSP)

Doug Gerlach

Investor Advisory Service



Doug Gerlach, editor of *Investor Advisory Service*, chose **Cummins, Inc. (CMI)** as a Top Pick last year and the shares rose 36%. Now, he turns to a play on employment services and benefits.

An increasingly complex legal and regulatory environment makes it difficult for small- and medium-sized businesses to provide the range of employee benefits needed to attract and retain talented staff.

In response, a type of service business called a Professional Employer Organization (PEO) has emerged to provide outsourced employee benefits and solutions. **Insperty, Inc. (NSP)** was founded in 1986 and has grown to over \$4 billion in sales. The company started by focusing on basic PEO services like payroll processing and government compliance.

Over the years Insperty has expanded its services to include a wide variety of human resources and employment functions, including health benefits, 401(k) plans, employee recruiting, performance management, training, and compensation guidance.

Insperty thrives with small firms, generating about three-quarters of its sales from businesses with fewer than 100 employees. In this segment the company can price its services as a percent of the employees' compensation rather than a flat dollar amount per employee.

The firm's internet cloud-based software solutions include Workforce Optimization and Workforce Synchronization, the latter supporting medium-sized employers that demand additional services.

Customers value key employee benefits which include healthcare and workers compensation insurance. Insperty can negotiate far better pricing on these benefits because it offers insurers a large pool of aggregate covered lives.

Insperty continues to grow its co-employment model which essentially takes full ownership of a customer's employees, handling everything from hiring to termination. Employers are growing more comfortable with this model and Insperty earns higher profit margins.

Insperty's second and third quarters saw slowdowns in sales and signing of new business, and a spike in employee healthcare claims.

The share dropped by a third, as two straight quarters of surprisingly poor performance stunned investors who had come to expect strong and consistent growth from Insperty.

Management subsequently expressed confidence that it had trained enough new sales representatives heading into the critical fourth quarter selling season, and determined that the excess healthcare claims costs it experienced are not expected to repeat.

While aware of the risks, the recent price of \$80 represents a fairly cheap P/E of 19. With our long-term EPS growth expectation at 13.0%, we see NSP as a buy up to \$92, with the potential for an annual total return of better than 21% through 2024.

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Integra Resources (Vancouver: ITR) (OTC: IRRZF)

Brien Lundin

Gold Newsletter



Integra Resources (Vancouver: *ITR*) (OTC: *IRRZF*) is developing the large-scale DeLamar gold-silver project in southwest Idaho, explains **Brien Lundin**, a specialist in junior mining stocks and editor of *Gold Newsletter*.

When I say large-scale, I mean it: The company recently released an updated resource estimate showing 3.9 million ounces in gold-equivalent, measured and indicated resource (2.4 million ounces of gold and 116.5 million ounces of silver).

Another 500,000 ounces of gold-equivalent lies in inferred resources. And that's so far. The company continues to aggressively drill the project, with outstanding results.

At its War Eagle Mountain target, Integra recently reported drill results that were highlighted by 10.9 g/t gold and 115.3 g/t silver over 34.1 meters. At its Florida Mountain target, the drill cut 1.7 g/t gold and 26.5 g/t silver over 45.8 meters, including 19.6 g/t gold and 68.2 g/t silver over 2.1 meters.

These results from War Eagle and Florida Mountain highlight the potential for high-grade ore at DeLamar to punch up the economics of the low-grade mill feed currently envisioned for the project.

And more results will be coming in 2020, as the drilling success has attracted smart, deep-pocketed investors. Integra recently closed a \$31.9 million financing that will keep the drills turning while also funding a pre-feasibility study.

Integra's share price has been largely range-bound in recent weeks. With more drilling and assays to come from DeLamar, I think the company makes for an excellent buy at current trading levels.

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Ionis Pharmaceuticals (IONS)

Jay Silverman

The Medical Technology Stock Letter



*The R&D pipeline at **Ionis Pharmaceuticals (IONS)** is unsurpassed, we believe, by most leading biotech and even global drug companies, suggests biotech expert **Jay Silverman**, contributing editor to [The Medical Technology Stock Letter](#).*

With 2019 sales of its leading blockbuster drug — SPINRAZA — for treating SMA (spinal muscular atrophy) expected to exceed \$2 billion for its partner **Biogen (BIIB)**, Ionis' emergence as a top-tier biopharmaceutical company is becoming obvious.

With more than 40 clinical trials underway and over \$2 billion in cash on the balance sheet, in our view, 2020 will be the year that Ionis is further recognized not only for its antisense dominance, but also for the sustainable growth that the pipeline, the company's multiple partners and IONS itself is demonstrating.

Sometimes IONS gets chastised for “only” getting upfront and royalty payments, but what investors are just beginning to realize is how financial fruitful those deals can be (e.g., the Spinraza deal) while relying on the multinational partners marketing power to maximize sales.

SPINRAZA generated over \$1.5 billion in worldwide net sales through Q3:19, an increase of nearly 25% Y/Y and we forecast ~\$2 billion in full year sales. The total number of patients on SPINRAZA treatment is now more than 9,300 patients worldwide.

While young children make up the majority of use, adult patients are now a significant driver of growth and as the largest SMA patient segment. Additionally, the global opportunity for SPINRAZA appears to be larger than initial estimates, with more than 45,000 patients in markets where **Biogen (BIIB)** has a direct presence.

While Zolgensma — an SMA gene therapy from Novartis (NVS) — is new to the market and some competition is expected, BIIB/IONS first to market, longer term data and even next-generation compounds, we believe, will help sustain growth and leadership in this big field.

Last October, **Pfizer (PFE)** — along with Ionis and **Akcea Therapeutics (AKCA)** — formed a worldwide agreement for an investigational antisense therapy being developed to treat patients with certain cardiovascular and metabolic diseases. Pfizer is responsible for all development and regulatory activities and costs beyond those associated with the ongoing Phase II study.

AKCEA-ANGPTL3-LRx is currently being evaluated in a Phase II trial in patients with Type 2 diabetes, hypertriglyceridemia and non-alcoholic fatty liver disease (NAFLD). This is yet another excellent IONS deal and is further testament to IONS' Lica technology which allows for significantly less drug to be used.

Also in October, IONS' partner Roche increased the size of RG6042 Phase III trial in Huntington's disease from 660 patients to 801, delaying the data release from the end of 2019 until 2020.

And in December, IONS announced another partnership with Biogen for an antisense therapy designed to selectively reduce production of microtubule-associated protein tau (MAPT), or tau, in the central nervous system. MAPT is believed to contribute to or cause several neurodegenerative diseases, including Alzheimer's disease.

With four Phase III compounds about to be reported on plus a myriad of exciting Phase II programs in sizable markets (Parkinson's, Alzheimer's Huntington's HBV etc.), we believe 2020 will be the best year yet for IONS and its shareholders.

While the stock remains well below its 2019 highs due to what we believe is overdone concerns of Spinraza competition, the company has embarked upon its first stock buyback program (\$125 million to start) with its abundant and growing cash hoard. IONS is a buy under \$75 with a target price of \$90.

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Jabil (JBL)

Richard Moroney

Upside Stocks



Last year, **Richard Moroney** selected **Diodes (DIOD)** as the Top Pick from his small-cap focused advisory service, **Upside Stocks**; the stock rose 69% and he still recommends the shares. For 2020, he turns to a technology manufacturing company.

Jabil (JBL)— a 2020 favorite for capital gains — has seen its shares surge 34% over the past six months, most recently rallying on robust November quarter results and guidance.

Earnings per share grew 17% to \$1.05 excluding special items, versus the consensus of \$0.93. Revenue climbed 15%. Results benefited from strength in health care, automotive, and industrial markets.

A leading provider of manufacturing services to technology companies, Jabil should benefit from the 2020 launch of long-awaited 5G iPhone from **Apple (AAPL)**. For fiscal 2020 ending August, Jabil sees per-share earnings of \$3.45 to \$3.60, implying 16% to 21% growth.

Despite the upbeat outlook, Jabil shares trade at just 13 times trailing earnings, below the median of 17 for electronic-manufacturing services stocks in the S&P 1500.

If Jabil merely meets the low end of its full-year profit guidance and its trailing P/E rises to 15, the shares would reach \$52 by late September. Jabil is rated a “Best Buy”.

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JPMorgan (JPM)

Brett Owens

Hidden Yields



***JPMorgan (JPM)** is the best run bank in the world and its excellence starts at the top with CEO Jamie Dimon; he has simply been the best big bank CEO during his 14 years at the helm, asserts **Brett Owens**, editor of [Hidden Yields](#).*

Dimon's stock should continue to accelerate higher because, first and foremost, he runs a better bank. JPMorgan's low overhead ratio shows that the firm minimizes its operating costs.

Profits are reinvested smartly, as shown by his ROTCE (return on tangible common-shareholders'-equity). A dollar saved generates \$1.17 for Dimon, which is an industry best.

His second focus is relentless business growth. If you ask him about external factors such as a flat yield curve, he'll point out that every bank has to deal with it and he's focused on growing his bank's many business lines regardless. The result has been compounded annual earnings-per-share (EPS) growth of 21% over the past decade.

The firm has increased its dividend by 1,700% over the last decade. And its payout growth is accelerating even higher. Plus, JPMorgan buys back bank vaults of its own shares. The company has reduced its public float by 18.8% over the last 10 years, with most of the repurchases (14.5% of float) coming in the last five.

Fewer and fewer shares create a virtuous cycle for investors who hold the remaining ones. Everything that JPMorgan reports on a "per share" basis, such as earnings and dividends, look better and better as the denominator shrinks.

This is why people get rich buying the stocks of big banks! These monoliths print money. And they're not building factories or investing in new facilities to grow, either, so firms like JPMorgan have nothing to do with their leftover cash other than to give it back to shareholders in the form of dividends and buybacks.

JPMorgan shares are breaking out to new all-time highs. However, they are still drastically underpriced compared with their recent dividend growth and future payout potential.

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KLX Energy Services

Richard Howe

Stock Spin-Off Investing



KLX Energy Services (KLXE) has declined by 78% since its spin-off last year and many of its energy services peers have gone bankrupt, asserts **Richard Howe**, editor of specialty advisory service, [Stock Spin-Off Investing](#).

As Baron Rothschild famously said, "The time to buy is when there's blood in the streets." Well, there is blood in the Street! But how do we know this isn't a value trap or worse a future bankruptcy?

First, the company is conservatively managed and has one of the best balance sheets in the industry. It's debt to EBITDA ratio is 1.2x with no debt due until 2025. Further, it has \$121MM of cash.

Second, the company is run by an excellent and highly aligned management team. The management team previously founded B/E Aerospace and KLX Inc. B/E Aerospace was eventually sold to Rockwell Collins for 12.4x EBITDA.

KLX Inc. was eventually sold to **Boeing (BA)** for 14.3x EBITDA. Management decided to forgo a salary in exchange for restricted stock in KLXE. My guess is KLXE is eventually sold once energy industry conditions improve.

Third, KLXE just concluded its heavy capital expenditure phase and will generate significant free cash flow in 2020.

Fourth, KLXE's current unused share repurchase authorization of \$49 million represents 33% of its current market cap. I expect to management to aggressively buy back stock.

Five, KLXE, trading at 3.6x EBITDA, is dirt cheap. This valuation is cheap on an absolute and relative basis. Note Apergy, a larger energy services competitor, recently announced that it has agreed to acquire Ecolab's energy division for 12.5x EBITDA.

Sixth, there has been heavy insider buying. The CEO, CFO, controller, VP of operations, and several directors have all bought shares in the open market recently.

For those with a contrarian streak and the stomach for volatility, Buy KLXE for its multi-bagger potential. I expect it to trade several multiples higher in a couple years.

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Ladder Capital (LADR)

Brett Owens

Contrarian Income Report



Ladder Capital (LADR) has a nuanced business model that confuses many investors and money managers. But at heart, it's a commercial mortgage lender. The more loans it writes, the more money it makes, explains growth and income specialist **Brett Owens**, editor of [Contrarian Income Report](#).

Its weighted average loan-to-value (LTV) ratio is a conservative 67%, which means they have a sizable 33% equity cushion against real estate price declines.

Contrast this with your average homebuyer who has, at most, a 20% equity cushion via his or her down payment. And in most cases, as we saw during the housing crisis, it's much less! This is A-1 credit quality.

Ladder's dividend is well covered by profits, too. The firm's primary asset is the expertise of its senior management team, which averages over 28 years of industry experience.

Their interests are well-aligned with ours, thanks to their significant skin in the game. Insiders own \$199 million of equity — about 12% of the firm's \$1.5 billion market cap.

Since our 2016 purchase of Ladder Capital, we've enjoyed 69% total returns (including dividends), a 24% raise on our quarterly payout, plus two special dividends.

Business is still humming along. The firm generated core earnings per share (EPS) of \$0.38 in the most recent quarter and paid a \$0.34 per share dividend. Its payout is well covered, and this payout ratio is plenty comfortable for Ladder, which must pay most of its profits to shareholders to maintain its tax-advantaged REIT status.

Remember, REITs don't need to retain earnings to grow their businesses provided they use debt sensibly. Even with Ladder's price appreciation, shares still pay 7.9% today thanks to its dividend raises. Don't overthink it. Buy it.

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Liberty All-Star Growth Fund (ASG)

Michael Foster

Contrarian Outlook's CEF Insider



*I continue to recommend a focus on US stocks. American companies simply have more trustworthy accounting standards, better regulations and wider global reach than some other nations, suggests **Michael Foster**, editor of Contrarian Outlook's [CEF Insider](#).*

For example, Beijing's numbers aren't always what they appear to be. Big economic numbers can be manipulated, but credit markets can't, and China's bond market looks frightful.

This is where the beauty of closed-end funds (CEFs) comes in, because they let you hedge your bets, collecting a large slice of your return in cash, thanks to their high dividends, like the 7.7% paid by the US-equity-focused **Liberty All-Star Growth Fund (ASG)**.

Large payouts like that also mean you could live on dividends alone, if you're looking to your portfolio for income, and tune out the market's ups and downs, because you won't have to sell any stocks to generate cash.

ASG's portfolio is a mix of large-cap US stocks like **Microsoft (MSFT)**, **Alphabet (GOOGL)** and **Yum! Brands (YUM)**, as well as small- and mid-cap plays like property manager **FirstService (FSV)** and education-technology firm **Chegg Inc. (CHGG)**.

It's a recipe that's easily beaten not only the China-focused CEFs — with *over four times* their total returns in the last decade — but the S&P 500, as well.

Remember, much of this return was in cash, thanks to ASG's large (monthly) dividend. And that payout will continue to provide a nice hedge for ASG investors (as well as a high-income stream) through the market's ups and downs over the coming decade, as well.

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Macy's (M)

John Reese

Validea



*Although it is hard to see right now, if a few things line-up for **Macy's (M)** — our more risk-oriented stock selection for 2020 — the stock could have significant upside potential, explains **John Reese**, editor of [Validea](#).*

Here are the trends that need to emerge for this stock idea to do well for investors.

- 1) The value stock reversion needs to continue.
- 2) The economy and consumer need to stay strong and continue to spend.
- 3) Investors need to start to realize that although Amazon is a dominant force, some retailers will stabilize and those businesses can improve over time, making some of the beaten down stocks in the retail space great bargains at current prices.

To source this investment idea, I started using the quantitative screens and run 22 distinct investment models, ranging from strategies inspired by investing greats, like Warren Buffett and Ben Graham, to fundamental-based computerized strategies.

Using this system, we can screen the entire stock universe, keying in on sectors and specific names that meet many of our models' investing tests simultaneously.

Right now, there are many retailers that are popping up on this list and while many of these retail names look very cheap, you want to be careful not to invest in a company that doesn't have a good brand name and business and where there may not be a margin of safety if things continue to go sideways for the space.

Using our tools, the name that looks to be presenting a good opportunity for value investors is **Macy's (M)**. Macy's is a \$5 billion market cap company and an anchor store in some of America's top malls.

While this may not seem like great place to be, investors appear to have overdone it to the downside and in that is where the opportunity emerges. The stock passes three of our strategies with at least a 90% score and three more with a 70% score.

For example, the stock ranks in the 1st percentile using our Value Composite model based on James O'Shaughnessy's value composite method, an approach that uses multiple value metrics and then ranks all stocks based on the composite score. That's just one of many models that rank the stock highly.

In addition, the stock trades around \$17/share, far below it's 52-week high of \$32. The company pays a nice dividend as well. You can buy this, get paid, and any slight improvement in the business should lead to healthy returns for Macy's in 2020.

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Madison Square Garden (MSG)

Richard Howe

Stock Spin-Off Investing



Madison Square Garden (MSG) is expected to spin off its entertainment business in the first quarter of 2020; this is the spin-off transaction that I'm most anticipating for the new year, notes **Richard Howe**, editor of specialty advisory service, [Stock Spin-Off Investing](#).

To understand why, you just need to know basic arithmetic. You see, MSG is very easy to value. It owns the New York Knicks franchise (valued at \$4.0 billion according to *Forbes*), the New York Rangers franchise (valued at \$1.55 billion according to *Forbes*), \$1.0 billion of cash, and the Madison Square Garden arena (valued at \$1.2 billion according to its tax assessment).

Further, MSG owns a bunch of other assets including Madison Square Garden air rights, The Forum in Los Angeles, a piece of the Tao Group, and the Christmas Spectacular show. Add all these pieces up and you get a \$1.0BN of additional value.

In total, MSG is worth \$8.75BN or \$366 per share, a 20% premium to MSG's current share price. What is even more interesting is that *Forbes* professional sports franchise values have historically proven incredibly conservative.

For instance, the median NBA franchise over the past 10 years has been sold at a 38% premium to the last *Forbes* valuation. Similarly, the median NHL franchise over the past 10 years has been sold at a 19% premium to the last *Forbes* valuation. Therefore, our \$366 per share valuation is arguably, very conservative.

Other encouraging things to note:

1) Importantly, professional sports are defensive. For instance, NHL and NBA revenue grew during the Great Financial Crisis.

2) There is significant upside optionality associated with the Knicks. The Knicks have the worst record of any NBA team over the past 20 years. If the Knicks improve, revenue and the Knicks' valuation will follow suit. As an example, the significantly improved Toronto Raptors have experienced a 42% increase in revenue over the past two years.

The spin-off of MSG's entertainment business, scheduled for the first quarter of 2020, will shine light on the value of MSG's previously obscure sports assets.

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Major Drilling (Toronto: MDI) and TriStar Gold (Vancouver: TSG)

Ralph Aldis
US Global



*We are beginning to see more money come into the gold mining space. Senior gold producers have been the primary beneficiary so far as investors have begun to rotate money to these names, asserts resource sector analyst **Ralph Aldis** of [US Global Investors](#).*

The senior gold miners have also delivered a disciplined year of consolidation. Now, if they are going to try to grow their reserves and resources and not go buy an exploration mining company with a property of merit, they are going to drill.

And that is where **Major Drilling Group International** (Toronto: [MDI](#); OTC: MJDLF) is going to benefit from the exploration cycle first.

As gold peaked in the earlier part of this past decade, Major Drilling's returns on invested capital breached 20 percent but began to fall with gold prices and reduced drilling demand.

Demand is now on the rise as Major Drilling's cash from operations nearly double over the past quarter, delivering a windfall of free cash flow for the quarter.

For those comfortable with a penny stock in the gold sector, **TriStar Gold** (Vancouver: [TSG](#)) (OTC: TSGZF) is a top for speculative idea for the year ahead.

The biggest issue in the exploration space over the last couple of years is securing funding. Nick Appleyard, President/CEO of TriStar Gold was able to bring in US\$8 million into the company from Royal Gold, Inc. back in May 2019.

More recently, Canaccord raised C\$2.24 million for TriStar Gold with Goldspot Discoveries participating in the placement to help further delineate high impact targets to the Castelo de Sonhos gold discovery in Brazil.

Over the last three years, TriStar has grown the resource by a factor of seven to a its current 2.0 million ounces with further untested ground within the paleoplacer gold deposit of Castelo de Sonhos.

Analogous to these paleoplacer deposits are the Tarkwa Gold Mine operated by Gold Fields in Ghana and the Jacobina Gold Mine operated by Yamana Gold in Brazil, so these deposits are understood but need to be delineated before development starts.

With companies like Equinox Gold Corp. stepping in to takeover LeaGold Mining Corp. creating a very Brazil-centric gold mining company, maybe there is room for further consolidation in the future.

*(Editor's note: Last year, Ralph Aldis recommended **Wesdome Gold Mines** (Toronto: [WDO](#)) as a Top Pick; the stock has risen 126% percent. Aldis notes, "While the company has not been the subject of a takeover, that possibility certainly still exists for 2020.")*

[Learn more about US Global Investors here...](#)

MannKind (MNKD)

Nate Pile

Nate's Notes



Given how things are shaping up for **MannKind (MNKD)** as we begin 2020, it is once again my Top Pick for speculative investors in the coming year, suggests **Nate Pile**, editor of **Nate's Notes**.

For those not familiar with the company, MannKind has a proprietary drug delivery platform called Technosphere that allows it to deliver a wide variety of drugs to the body through the lungs rather than via pills or injections (thus allowing for an often much faster onset of action).

The company's lead product is Afrezza (inhalable insulin), and it is already approved by the FDA for use by both type 1 and type 2 diabetics.

Though still quite small relative other mealtime insulins, sales of Afrezza have been growing steadily for the past couple of years,

Doctors need to see results in a small group of patients before they'll start expanding use of the new therapy into the rest of their practice, and the reality is that this "trial" period often takes 12-18 months when it comes to managing diabetes.

And, given the manner in which new ways of managing diabetes have been adopted in the past, I believe the odds are good that 2020 will be the year that Afrezza finally starts to gain some meaningful traction in the marketplace.

Along with Afrezza, MannKind is also developing a Technosphere-based version of tadalafil (along with another undisclosed molecule) with its partner **United Therapeutics (UTHR)**.

It also has an agreement in place with privately-held **Receptor Life Sciences (RLS)** under which RLS is developing cannabis-based products utilizing the Technosphere platform.

And though they are not yet licensed to partners, MannKind is also working on inhalable versions of a number of interesting compounds, most notably epinephrine (for anaphylactic shock), sumatriptan (migraines), and tadalafil (erectile dysfunction).

Thanks to a very aggressive group of short sellers who have flooded the market with 40 million "extra" shares over the years, MannKind's market cap has been beaten down just over half of what it was when the company first came public back in 2004.

At that time, the company did not have an FDA approved product nor anywhere near as much data about the potential for Technosphere to revolutionize drug delivery in a number of different categories.

While it remains to be seen how things will actually play out (short squeezes are far less common than people like to believe they are), I do find it encouraging that all of those short sales represent pent up buying demand for roughly 40 million shares when those short sellers eventually close out their trades. MNKD is a strong buy under \$5 and a buy under \$10.

*(Editor's note: Nate Pile's Top Pick for 2019, **Catasys (CATS)**, has risen 71%. The company has developed a proprietary data analysis platform to help individuals in healthcare plans better manage chronic conditions. He The advisor says, "This is a rapidly growing field. I believe there is still plenty of upside ahead.")*

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MasTec (MTZ)

Richard Moroney

Upside Stocks



Last year, **Richard Moroney** selected **Diodes (DIOD)** as the Top Pick from his small-cap focused advisory service, **Upside Stocks**; the stock rose 69% and he still recommends the shares. For 2020, he turns to an engineering and construction company.

A leading infrastructure construction firm, **MasTec (MTZ)** is family-owned and leveraged to two massive markets — communications and energy.

The company believes it is the largest wireless infrastructure provider, installing towers and antennas for such major carriers as AT&T (T), Verizon (VZ), and T-Mobile (TMUS). MasTec is benefitting from the rollout of 5G networks and the proliferation of small wireless cells.

The stock earns a Value score of 88, ranking it among the cheapest 12% of the more than 4,500 stocks in Quadrix. That score is up from 72 at the start of year even though shares have rallied 57% through Dec. 29.

MasTec trades at just 13 times trailing earnings, 31% below the median for industrial stocks and 21% below industry-group peers in the S&P 1500. The stock trades at a significant discount to its five-year median P/E of 18.1 and 10-year norm of 17.2.

If MasTec's trailing P/E ratio reverts to its five-year median of 15 and management meets the consensus 2020 profit estimate of \$5.52, the shares would reach \$83 over the next 14 months. The stock is a capital gains favorite for 2020.

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Mastercard (MA)

Jon Markman

Strategic Advantage



*Digital transformation, as an investment theme, gets bandied around a lot. It looks good in corporate press releases but few companies are really getting it done. Fewer are essential. **Mastercard (MA)** ticks both boxes, asserts growth stock expert **Jon Markman**, editor of [Strategic Advantage](#).*

The payment processor — my conservative pick for 2020 — operates on a global scale. The company has business partnerships with leading financial institutions all over the world.

More important, Mastercard managers, along with leaders at **Visa (V)**, its major competitor, have been left alone to figure out the future of digital payments. Newsflash: They're thinking big.

Imagine millions of machine-to-machine transactions. For example, the computer in your car will be able to seamlessly transact payments with gas pumps and car washes. And everything will share a connection in the cloud with your personal, encrypted financial information. It always will be on. After a while, you'll wonder how you ever lived without it.

The idea is part of a bigger plan to eliminate cash payments everywhere, and Mastercard has lots of allies in high places with strong incentives to get it done. Banks win because a cashless society means more accounts. Governments win because tracking taxes and skewering black marketeers is easier. Mastercard wins because it collects a fee, albeit a small one, for every transaction it processes.

The proliferation of biometric sensors on billions of smartphones means this transition is way closer than most investors think. For example, it already happened in India, where every man, woman and child has a unique digital identity authenticated by a fingerprint or retinal scan.

Meanwhile, the credit and debit card business is smoking hot, spurred by eCommerce and online banking growth. Annual sales reached \$14.9 billion in 2018, and they are projected at \$16.9 billion for 2019, and \$19.1 billion in 2020. Profits were \$5.9 billion in 2018. That's a margin of 39.2%.

Despite these impressive metrics, shares trade at only 35.1x forward earnings. The market capitalization, at \$303 billion, could easily reach \$409 billion based on the credit and debit businesses alone — for a potential gain of 30% in 2020.

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Midas Gold (Toronto: MAX) (OTC: MDRPF)

Gerardo del Real

Junior Mining Monthly



*I anticipate an exciting year for copper and gold which brings me to my Top Pick for 2020; my Top Pick is **Midas Gold** (Toronto: [MAX](#)) (OTC: MDRPF), suggests **Gerardo del Real**, micro-cap specialist and editor of [Junior Mining Monthly](#).*

Midas Gold controls the world class Stibnite gold-antimony project, located in the historic Stibnite-Yellow Pine mining district in central Idaho.

In 2014, an independent Pre-feasibility Study demonstrated potential for a large-scale, long-life, low-cost open pit gold mine that stands out from its peers.

The project boasts 6.6 million gold ounces, across all categories, and an important antimony credit that could produce nearly 100 million pounds of the important strategic mineral.

The gold is high-grade. So much so that if it were in production today it would be the fourth highest grade open pit deposit in the U.S..

Midas Gold checks all those boxes. It also checks several boxes for its largest shareholder Barrick Gold which I believe makes Midas a prime takeover target.

There is a lot of upside between the current \$165 million market cap and the billion dollar plus net present value the 2014 pre-feasibility study outlined using a \$1,500 gold price. Midas is expected to publish its feasibility study in Q1 of 2020 and is expected to be fully permitted by Q1 of 2021.

The recent increase in M&A is expected to continue and if recent transactions are an indication, the assets that will be bought at a significant premium will be in stable jurisdictions, have scale and significant exploration upside.

*(Editor's note: **Gerardo del Real** chose **Great Bear Resources** (Toronto: [GBR](#)) (OTC: [GTBDF](#)) as his Top Pick last year. The shares rose 260%. He now says, "The success at its 100%-owned Dixie project in the Red Lake district of Ontario has allowed Great Bear to expand its already aggressive drill program to a remarkable 200,000 meters. There is a lot to like in the context of what I expect will be a pivotal year for gold and the better juniors in the space.")*

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Millrock Resources (Vancouver: MRO) (OTC: MLRKF)

Brien Lundin

Gold Newsletter



Millrock Resources (Vancouver: [MRO](#)) (OTC: [MLRKF](#)) — a risk-oriented, micro-cap penny stock — is a diversified, prospect-generating exploration company with a focus on Alaska, asserts **Brien Lundin**, junior mining specialist and editor of [Gold Newsletter](#).

The company almost always uses joint-venture partners to fund the expensive drilling on its projects, but one of its targets was so exciting that it was about to fire up the drills on its own nickel.

Until an Australian company came up with an extraordinary deal that was simply too good to pass up.

Resolution Minerals offered to spend \$5 million on Millrock's 64North project over the next year, to earn just an initial 30% interest.

To increase that to a 60% interest, Resolution must spend \$20 million plus issue 38 million in Resolution shares and make \$200,000 in cash payments. Millrock will receive 8% of the 2020 expenditures on 64North as an operator fee.

This is an exceptional joint venture deal — perhaps the best I've seen in terms of immediate exploration commitment.

And here's why Resolution is so excited about 64North: The project's location immediately west of Northern Star Resources' Pogo gold mine makes it a prime piece of real estate. That potential is boosted by geophysical surveys and other indications — including Northern Star's drills marching right toward 64North.

To give you a sense of the scale of deposit the partners are after here, consider that Pogo has already generated four million ounces of gold and has another six million ounces remaining in reserves and resources.

To date, the market is giving Millrock almost no credit for this deal and this project. But that's likely to change, as the drills begin turning at 64North in the weeks ahead and gold hits the next phase of this bull market.

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MSC Industrial Direct (MSM)

Hilary Kramer

Value Authority



You may have never heard of **MSC Industrial Direct (MSM)**, but it is not the new kid on the block. In fact, it has been in business for 75 years and has a market capitalization of \$4 billion, asserts **Hilary Kramer**, editor of *Value Authority*.

The company is a leading North American distributor of metalworking and maintenance, repair and operations (MRO) products and services. Metalworking is the process of working with metals to create individual parts, assemblies or large-scale structures and is used in a wide range of industrial end markets.

The company also offers approximately 1.7 million active, saleable, stock-keeping units (SKUs) through its eCommerce channels and traditional marketing channels such as catalogs and call centers.

The company seeks to differentiate itself from other companies through the value-added services that MSC offers its customers in order to save money and improve productivity.

Depending on the customer's size and needs, MSC customizes its options to address the complexity of the company's processes, as well as specific products, technical issues and cost targets.

It accomplishes this through using modern processes such as big data and analytics to help its customers gain insight into their practices and take much of the costs out of their supply chain operations.

After years of steady results, the company's EPS fell in the August 2019 fiscal year. On the fourth-quarter conference call, the company indicated that all end markets, except for aerospace, were weakening. This softening of demand will cause a further decline in EPS during the August 2020 fiscal year.

I still believe that the stock is an outstanding value at 14.5X the \$5.00 EPS estimate for the August 2020 fiscal year. Since fixed expenses, such as depreciation and interest payments, are a relatively low percentage of the company's revenue, this will help the company keep its earnings relatively stable in the current downturn.

Another great defensive characteristic of the company is its strong free cash flow generation, which has equaled almost 100% of net income in recent years. This allows the company to pay a healthy dividend, with a current yield of 4.15%, and engage in share buybacks, with the company lowering its average share count by 2% last year.

If the consumer economy remains strong, the industrial sector will pick up at some point. With employment growth still chugging along, manufacturing should come back. This will be a major catalyst for the share price.

(Editor's note: In last year's report Hilary Kramer picked Ultimate Software as her Top Pick for 2019; the company was acquired in May, for a 35% gain.)

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Myovant Sciences Ltd. (MYOV)

Jay Silverman

The Medical Technology Stock Letter



Myovant Sciences Ltd. (MYOV) offers a new drug “pipeline in a pill”, asserts biotech expert **Jay Silverman**, contributing editor to [The Medical Technology Stock Letter](#).

Relugolix is a small molecule, gonadotropin-releasing hormone (GnRH) receptor antagonist, and an oral drug candidate for the treatment of uterine fibroids (UF), endometriosis, and advanced prostate cancer.

More than 2,150 study participants have received treatment with relugolix in successful Phase I, Phase II, and Phase III clinical trials. Myovant’s partner **Takeda Pharmaceutical (TAK)** has obtained marketing authorization in Japan for Relumina (relugolix 40 mg tablets), while MYOV has retained ROW rights.

Several clinical and regulatory catalysts are due in 2020 that, in our view, will increase the NPV of relugolix, propel MYOV shares and also increase the company’s potential takeover value.

GnRH modulation has been validated in studies in prostate cancer, breast cancer, endometriosis, uterine fibroids, and additional indications where regulation pituitary hormones may play a role. There are already a series of GnRH agonists on the market, as well as a few antagonists.

With a broad clinical profile, in our view MYOV’s Relugolix could offer advantages over existing agonists and antagonists through an improved safety profile and more convenient dosing options.

Myovant will most likely be the second GnRH inhibitor to gain FDA approval, with an NDA submission for relugolix in uterine fibroids (UF) due by April 2020. Orilissa from **AbbVie (ABBV)** was approved in July 2018 for pain in endometriosis and the company submitted a NDA for in uterine fibroids in August 2019.

Uterine fibroids are extremely common among adult women. The standard of care treatment includes GnRH agonists, NSAIDS, and oral contraceptives and are not effective enough for a significant proportion of patients.

In many cases uterine fibroids can progress to require surgery, we see GnRH antagonists as having the potential to fulfill an important gap in the market. Given its competitive efficacy profile, we believe relugolix could help a number of patients with uterine fibroids.

Though AbbVie’s Orilissa entered the market in 2018, we believe Myovant will benefit from AbbVie’s powerful marketing to develop and educate the market for oral GnRH inhibitors. Myovant’s lead indication is uterine fibroids and is about 9-12 months behind Orilissa.

Meanwhile, in its first trial in prostate cancer, men receiving once-daily, oral relugolix achieved sustained testosterone suppression; the results support an NDA submission to FDA upcoming in Q2:20 and future regulatory submissions in Europe and Japan.

Orilissa is not currently in development for prostate cancer and is not being developed in a co-formulation with add-back therapy, which could give relugolix a commercial advantage in terms of convenience for patients.

The potential for patients to rapidly come on and off of oral relugolix therapy makes intermittent treatment a new option. Recent surveys of men with prostate cancer suggest a preference to a pill versus frequent injections.

As a novel pipeline in a pill with de-risked clinical data, ease of use and safety advantages over other GnRH inhibitors/agonists, in our view relugolix is a next-generation blockbuster for endometrial disorders. As a wholly owned asset, we also believe MYOV is an attractive biotech takeover candidate. The stock is a buy under \$17 with a target price of \$25.

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National Fuel Gas (NFG)

Roger Conrad

Conrad's Utility Forecaster



*My Top Pick in 2019 was **Brookfield Renewable Partners (BEP)**; investor appetite for high yielding renewable energy stocks sent the shares soaring, up over 80%, notes **Roger Conrad**. The editor of **Conrad's Utility Forecaster** now rates those shares a "hold" and turns to a natural gas producer as a new Top Pick for 2020.*

At **National Fuel Gas (NFG)**, keeping operations conservative is management's basic DNA. The mid-point of company guidance for fiscal 2020 earnings (end Sept 30) is now \$3.15 per share, down from an initial projection of \$3.40. That's due to reduced expectations for natural gas prices.

Nonetheless, cost control from tight integration between production and gathering will support 15 percent higher output this year, followed by "single digits" in FY2021. The company also raised proved oil and gas reserves by 23 percent in the last 12 months.

While others fell prey to Wall Street's push to divest regulated utility and midstream assets during the boom times earlier in the decade, NFG stayed united and integrated. The result is solid 1.8 times coverage of the still-growing dividend over the past 12 months, along with a BBB credit rating and stable outlook.

Regulated utility and pipeline infrastructure contributed roughly 63 percent of FY2019 earnings, essentially covering the dividend on their own with room to spare. And with \$270 to \$315 million targeted for system investment, their contribution will grow the next several years, offsetting any future weakness in natural gas prices.

Management also continues to boost the balance sheet with opportunistic debt retirement and refinancing, slashing interest expense by 10.3 percent in the last 12 months.

On a valuation basis, National Fuel is cheap relative to the overall market, selling for just 14.9 times the mid-point of FY2020 guidance. That's typical of energy stocks, whose underperformance has shrunk the sector to just 5 percent of the S&P 500 from 15 percent a decade ago.

As recently as April of this year, National Fuel shares traded in the low 60s. We expect a return to that level this year, as regional natural gas prices stabilize and bargain hunters return to the sector, in search of low valuation stocks.

The big difference between National Fuel Gas and other energy companies is its unique business model has repeatedly proven its resiliency in tough times. Management has also locked in prices for 87 percent of its expected FY2020 output, meaning stable earnings even if gas prices should fall further.

There's also the potential for a takeover of the company from its modest current market capitalization of only around \$4 billion. Buy National Fuel Gas at \$55 or lower.

[Subscribe to Conrad's Utility Forecaster here...](#)

Nektar Therapeutics (NKTR)

John McCamant

The Medical Technology Stock Letter



Nektar Therapeutics (NKTR), is a top pick for 2020, suggests **John McCamant**, an industry-leading biotech stock expert and editor of [The Medical Technology Stock Letter](#).

The company is positioned for a flow of significant catalysts in 2020 from their broad diversified pipeline of drug development candidates for pain management, cancer and inflammation.

Its drug candidate for pain management, NKTR-181, is expected to have an FDA Ad Com panel in early 2020 which in our view, will be followed by an FDA approval. '181 is a novel mu opioid that selectively avoids causing euphoria (the cause of opioid abuse) while still preventing pain.

The company is currently in discussions with possible partners for '181 as it would need a large sales force to launch a novel pain drug that may help address the opioid crisis as the compound provides pain relief without euphoria.

'181 currently represents zero value in most Wall Street models for the stock, despite the recent positive development with the imminent scheduling of an FDA AdCom meeting. In our view, '181 will receive FDA approval which will serve as a significant stock catalyst in 2020.

Bempeg which targets IL-2 is NKTR's lead cancer drug development candidate and is currently in broad Phase III development in combination with their partner **Bristol-Myer Squibb (BMY)**, which has the approved cancer drug Opdivo.

The most recent updated efficacy results with longer follow-up are now approaching a median of 19 months in heavily pre-treated melanoma patients. Interestingly, some patients who had partial responses to Bempeg/Opdivo have now improved to complete response— a classic immune oncology (I/O) sign of efficacy.

Another important signal is that more than half of the patients continue in the study without evidence their tumors are growing again, suggesting that the B/O combo in newly diagnosed melanoma patients could be more effective and durable than when Opdivo is used alone or when combined with Yervoy in later stage patients.

Lastly, the NKTR combo continues to have an excellent safety profile compared to the significant toxicity seen with the Yervoy combo.

Bempeg is a very important cancer drug candidate being developed in combination with Opdivo. Currently only 33% of cancer patient respond to the miracle drug Opdivo which turns immune systems back on to fight cancer. Bempeg has the potential to open door for the other 60%-70% cancer patients that cannot be currently treated with Opdivo representing a multi-billion drug opportunity.

BMS has voted strongly by giving NKTR \$2 billion for the rights to co-develop Bempeg in combo with their drug Opdivo. The markets are also starting to realize the huge potential of IL-2 targeted drugs as THOR was bought for \$2.5 billion and a huge premium (172%) by Sanofi for their Phase I IL-2 drug candidate and their I/O platform.

The company recently announced updated results from the first-in-human Phase 1a study of NKTR-358, a novel T regulatory (Treg) cell stimulator in development for the treatment of autoimmune and other chronic inflammatory conditions.

The data support the drug candidate's expanded development by partner **Eli Lilly (LLY)** which is being evaluated in a multiple ascending dose (MAD) study in patients with systemic lupus erythematosus and two additional double-blind, randomized, placebo-controlled Phase 1B studies in adults with psoriasis and atopic dermatitis.

'358 has huge potential as it would turn of inflammation before it can cause disease and would basically represent a cure for any autoimmune disease.

NKTR is positioned for numerous catalysts in 2020 with '181 and Bempeg leading the way. A positive FDA panel for '181 will begin to unlock huge value for the company as they own 100% of the potential block buster.

The Bempeg/Opdivo combo will have multiple Phase II/III read outs in 2020 and the huge cancer meeting ASCO in May could be significant for NKTR's stock. In our view, the resurrection of NKTR's stock is just beginning and will become fully recognized by Wall Street in 2020.

*(Editor's note: John McCamant's Top Pick in 2019 was **The Medicines Company (MDCO)**; the stock is up 343% following a takeover announcement by **Novartis (NVS)**. The biotech expert notes, "The takeover will prove to be an astute acquisition at a very attractive price. The roughly \$10 billion price tag is a reminder of the high value placed on innovation in biotechnology.")*

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New Relic (NEWR) and PagSeguero (PAGS)

Matthew Castel

Logos LP



*We look for businesses that possess superior economics or “high moats” and thus are expanding value; here are two that stand out as new ideas for 2020, notes money manager **Matthew Castel**, value-oriented money manager with [Logos, LP](#).*

New Relic (NEWR) provides analytic and data monitoring software for DevOps teams. Company is trading a little over 6x sales with ~80% gross margin. The stock is down 47% from 2018 and free cash flow has nearly quintupled since then.

The company is currently transitioning into New Relic One Platform — which will be a great catalyst. New Relic has more free cash flow than companies like **Zscaler (ZS)** with a similar growth profile — while trading at nearly half the market cap.

PagSeguero Digital (PAGS) is coming off a difficult third and fourth quarter of 2019 as the stock dropped nearly 40% since December and has only recently taken a pop upwards.

We think this a strong growth name as it serves the “unbanked” in Brazil (there are over 60 million unbanked people in the country) in addition to small merchants.

We think the quants are going to shoot over on emerging markets come early 2020 as they have been underweight all year and we think this is a perfect opportunity to get exposed to Brazil with a high ROIC model and high growth business that is virtual banking and payments.

This stock is jumpy but we think there are secular growth tailwinds going into the New Year will propel the stock meaningfully higher.

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Novartis (NOV)

John Eade

Argus Research



*John Eade, an analyst with [Argus Research](#), chose defense contractor **Lockheed Martin (LMT)** as his Top Pick in 2019. He still views the stock — which rose 47% last year — as a suitable core holding in a diversified portfolio. For 2020, he turns to a favorite drug developer.*

Novartis (NOV) has historically generated stable earnings from its diverse businesses, which include its pharmaceutical and Sandoz generics groups, and has a deep new drug pipeline.

The company completed a three-part deal in which it sold its vaccine business to **GlaxoSmithKline (GSK)**, bought the Glaxo oncology business, and combined its consumer healthcare business in a joint venture with the Glaxo consumer healthcare business.

Now, the joint venture has been sold back to Glaxo. The transaction is helping Novartis to focus on its strengths — autoimmune disorders, oncology and generics, including biosimilars — while exiting noncore businesses.

Last April, the firm spun-off of its eye care division, **Alcon (ALC)**. In conjunction with the spin-off, Novartis also announced its intention to continue paying a strong and growing annual dividend. In addition, management indicated that share buybacks will continue to be part of the mix to create shareholder value.

Over the next several years, we expect the Swiss company to launch new drugs in such critical areas as coronary disease, oncology and gene therapy.

* Zolgensma gene therapy was launched in the U.S. for treatment of spinal muscular atrophy in children under the age of two

* Piqray (alpelisib) launched for treatment of advanced breast cancer with a PIK3CA mutation

* Beovu (brolucizumab) launched in the U.S. for treatment of neovascular (wet) AMD.

* Ofatumumab (OMB157), a subcutaneous, potent, fully-human monoclonal antibody targeting CD20 positive B-cells, had positive Phase III trial results, and rolling submissions are planned to start in 4Q

The company's 'growth products' include Cosentyx for psoriasis and other conditions, Jakavi for myelofibrosis, Entresto for chronic heart failure, and bone marrow stimulant Promacta/Revolade, Tafinlar + Mekinist for melanoma.

Other recently launched products, Kisqali for advanced or metastatic breast cancer, Lutathera, for cancerous neuroendocrine tumors affecting the digestive tract, and Kymriah, a promising immune-oncology drug.

Many of the drugs under development are considered breakthrough treatments and should benefit from strong pricing power. The company's balance sheet is clean, and management has a history of increasing the dividend annually.

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NV5 Global (NVEE)

Tom Bishop

BI Research



***NV5 Global (NVEE)** is a top recommendation for the coming year; the company is a provider of professional and technical engineering and consulting solutions to public and private sectors, explains **Tom Bishop**, editor of [BI Research](#).*

NV5 focuses primarily on five business verticals: construction quality assurance, infrastructure engineering and support services, energy, program management and environmental solutions.

In a nutshell here is why I like NV5. The stock is currently trading at 22 times trailing earnings, 15 times full year 2019 consensus EPS of \$3.40, and just *11 times* the mid-point of guidance for 2020 (\$4.32- \$4.78).

The company has grown EPS rapidly in recent years. Here is the EPS progression starting in 2013: \$0.70, \$0.87, \$1.41, \$1.53, 2.38, \$3.24 in 2018, \$3.40 expected for 2019 (after a temporary hiccup in Q3 due to a few project delays), with a *30% increase* to \$4.55, the midpoint of company guidance, expected for 2020.

If the shares can just command the trailing 22 PE currently prevailing, by the end of 2020 the shares would be trading at \$100 (22 X \$4.55).

With a record like the above, and growth of 30% on tap for 2020, I think a PE of 22 would be on the low side, especially in light of the ample valuations in the stock market today after a 10 year bull market, but let's go with that (you could make a case for a PE of 30). In other words, the shares could double from here in 2020.

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NV5 Global (NVEE)

Doug Gerlach

SmallCap Informer



NV5 Global (NVEE) is a provider of professional and technical engineering and consulting solutions to public and private sector clients, explains **Doug Gerlach**, editor of **SmallCap Informer**.

The company serves the infrastructure, energy, construction, real estate, and environmental markets. NV5 primarily focuses on five business verticals: construction quality assurance, infrastructure, energy, program management, and environmental solutions.

The company operates out of more than 100 locations nationwide and in Macau, Hong Kong, and the UAE. The company is headquartered in Hollywood, Fla., and went public in 2013.

Fortune magazine named NV5 to its 2019 "Fastest Growing Companies" list, where it ranked #20 overall. The Zweig Group, a publisher of architecture and engineering newsletters, named NV5 #1 on its "Hot Firm List" for 2017, 2018, and 2019.

Since 2011, NV5 revenues have grown at an annual rate of 35.7%, with EPS growing at 38.3% during the same period. Growth has been very stable; the demand for remedying the nation's crumbling infrastructure should continue to drive NV5's business.

In our stock study, we are projecting average growth of 17% a year for EPS and revenues through fiscal 2023, putting EPS at \$6.02 in five years. However, the midpoint of NV5's guidance for fiscal 2020 is \$4.55, just below a doubling of 2018's EPS, so our long-term expectation could be quite conservative.

NV5's pre-tax profit margins have been dancing up and down around the 8.0% level in the last five years, averaging 7.9%. The company has made use of debt to fuel acquisitions but prefers to quickly pay down borrowed funds. The long-term debt-to-equity was just 10.7% at year-end 2018.

Based on a projected high P/E of 25, the stock would reach \$150 in five years, a total annual return of 25.9% from the current price of \$48. Using a projected low P/E of 12 and 2018 EPS of \$2.33 suggests a potential low price of \$28, with an upside-downside ratio of 5.2:1.

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Omnicom Group (OMC)

Kelley Wright

Investment Quality Trends



Omnicom Group (OMC) is a global advertising and marketing services company, and one of the world's largest corporate communications companies, asserts dividend and value investing expert **Kelley Wright**, editor of [Investment Quality Trends](#).

OMC serves more than 5,000 clients in over 100 countries. It operates as three independent global agency networks: the BBDO Worldwide Network, the DDB Worldwide Network, and the TBWA Worldwide Network. Each agency network has its own clients, and the networks compete with each other in the same markets.

OMC's companies provide an extensive range of services, which it groups into four disciplines: Advertising; CRM Consumer Experience; CRM Execution & Support; Public Relations and Healthcare. Operations cover the major regions of North America, the U.K., Europe, the Middle East, Africa, Latin America, the Far East, and Australia.

Historically OMC's shares have offered good value when the dividend yield is 2.20%. Based on the current dividend of \$2.60, a 2.20% dividend yield is realized at \$118 per share. Trading recently around \$82 per share, the stock is at a 44% discount from its historically repetitive area of high yield.

With recession fears fading quickly, and the fact that the company has produced great internal numbers without a strong environment for this space, we believe OMC shares offer tremendous upside potential.

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ONEOK (OKE)

Bill Selesky

Argus Research



*Argus Research does not advise companies or manage money; as such it offers completely unbiased, independent research. For his favorite investment idea for the coming year, analyst **Bill Selesky** looks to a midstream energy service provider.*

ONEOK (OKE) is one of the largest energy midstream service providers in the U.S., connecting supply basins with key market centers. It owns and operates one of the nation's premier natural gas liquids systems and is a leader in the gathering, processing, storage and transportation of natural gas.

ONEOK's operations include a 38,000-mile integrated network of NGL and natural gas pipelines, processing plants, fractionators and storage facilities in the Mid-Continent, Williston, Permian and Rocky Mountain regions.

The company continues to restructure legacy contracts and is working to generate new business under a fee-based system. As a result, its earnings have become less vulnerable to changes in volume and pricing.

ONEOK also pays a solid dividend, and management has projected annual increases of 9%-11% through 2021. The dividend yields about 5.0% and is more than covered by cash flow.

We continue to expect meaningful revenue and earnings growth from the ONEOK Partners merger. We are raising our 2020 EPS estimate to \$3.75 from \$3.72 to reflect our expectations for higher commodity prices and additional merger synergies next year. The 2020 consensus estimate is \$3.80.

Our long-term rating remains "buy", reflecting OKE's improving market fundamentals, greater earnings stability, and record of steady dividend growth.

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Oppenheimer Holdings (OPY)

Doug Hughes

BankNewsletter



Oppenheimer Holdings (OPY) recently announced their best quarter in a decade and along with another 5% stock buyback, explains **Doug Hughes**, regional bank sector specialist and editor of **BankNewsletter**.

Earnings are growing and growing as the market goes up and up, they make more and more money each quarter. In addition, they are paying back their outstanding debt, which will add to earnings growth going forward

Meanwhile, CEO Bud Lowenthal is another year older and ready to retire to his estate; he has worked a long, hard career.

People are paying top dollar today for these kinds of firms, and OPY is worth at least 65% more than it is trading at today and maybe 100% more. The downside is so limited unless we get a crash. Lowenthal is smart and prudent and he will not let this opportunity slip away.

In addition to paying down debt, I expect them to repurchase as many as 800,000 shares in the open market the next six months; this will create a floor on the stock.

Their income can go up and down a lot from quarter to quarter in this type of business. But with the market up and the IPO market so hot, the next 2 quarters alone are locked in at well over \$1.00 a share each quarter.

They will make well over \$4.00 plus in 2020, that's a P/E of 7 today. They did also raise the cash dividend, but since the payout is still small, tangible book value grows \$0.30 each month or over a dollar share every quarter. This stock could easily trade to \$35 to \$40 on fundamentals and \$55 plus in a sale.

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Paycom Software (PAYC)

Todd Shaver

BullMarket Report



*Todd Shaver, editor of [BullMarket Report](#) had an exceptional 2019; last year, he picked **Apple (AAPL)** as his favorite conservative stock and **Roku (ROKU)** as his top speculation. Apple rose 87% and Roku was up a staggering 315%.*

On the slightly more “conservative” side of the technology sector, **Paycom (PAYC)** has been a secret weapon for our subscribers for years.

There aren't a lot of sizzling Silicon Valley buzzwords here. The company automates payroll and other human resources functions.

It's a stable and profoundly sticky business. Once people convert their systems, they rarely go back . . . retention last year was well above 90%, which liberates the sales team to chase new accounts instead of keeping existing clients happy.

That's translated to roughly 30% annualized revenue growth over the years and healthy margins throughout the client cycle.

We initially recommended PAYC in early 2018 at \$111 so you can see how far it's come. However, as long as there are new employers left to capture, that growth curve will continue. And the market opportunity is endless.

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Paycom Software (PAYC)

Eddy Elfenbein

Growth Stock Advisor



*The job at **Paycom Software (PAYC)** is to make human-resources departments more manageable — and this isn't so easy in the modern business climate, suggests **Eddy Elfenbein**, editor of **Growth Stock Advisor**.*

HR departments have to deal with lots of government regulations, on top of needs specific to their industries. That's not so difficult for a large corporation, but the HR requirements for a small start-up can be a major headache. That's where Paycom — our top aggressive stock for 2020 — comes in.

Paycom describes itself as a “leading provider of comprehensive, cloud-based human-capital management solutions delivered as software as a service.” The company makes and sells software that lets companies easily hire, manage, train, and most importantly, pay their employees.

The advantage that Paycom brings is that its software centralizes the whole process. For example, consider the process of finding a new employee. This is a major decision for any young company. Paycom can help with every step of the process. That includes tracking interviews and background checks.

Once a new employee joins up, there's more paperwork to deal with. The employee has to make decisions regarding health insurance and retirement savings. On top of that, there's on-board training. Paycom streamlines the entire process. This saves a company money, and, just as importantly, it saves time.

Paycom currently has over 23,500 clients, and they're very popular with their clients. The company's annual retention rate consistently exceeds 90%. Even after a new employee joins, Paycom still helps. Its software helps manage sick and vacation days, as well as keeping track of training.

Paycom provides functionality and data analytics that businesses need to manage the complete employment lifecycle, from recruitment to retirement. Employees at customer firms love Paycom's ease of use. Their software lets employees manage their own HR needs in the cloud, which reduces the administrative burden on employers and increases employee productivity.

The company was founded in 1998, and its IPO was five years ago. Paycom's business has been growing at a rapid clip. Earnings-per-share has grown from 19 cents in to \$2.67 per share in 2018. I think the company has a good shot at making \$3.40 per share for 2019, then \$4.30 per share in 2020 and \$5.30 per share in 2021.

In October, the CEO said the company had a “particularly strong quarter.” Paycom reported earnings of 70 cents per share which was three cents more than estimates. Revenues rose 35% to \$175 million. I'll caution you that Paycom is not a value stock, but its growth potential is very strong.

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Paycom Software (PAYC)

Jim Woods

Successful Investing



Paycom Software (PAYC) — my aggressive idea for 2020 — calls itself a “human capital management” applications firm, explains growth and income expert **Jim Woods**, editor of [Successful Investing](#).

And that is an interesting and accurate description of what this company does. I say that, because Paycom’s full suite of web-delivered software includes features such as talent acquisition, time and labor management, payroll, talent management, and HR management.

These are the tasks that companies dislike dealing with, and that always represents a big cost to the bottom line. But now that there are cloud-based software solutions to these tasks, provided here by Paycom, companies are largely liberated from the time suck of time sheets, scheduling vacations, payroll, etc.

One thing I love about PAYC is that 99% of its revenue is recurring, meaning companies are billed quarterly or monthly for Paycom services, and that keeps a steady and growing revenue stream coming in to fuel earnings and future growth.

And that growth has indeed been impressive, as Paycom has a 62% annual earnings per share growth rate over the past three years, which is a most-impressive metric.

The stock shined brightly in 2019, more than doubling its value (up 114%). Yet despite that big gain, I suspect much more to come from PAYC.

One big reason why is that in 2020, I suspect that companies are going to increase their capital spending. Now that the trade tensions between the United States and China have calmed significantly, and now that the Federal Reserve has basically told us that there is very little likelihood of any interest rate hikes in the year ahead.

In that environment, companies can invest in the future with a lot more certainty than they had in 2019. That investment will, I suspect, include the embracing of HR solutions such as those offered by Paycom.

*(Editor’s note: Last year, Jim Woods selected **Match Group (MTCH)** as a top pick; the shares rose 94%. He now says, “The company announced in December that it would fully separate from parent and incubator company **IAC/Corp. (IAC)**. In 2020, I expect more upside in MTCH.”)*

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PBF Energy (PBF)

Crista Huff

Cabot Undervalued Stocks Advisor



PBF Energy (PBF) — my Top Pick for growth & income in 2020 — is one of the largest independent petroleum refiners and suppliers of unbranded transportation fuels, heating oil, petrochemical feedstocks and lubricants in the United States, explains **Crista Huff**, editor of [Cabot Undervalued Stocks Advisor](#).

The company will close on their purchase of a refinery in Martinez, CA from Shell in the first quarter of 2020. The acquisition gives PBF Energy increased regional diversity and cost synergies and should be immediately accretive to 2020 EPS.

The company is expected to greatly benefit from the International Maritime Organization's new mandate — IMO 2020 — that the world's 39,000 ships and tankers must use either scrubbers or low-sulfur diesel fuel, beginning January 2020.

Profits and share prices within the energy sector fell in 2019. PBF Energy is expected to finish 2019 with \$0.98 EPS, then see profits soar to \$4.62 per share in 2020. In addition, the stock offers a yield of 3.8%.

Energy stocks are now rebounding, influenced by a strong U.S. economy, positive trade decisions coming from China, and IMO 2020. There's over 50% of upside potential if PBF Energy returns to its 2018 high above \$50 per share.

*(Editor's note: Last year, Crista Huff had two big winners. **Apollo Global Management (APO)** was up 103% and Crista suggests that investors exit their positions. **Sleep Number (SNBR)**, rose 53% and Huff says, "While the numbers at SNBR no longer support an aggressive growth outlook, this volatile stock should continue to offer a capital gain opportunity in 2020.)*

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Peabody Energy (BTU)

George Putnam

The Turnaround Letter



Peabody Energy (BTU) — my Top Pick for aggressive investors in 2020 — is one of the world's largest coal mining companies, explains notes **George Putnam**, editor of *The Turnaround Letter*.

It operates 21 mines in the United States and Australia that produce thermal coal used by electric utilities and metallurgical coal (“met coal”) used by steel producer. About 65% of its production is low-sulfur thermal coal mined in the Powder River Basin in Wyoming. Its Australian mines account for another 18% of total output.

Peabody is among the most out-of-favor companies in the market. Investors have returned to momentum stocks, particularly those of companies in low-carbon, high-tech, secular growth industries.

With its carbon-intensive, “un-tech”, secularly challenged product, tainted from its recent emergence from bankruptcy, falling profits, loss of a valuable mine due to fire, and a tumbling stock price, Peabody offers almost nothing to most investors.

However, while the U.S. thermal coal market is in secular decline, coal will continue to provide an important source of fuel for electricity production. International thermal coal demand remains healthy, driven by growing Asia Pacific economies, even as investment in thermal coal production is declining.

International met coal markets remain in flux near-term, but the long-term demand outlook appears solid as steel is a core component of a growing global economy. We don't believe a collapse in coal prices in either the U.S. or globally is likely. Any pricing strength would be an unexpected positive.

Peabody generates considerable cash flow, has a healthy balance sheet, and is managed with shareholders and debt reduction as top priorities.

Most importantly, BTU trades at only 3x estimated 2021 EBITDA, based on expectations for a continued slide in profits over the next two years. At this valuation, there is considerable upside potential if things just go “less wrong” than expected. For disclosure, employees of the publisher of The Turnaround Letter own shares of this stock.

*(Editor's note: In 2019, George Putnam chose **General Electric (GE)** as his Top Pick. With the shares up 54%, the advisor says, “We continue to have a “buy” rating on GE. The upcoming completion of the BioPharma sale will greatly improve GE's liquidity, while progress on other priorities should lead to higher earnings and lower risks.”)*

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Pfizer (PFE)

Dr. Joe Duarte

In the Money Options



In 2019, **Dr. Joe Duarte**, editor of *In the Money Options*, selected **Texas Instruments (TXN)** as his Top Pick; the stock has risen 37%. He now turns to a pharmaceutical favorite as a top pick for 2020.

I've liked the action in "Big Pharma" for some time; in my view, pharmaceutical giant **Pfizer (PFE)** has very positive potential for the new year.

New drugs are finally coming online and hitting revenue and earnings streams and because there are more of them likely to come in what seem to be increasingly encouraging pipelines throughout the sector. Pfizer is a case in point. In 2019 it lost patent exclusivity for its blockbuster nerve pain drug Lyrica and the stock tanked.

But the stock has quietly made a comeback in late 2019 due to its market dominance for blood thinners with Eliquis, its blockbuster cancer drug Inlyta, a broadening set of indications for Xtandi, its prostate cancer treatment, and steady performance for its arthritis drug Xeljans which has recently won extended FDA approval for treatment indications in ulcerative colitis.

Moreover, Pfizer may be sitting on a couple of stealth blockbusters. One is Vyndaquel which treats what used to be considered a rare form of heart failure which may be a more common ailment than previously known and which insurance companies are actually paying for without too much trouble leading to initial sales being well above expectations.

The other potential blockbuster is in a partnership with **Eli Lilly (LLY)** has the potential to reduce opioid use significantly in the treatment of low back pain. The drug, Tanezumab, is a monoclonal antibody that blocks a substance called nerve growth factor, which has been found to be a key component in spine pain.

If this medication is approved, there is no major competition. And if it is effective, it will likely change the whole chronic pain industry. The drawback is related to a statistically significant potential for users to have damage to bones while under treatment.

There is still room for gains in the healthcare sector and I expect that barring a major market event, the stocks that have lagged in 2019 could be upside surprises in 2020. The Big Pharma stocks are starting to gather steam but there is still time to buy them before they take off.

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Pitney Bowes (PBI) and Pitney Bowes Series B (PBI-B)

Harry Domash

Dividend Investor



Last year, **Harry Domash** chose two stocks to outperform in 2019: **Automatic Data Processing (ADP)**, which returned 29% for the year, and **Motorola Solutions (MSI)**, which rose 40%. The income expert and editor of **Dividend Detective** now turns to two investments “related” to one company.

My common stock pick for this year is **Pitney Bowes (PBI)**, whose share price fell 56% last year, appears to have been left for dead by most players. Maybe that’s understandable. Pitney was founded in 1920 to provide postage meters to businesses, thereby giving them a tool for mailing letters without having to buy stamps. Obviously, postage meters are no longer a growth business, to say the least.

In fact, Pitney Bowes sales peaked in 2008 at \$6.3 billion, and by 2016, had dropped by 53% to \$3.0 billion. Earnings followed a similar path, sinking to \$0.40 per share in 2016 from around \$2.00 in 2008.

Here’s why I’m highlighting it. In 2016 Pitney embarked on a turnaround program, introducing new products that are relevant to today’s market.

For instance, Pitney’s SendPro application allows parcel shippers to compare UPS, FedEx and USPS shipping rates and schedules, and then schedule shipments with the most appropriate shipper.

Other SendPro features include camera-based address capture, voice activated commands, and ability to connect wirelessly to weighing scales and label printers. Pitney has installed 100,000 SendPro systems since its 2017 introduction. That’s just one example of a variety of new digital commerce products that Pitney has recently introduced.

Pitney also operates a financial services unit, Wheeler Financial, that arranges financing for small businesses.

Pitney has been selling what it considers non-core businesses and using the cash to pay down debt. In 2018 it sold its Document Messaging Technology unit for \$270 million and in December 2019 sold its Software Solutions Business for \$700 million.

Looking at recent numbers, revenues climbed 5% in 2017 and another 13% in 2018. September quarter revenues (excluding discontinued products) rose 6% vs. year-ago. The \$0.24 September quarter EPS was \$0.03 below year-ago, but \$0.01 above forecasts.

Despite its problems, Pitney Bowes has been consistently profitable and moreover, consistent free cash flow generator. For instance, over the past 12-months, Pitney generated free cash flow totaling \$134 million, which is excess cash that it doesn’t need to run its business.

Analysts aren’t expecting much from Pitney Bowes. According to Yahoo, the average analyst rating is 2.6 (weak buy) and most are forecasting little or no EPS or revenue growth.

And such low expectations translate to low-risk. Pitney is unlikely to miss analyst forecasts and a significant beat could send its share price up. However, you may have to wait for its March quarter report to see that happen. It’s paying a 5.0% dividend yield.

My second Top Pick for 2020 is also Pitney Bowes. But instead of the common shares, I’m recommending **Pitney Bowes 8.70% Series B Notes (PBI-B)**, which are a type of preferred stock. The “note” label means that Pitney Bowes remains on the hook for any missed dividends.

Although you trade them like stocks, preferred stocks are more like bonds than common stocks. Investors usually buy them for the steady dividends, typically 4% to 8% yields, not for capital appreciation. However, the preferreds that I'm recommending are an exception.

As is the case for most preferreds, PBI Series B were issued at \$25 per share, and set up to pay quarterly dividends totaling \$1.675 per year, which equates to an 8.7% dividend yield. In this market, because of their high dividend yields, most preferreds trade up to the \$26 to \$28 range.

However, because PBI common shares are so out of favor, its preferreds traded down, not up, and recently changed hands at \$18.26 per share. Thus, if you do get them for \$18.26, their \$1.675 per share annual dividend equates to a 9.2% yield. Further, should the preferreds ever trade back up to their \$25 issue price, you would enjoy 36% capital appreciation.

These recommendations for both Pitney Bowes common and Pitney Bowes Series B are my personal investing ideas. Do your own due diligence. The more you know about your stocks, the better your results.

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Tim Plaehn

The Dividend Hunter



Plains All American Pipelines LP (PAA) — a top pick for aggressive investors — is an energy midstream services company that should provide a strong move up in 2020, asserts income expert **Tim Plaehn**, editor of [The Dividend Hunter](#).

Plains has suffered tremendously from the energy sector bear market that started in September 2014. At that time, PAA was trading for over \$60 per unit. The quarterly dividend is down by half from mid-2016. So, what makes me think that 2020 will be the turnaround year for Plains All American Pipelines?

Plains is a crude oil pipeline and storage company. The pipeline network stretches from Canada to the U.S. Gulf Coast. It is a major transporter out of the Permian Basin and is one of the largest owners of storage in Cushing, Oklahoma.

In August 2017 Plains announced a leverage reduction plan, to put the company into a more secure financial situation. At that time the quarterly dividend was reduced from \$0.55 per unit down to \$0.30, a 45% slashing. The reduction retained \$1.1 billion over the next six quarters.

The company sold about \$1 billion in assets and the combination of sales and cash retention reduced the total corporate debt from \$11.15 billion down to a current \$9.2 billion. More importantly the long-term debt to EBITDA leverage ratio dropped from 5.1 times in Q3 2017 down to a current 2.8 times.

Plains continued to grow its business over the last two years. Net income climbed from \$1.10 per share in 2017 to a forecast \$2.35 in 2019. Distributable cash flow (DCF) climbed from \$1.82 per share in 2017 to a forecast \$2.85/share for full-year 2019. Think about this, at \$18 per share, PAA is trading at 6.3 times free cash flow. Flipped over, the stock has a 15.8% cash flow yield.

Plains increased its quarterly dividend by 25% after the first quarter of 2019. Current DCF gives 2.0 times coverage of the current distribution rate. That is huge in the MLP world, where 1.3 to 1.5 times coverage is norm for high-quality MLPs.

Plains continues to grow, with at least four projects coming online over the next year. At the same time, management has stated they are targeting distribution coverage of at least 1.3 times. They are currently at 2.0 times. There is tremendous room for a large dividend increase in 2020, or for the company to restart a program of quarterly dividend increases.

The second half of 2019 was another severe leg down in the five-year bear market for energy midstream. For this sector it feels like what the entire stock market was like in March 2009. With continued EBITDA and cash flow growth, plus solid to great dividend increases in 2020, I expect PAA to be a \$30 stock by the end of 2020.

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Preferred Apartment Communities (APTS)

Doug Gerlach

SmallCap Informer



Founded in 2011, **Preferred Apartment Communities (APTS)** is a REIT focused on multi-family properties, student housing properties, office buildings, and grocery-anchored retail in growth markets throughout the United States, notes **Doug Gerlach**, editor of *SmallCap Informer*.

The current yield is around 7.6%, but with funds from operations (FFO) expected to grow in the high single digits and a price to FFO ratio below 10, the combination for an attractive total return looks to be in place with the concerns of investors being quite overblown.

The performance of residential REITs is typically aligned with the economic cycle. During a recession, occupancy rates decline, taking profits down with them.

Recent chatter about an impending recession has sent investors scurrying away from economically sensitive industries, and this has contributed to APTS's lower current valuation.

This is where APTS's diversification could be an asset — its retail properties are primarily grocery-anchored plazas, and grocery stores are cyclically defensive.

Revenues have grown rapidly since the REIT was founded in 2011. Since 2012, revenues have grown at an annualized 79% to reach \$397.3 million in 2018. Funds from operations per share (FFO/S) have also grown well, averaging 18.8% a year since 2012.

Finally, the company admits to a certain level of "lumpiness" in its quarterly results, often driven by its loan business. At the end of the day, we see APTS as being able to support 8.0% growth of FFO/S and revenues over the next five years.

In the second and third quarters of 2019, APTS management did acknowledge higher levels of uninvested capital on their balance sheet from the REIT's last share offering. Management's position is that it would rather have uninvested cash than to invest it in a way that doesn't add value to the portfolio.

We see the potential for the REIT to support a high P/FFO of 12, thus providing a future high price of \$26.20. On the downside, a low P/FFO of 8 times trailing 12-month FFO/S provides a low price of \$11.90.

The current reward/risk ratio is 8.2:1, better than our minimum desired 3:1 ratio, and the REIT is a buy up to \$15.50. From the current price, the projected total annual return is 20.5% including an average 6.2% yield.

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Qorvo (QRVO)

Mike Cintolo

Cabot Top Ten Trader



*Chip stocks have been a bit bifurcated as a group, with some names that began showing strength in the summer waffling, while others that emerged in October-November (many that are tied to the 5G smartphone boom) are looking peppy, observes **Mike Cintolo**, editor of [Cabot Top Ten Trader](#).*

In our mind, **Qorvo** ([QRVO](#)) is one of the leaders of that 5G trend, with radio frequency products and solutions for a variety of applications (defense, Internet of Things, satellites, etc.), but the big draw is the aforementioned smartphone trend.

There is competition from **Broadcom** ([AVGO](#)), **Skyworks** ([SKYW](#)) and others, but the complexity of 5G smartphones has (at least at this point) phone makers sticking with high-quality suppliers with integrated (not one-off) systems, which plays into Qorvo's hands.

The big idea here is the size of the opportunity — most analysts expect 200 to 250 million 5G smartphones to ship in 2020, but Qorvo actually sees 300 million as the target, with a much larger opportunity in 2021 and 2022.

The company earnings have flattened out in recent quarters, but the stock is strong because the Q3 report crushed estimates and management's meaningful hike in estimates has big investors thinking the boom has begun.

The Q4 revenue forecast was boosted to \$850 million (up from \$760 million estimated beforehand), and while the consensus is for \$6.57 per share next fiscal year (up 16%), many are thinking \$7.00 to \$7.50 is more likely. Chip stocks are always tricky investments, but Qorvo looks near the start of a big growth wave.

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Qualcomm (QCOM)

Jim Kelleher

Argus Research



Last year, **Jim Kelleher**, an analyst with [Argus Research](#), chose **Nvidia Corp., (NVDA)** as his Top Pick; the stock rose 80% and he believes long-term growth prospects remain strong. For 2020, he suggests another chipmaker.

Qualcomm (QCOM) is a designer and manufacturer of advanced semiconductors for mobile phones and commercial wireless applications. It provides integrated solutions, including processors, GPS, WiFi, basebands and other applications, for smartphones, tablets, and mobile PCs.

Qualcomm has extended its leadership in the 3G CDMA wireless standard into the 4G LTE niche. It derives substantial royalty and licensing revenue from its extensive intellectual-property portfolio for 3G, 4G and now 5G technologies.

Qualcomm had a highly eventful fiscal 2019, which began with the company battling both Apple and regulatory agencies in the U.S. and other jurisdictions. The May settlement and licensing agreement with Apple caused the stock to surge higher, only to retreat when the U.S. FTC reiterated its position that Qualcomm's licensing model violated FRAND standards.

Qualcomm exited the fiscal year having successfully executed on its strategic priorities. These include helping drive commercialization of 5G globally, completing a number of important 'anchor' license agreements, and executing across the product roadmap.

CEO Steve Mollenko explains that 5G is a meaningful step-change in complexity from 4G, given that 5G requires new and dense network architectures, high-performance basebands, advanced RF front end designs, increased processing requirements, and leading-edge process nodes.

Additionally, Qualcomm is actively supporting release 16 and 17, which support 5G in adjacent markets such as IoT. Qualcomm believes that 5G will represent the biggest opportunity in Qualcomm's history, according to the CEO.

Looking ahead to fiscal 2020, a key priority is to continue executing on the 5G transition with partners around the world. Currently, more than 40 device OEMs and more than 30 network operators are launching or announcing 5G products or services; those numbers have doubled since the beginning of calendar 2019.

Qualcomm hit revenue and non-GAAP EPS peaks over five years ago in fiscal 2014, at \$26.8 billion and \$5.27 per diluted share, respectively. With Apple signed, a potential settlement with the FTC, and 5G looming, Qualcomm may finally be in position to take operating results to new highs, though it won't happen overnight.

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Top Picks 2020: Rakuten (RKUNY)

Carl Delfeld

Cabot Global Stocks Explorer



*Japan is a market that has been out of favor but has many fine companies at the heart of Asian growth trading at dirt-cheap valuations, observes **Carl Delfeld**, editor of [Cabot Global Stocks Explorer](#).*

Rakuten is a well-diversified blue-chip conglomerate with tentacles throughout Japan and has plenty of running room for international expansion. Its loyalty membership program is more than 100 million strong and it is Japan's #1 Internet bank, #1 credit card and one of the country's leading travel platforms.

Rakuten (RKUNY) is the 7th most visited website in Japan with 490 million visitors in September with an average length of visit of over six minutes. The company's core business is as an Internet sales platform akin to **Amazon (AMZN)** with its market share in Japan at about 25%.

Rakuten is also launching a 5G network in the first half of 2020. It already has a large number of e-commerce cloud sites built with high-speed fiber connections in Japan.

This offers the firm natural expansion capabilities into virtual mobile networks and 5G. If successful, this investment will put the company in a strong position in Japanese telecoms.

Rakuten is a growth conglomerate with multiple drivers and a sterling balance sheet. And the stock is trading at just ten times trailing earnings, booked a 16% increase in revenue during its latest quarter, and offers an impressive 19% return on equity.

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Republic Services (RSG)

David Coleman

Argus Research



*David Coleman, an analyst with **Argus Research**, selected **First Solar (FSLR)** as his Top Pick in 2019. He believes the stock, which has risen 36%, is still well positioned in the solar industry. For 2020, he looks to a leader in waste management.*

Republic Services (RSG) is a fully integrated waste management company, with operations ranging from waste collection and compacting to recycling and renewable energy generation,

Republic Services is the second-largest domestic provider of nonhazardous waste services, as measured by revenue. The company serves 14 million customers with operations in 40 states and Puerto Rico.

These included 348 collection operations, 207 transfer stations, 191 active landfills, 91 recycling centers, 7 treatment, recovery and disposal facilities, 11 saltwater disposal wells, and 75 landfill gas and renewable energy projects.

The average estimated remaining life of the company's landfills is 63 years. The company was founded in 1996 and is based in Phoenix.

We view Republic as a well-run company and expect it to benefit from both favorable economic conditions and demographic growth, with continued gains in revenue and margins.

Management issued preliminary 2020 guidance calling for adjusted EPS of \$3.46-\$3.51 and adjusted free cash flow of \$1.150-\$1.200 billion. Our five-year earnings growth rate forecast is 7%.

Donald W. Slager is the company's president and CEO. He has more than 35 years of experience in the solid waste industry. The primary risks faced by investors are the company's sensitivity to economic conditions and substantial capital requirements, the competitive nature of the industry, and the highly regulated nature of the business.

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Sangamo Therapeutics (SGMO)

John McCamant

The Medical Technology Stock Letter



*After many years of fits & starts, 2020 will be the right year for **Sangamo Therapeutics (SGMO)**, my top speculative idea for 2020, suggests **John McCamant**, biotech stock expert and editor of [The Medical Technology Stock Letter](#).*

The scope and depth of Sangamo's R&D pipeline, clinical, technological and manufacturing leadership in the gene therapy/editing/regulation arena will be on broad display this year.

While SB-525 — for hemophilia A — is about 2 years behind ValRox from **Biomarin (BMRN)** in the lucrative hem A market, the overall value proposition and potential to disrupt+differentiate is becoming clearer each clinical update.

The IND transfer to **Pfizer (PFE)** is complete and they are currently enrolling a Phase III lead-in study with the Phase III to start in early 2020. Pfizer is a global powerhouse that has poured more money into gene therapy than anyone around — and taking the lead on SB-525 based upon what they know is a strong foreshadow that it has the potential to be best in class.

In our view, the 12-18 month that will be presented in 2020 will be very important as this is the time frame when ValRox has a significant drop in Factor VIII levels.

The profile of SB-525 (e.g., dose, expression, manufacturing, etc.) and learning curve to date vastly de-risks SGMO's other gene therapy programs, including the approved IND in Fabry disease and in Phenylketonuria (PKU).

PKU is an inborn error of metabolism that results in decreased metabolism of the amino acid phenylalanine. Untreated, PKU can lead to intellectual disability, seizures, behavioral problems, and mental disorders.)

After hem A, Fabry and PKU are relatively lower-risk clinical approaches than gene editing/regulation. All three diseases are excellent markets for gene therapies as they are currently treated with expensive weekly or multi-weekly enzyme or protein infusions based that a single gene therapy treatment can replace.

SGMO is a leader in developing CAR-TREGS which have the potential to treat autoimmune disease by tackling the disease at its source with a one-time treatment. Autoimmune disease is a huge market opportunity and the company is actively pursuing both Crohn's disease and multiple sclerosis (MS).

Sngamo is also making significant progress with their CNS development programs and is currently targeting Alzheimer's, Parkinson's, Huntington's, ALS and Prion diseases. I strongly believe SGMO shares will have a remarkable comeback. We urge biotech investors to buy for a big move in 2020 as my best high risk/high reward recommendation.

*(Editor's note: John McCamant's Top Pick in 2019 was **The Medicines Company (MDCO)**; the stock is up 343% following a takeover announcement by **Novartis (NVS)**. The biotech expert notes, "The takeover will prove to be an astute acquisition at a very attractive price. The roughly \$10 billion price tag is a reminder of the high value placed on innovation in biotechnology.")*

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Schlumberger (SLB)

Jason Clark

The Prudent Speculator



Jason Clark — contributing editor to *The Prudent Speculator* — selected **Citigroup (C)** as a top pick for 2019; although he still views the stock as attractively valued, given the 57%+ gain, he is now highlighting a leading oil services firm as a risk-oriented idea for 2020.

Schlumberger (SLB) is the world's largest provider of services and equipment used in drilling, evaluation, completion, production and maintenance of oil and natural gas wells.

Not only have the last few years been a struggle for SLB's stock, and its competitors, the average energy name hasn't gone anywhere for the last decade.

There is no doubt that the U.S. rise in supplying low cost energy to the globe has impacted the space overall, but we believe things look brighter moving forward as costs have been right-sized, operations have been fine-tuned and much stronger cash flow generation is on the horizon.

While business in North America will still face headwinds, international markets, led by Africa, Asia and Latin America, have been picking up.

Having the largest global oil services platform, a dominant international franchise, the potential benefits from recent acquisitions and the most balanced exposures of the diversified service providers, we like that management has positioned SLB not only to survive turbulence in the oil patch but to thrive from a sustained upturn in the historically cyclical industry.

We think its global income diversification is a positive and believe that Schlumberger is a clear technology leader.

Additionally, we continue to believe that global energy demand will increase over the long term, especially in emerging economies, as the world's population is expected to eclipse 9 billion between 2040 and 2050 (with much of the population growth coming from emerging markets).

With the price of crude having rallied over the last four months, we can't help but like SLB and its 5.0% dividend yield.

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Enhanced Dividend Income Portfolio

Capital Wealth Planning, LLC



Domestic

Large-Cap

Dividend Growth

Tactical

Investment Minimum: \$250,000

Market Capitalization: Large-Cap Blend

Style: Moderate Growth

Number of Holdings: 20-25

Benchmark: Dow Jones Industrial Average Total Return

Inception Date: 12/31/2012



Rating out of 32 Option Writing SMAs as of 9.30.19

About Capital Wealth Planning, LLC

Capital Wealth Planning, LLC (CWP) is an SEC registered fee-only investment advisory firm based in Naples, Florida. Building and managing proprietary income-oriented portfolios since 2005, the company has approximately \$1.5 billion of assets under management. The firm's methodologies are designed to enhance risk-adjusted returns and offer portfolio protection while delivering monthly cash flow.

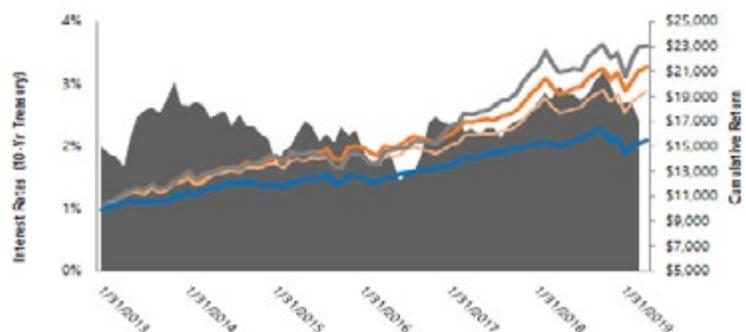
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The Portfolio

The objective of the Capital Wealth Planning (CWP) Enhanced Dividend Income Portfolio (EDIP) separately managed account (SMA) is to enhance overall portfolio equity return through the combination of option premium writing and dividends with an annual estimated target range of 4-7%. When investing in blue chip large-cap dividend growth stocks, CWP managers work to mitigate market risk while providing a solid equity return through a disciplined sector strategy while deploying a conservative tactical covered call writing strategy that works to enhance overall income combined with dividends from portfolio holdings.

Growth of \$10,000 (since inception)

- CWP EDIP (Gross) - \$16,995
- CBOE S&P 500 BuyWrite - \$13,381
- CWP EDIP (Net) - \$16,078
- 10 yr. Treasury
- DJIA TR - \$17,952



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SeaChange International (SEAC)

Faris Sleem

The Bowser Report



SeaChange International (SEAC) — a Top Pick for the coming year — provides multiscreen, advertising, and premium video products and services, suggests **Faris Sleem**, a small cap stock expert and editor of [The Bowser Report](#).

In 2013, the shares were trading at over \$11 per share, but subsequently declined sharply until finding a bottom at \$1.13 per share in December 2018.

Overall, from fiscal 2011 to fiscal 2019, revenues for the company slid 71% and EBITDA fell from a \$41 million profit to a \$13.5 million loss.

However, over the past few quarters, management has positioned the company for a significant turnaround, and Wall Street is taking notice.

Starting by stabilizing its expenses and debt, SeaChange has executed its operating expense control plan, resulting in a 11% increase in gross margin year-over-year (from 61% to 76%).

Chief Financial Officer Michael Prinn, the latest addition to SEAC's management team, has led expense and debt reduction efforts since joining the company in October 2019.

To turn revenues around, SeaChange International landed eight significant customers with multi-year commitments for its Framework video delivery platform in the most recent quarter.

With these additions, SeaChange International is on track to exceed its goals for both new deals and revenue growth for the fiscal year, which ends January 31, 2020.

SeaChange's shares appreciated over 220% in calendar 2019 as investors took note of the turnaround brewing. Regardless of this aggressive increase, we're still optimistic that the stock will continue to create value for shareholders in 2020.

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Shopify (SHOP)

Todd Shaver

BullMarket Report



*Todd Shaver, editor of [BullMarket Report](#) had an exceptional 2019; last year, he picked **Apple (AAPL)** as his favorite conservative stock and **Roku (ROKU)** as his top speculation. Apple rose 87% and Roku was up a staggering 315%.*

We're still bullish on both Apple and Roku but recognize that it's going to be tough for either to repeat 2019's performance. Nevertheless, this year, we're still all about technology.

On the aggressive side, **Shopify (SHOP)** is still at the very earliest stages of monetizing its e-commerce platform but it's already at the sweet spot in terms of translating 30% sales growth into triple-digit profit expansion.

While the stock is admittedly priced for the stratosphere, cash is flowing fast enough to justify the multiples. SHOP reminds us most of **Amazon (AMZN)** at the beginning.

The difference is that instead of concentrating on its own store and crushing independent retailers, Shopify provides the tools that run independent online stores.

Think of picks and shovels in a gold rush. Amazon hit the motherlode but there's endless money to be made enabling everyone else to dig their own dirt.

Right now revenue is tracking \$2 billion for 2020, which is roughly where Amazon was back in 1999. Jeff Bezos had a \$76 stock in those days so you can see the long-term potential. Unlike Amazon in 1999, SHOP is already profitable and unlike Amazon today, it's still in the sweet spot of its growth curve.

Manufacturers are coming onboard now to sell their products direct to the consumer. That's going to disrupt the way we think about retail even more than Amazon did with its souped-up catalog sales model. Think about where Amazon went from \$76. That's where SHOP can go.

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Signet Jewelers (SIG)

George Putnam

The Turnaround Letter



Signet Jewelers (SIG) — my Top Pick for conservative investors — is the world's largest diamond jewelry retailer, with 3,284 stores and kiosks in the United States, Canada, United Kingdom and Ireland, notes **George Putnam**, editor of [The Turnaround Letter](#).

Major brands include Kay, Zales and Jared. For years, Signet was managed as a growth company. Sales nearly doubled from 2011 to 2015, driven by healthy same store sales, new stores, and acquisitions including the \$1.5 billion purchase of Zales in 2014.

However, easy financing terms from its in-house credit operations fueled much of this growth while it masked problems in the neglected core retail business.

The sparkle wore off when same store sales turned negative, credit losses mounted, and the leadership faced accusations of widespread discrimination against its female employees. Efforts to outsource the credit operations only seemed to make matters worse.

Signet shares remain heavily out of favor, down 85% from their late 2015 peak. However, a new leadership team (since late 2017) and a revamped board are overhauling Signet's operations, including offering more relevant products and services, closing stores in weak malls, boosting its ecommerce business and streamlining its costs.

The credit operations have been fully outsourced and the related decline in sales appears to have been cycled through. Recent results indicate good progress although the turnaround is only about half-completed so far.

Signet has a reasonable balance sheet and generates plenty of free cash flow to cover its dividend, currently producing a 7.3% yield. The shares trade for an appealing 4.8x EBITDA multiple. For disclosure, employees of the publisher of The Turnaround Letter own shares of this stock.

*(Editor's note: George Putnam chose **General Electric (GE)** as his Top Pick for 2019. With the shares up 54%, the advisor says, "We continue to have a "buy" rating on GE. The upcoming completion of the BioPharma sale will greatly improve GE's liquidity, while progress on other priorities should lead to higher earnings and lower risks.")*

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Silvercorp Metals (SVM)

Omar Ayales

Gold Charts R Us



*One of the most relevant macro-economic events during 2019 was gold's breakout rise from a key multi-year resistance at \$1,365, suggests **Omar Ayales**, chief trading strategist for [Gold Charts R Us](#).*

This move confirmed a secular bull market rise that began in December 2015. The breakout rise we are experiencing has been strong and broad — and is based as gold shares, silver and other precious metals pick up the pace.

Interestingly, silver had been a sleeper until the second half of 2019 when it started to show breakout strength. And together with a bullish outlook for resources in 2020, silver is positioned to outperform precious and resources metals.

Also consider the silver to gold ratio remains near an extreme favoring gold suggesting the ratio could start moving in favor of silver in the year ahead.

And while silver itself would be a good trade, consider buying silver shares to take full advantage of silver's upswing. One of my favorite silver miners is **Silvercorp Metals (SVM)**. It's a low-cost silver producer with main operations in China.

Not only is Silvercorp Metals positioned to benefit from the renewed secular bull market in precious metals and silver, but it could benefit from easing trade tensions between China and the U.S. I consider the stock a top pick for aggressive investors; I'll be looking to buy Silvercorp Metals on dips below \$5.50.

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Spirit Airlines (SAVE)

Doug Gerlach

Investor Advisory Service



Doug Gerlach chose **Air Lease (AL)** as his Top Pick in 2019; the stock rose 60%. The editor of **Investor Advisory Service** again highlights a stock in an airline-related sector — **Spirit Airlines (SAVE)**.

Air Lease remains a perennially cheap stock despite an incredible management team and a history of steady growth. The stock remains the best positioned lessor with the newest fleet, the lowest overhead, the lowest cost of funds in the industry, and the best management team.

Meanwhile, Spirit Airlines is an ultra-low-cost carrier operating 600 daily flights to 75 destinations in 16 countries. The ultra-low-cost model has been popular in Europe for many years and seems to be gradually gaining favor in the U.S. as well.

Spirit is leaning into the opportunity. It ended 2019 with about 145 planes in operation, double the size of its fleet at the end of 2015. Its growth plans call for an additional 48 planes delivered over the next two years, approximately 15% growth per year.

At the end of the day, only half of revenue comes from base ticket fares, with the other half coming from upcharges and ancillary revenues. Even with the upcharges, the company claims that its all-in price remains about one-third lower than competitive carriers' all-in prices.

Low price can be a difficult strategy. Executed well, however, it is a very reliable one. Spirit does not provide the most pleasant experience in the sky, but it has its loyal customers.

One of the factors that attracts us to Spirit is its young, standardized fleet of Airbus 32 aircraft. Owing to its fast growth, Spirit's fleet is actually the youngest among major carriers.

This industry is no place to invest going into a recession, but an investor betting on continued, steady economic growth may find a lot to like here. The company's growth story is simple—add more planes and more service routes. The pace of growth looks ambitious, but not wild.

Even if growth is slower than hoped for, the low valuation could rise, and stockholders could make good money, nonetheless. We don't see many pockets of deep value in the market as 2020 rolls in, but Spirit Airlines does look like one.

We model 10% compound EPS growth starting from a base of \$3.80, which could generate EPS of \$6.12 in five years. That figure, combined with a high P/E of 17.1, generates a high price of \$105.

For a low price, we apply a low P/E of 8.7 to 2014 GAAP EPS of \$3.08 — the company's lowest normalized EPS performance in the last five years. This yields a low price of \$27. On that basis, the upside/downside ratio is 5.7 to 1.

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Starwood Property Trust, Inc. (STWD)

Tim Plaehn

The Dividend Hunter



Starwood Property Trust (STWD) — a top pick for conservative investors — is a finance REIT whose primary business is the origination of commercial property mortgages, notes income expert **Tim Plaehn**, editor of *The Dividend Hunter*.

As one of the largest players in the field, Starwood Property Trust focuses on making large loans with specialized terms. This gives them a competitive advantage over banks and smaller commercial finance REITs.

Over the last several years, the company has diversified its business, branching into commercial mortgage servicing, acquiring real equity properties with long term revenue stability, and recently a portfolio of energy project financing debt. This diversification will allow Starwood Property Trust to thrive and continue to pay a big dividend in any financial environment.

In the commercial loan business, over 95% of the commercial mortgage portfolio has adjustable interest rates. This means that as the Fed increases interest rates, Starwood's net income per share will grow. This REIT provides an excellent hedge against rising rates.

In recent years, the company has acquired what is now the largest commercial mortgage servicing firm. That arm of the business handles servicing, foreclosure workouts (for fees) and the packaging of smaller commercial mortgages into mortgage backed securities. This business segment would see the fees increase exponentially in the event of a recession where commercial property owners were forced to let go back to the lenders.

In addition to the finance side of the company, Starwood has acquired selected real properties, including apartments, regular office buildings, and medical office campuses. According to STWD's CEO, "All of the wholly owned assets in this segment continues to perform well with blended cash-on-cash yields increasing to 11.4% and weighted average occupancy remain steady at 98%."

The property segment provides assets with long-life revenue streams to offset the shorter-term rollover schedule of the commercial mortgage portfolio. Real assets also add depreciation to the income statement, shielding cash flow.

In mid-2018 the company acquired a \$2.5 billion energy finance business from General Electric. The loan book is non-recourse to Starwood Property Trust. Starwood Capital, the private equity manager of STWD, already had energy finance experts in house. This business segment has significant potential for growth.

This diversification of business segments by Starwood Property Trust is what separates this commercial finance REIT from its more narrowly focused peers. STWD has paid a \$0.48 per share quarterly dividend since the 2014 first quarter. My investment expectation is that the dividend is secure, and I want to earn the 7.5% to 8.0% dividend year-after-year.

STWD was one of my MoneyShow stocks for 2019. Through December 15, 2019 the stock produced a year-to-date total return of 33.8%. Going forward, I would not be surprised for the share price to continue to appreciate, pushing the yield down from the current 7.8%.

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Tekla Life Sciences Fund (HQL)

Nate Pile

Nate's Notes



Tekla Life Sciences Fund (HQL) frequently makes the cut as my Top Pick for more conservative investors — thanks to its generous distribution policy, explains **Nate Pile**, editor of [Nate's Notes](#).

Meanwhile, the fact that the biotech sector happens to be on fire at the moment makes it that much easier to recommend this closed-end fund for investors as 2020 gets underway!

As its name suggests, the Tekla Life Sciences fund is invested in a wide range of both public and private companies doing work in the life sciences (i.e. biotech) space.

I believe it represents a great way for investors who want to be involved in the sector but don't like the idea of owning individual biotech stocks (which can be quite volatile!) to participate in the growth of the industry with a single purchase (and without losing much sleep at night!).

As hinted at above, along with providing some nice exposure to the biotech sector, the fund also has a distribution policy that calls for it to distribute 2% of its net assets each quarter.

This distribution is usually paid in new shares (which I encourage my subscribers to take), but those investors who would rather have cash can request that they be paid in cash rather than shares (you just have to set it up with your brokerage firm). HQL is a strong buy under \$15 and a buy under \$18.

*(Editor's note: Nate Pile's Top Pick for 2019, **Catasys (CATS)**, has risen 71%. The company has developed a proprietary data analysis platform to help individuals in healthcare plans better manage chronic conditions. He The advisor says, "This is a rapidly growing field. I believe there is still plenty of upside ahead.")*

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The Simply Good Foods Company (SMPL)

Nancy Zambell

Wall Street's Best Investments



The Simply Good Foods Company (SMPL) is a result of the 2017 combination between Conyers Park Acquisition Corp. and Atkins Nutritionals, Inc., explains **Nancy Zambell**, editor of [Wall Street's Best Investments](#).

The company has a market cap of \$2.7 billion. It produces branded nutritional foods and snack products, including nutrition bars, ready-to-drink (RTD) shakes, snacks and confectionery products that are in the U.S. and internationally.

It offers its products under various brands, such as Atkins, SimplyProtein, Atkins Indulge, and Quest Nutrition brand. Most of its products are high-protein, and follow the recommended foods used in the Atkins diet.

Shares of the company have been on a tear this year, gaining almost 61% in the last 52-weeks. The impetus for the share price increase has been tremendous growth for the wellness and fitness industry, which is now worth \$4.2 trillion.

Simply Good is taking advantage of that expansion and has posted 18% annual CAGR for the past five years and is expected to surpass that with a 28% CAGR for the next five years. The company has seen 11 straight years of retail takeaway growth, for a compound annual growth rate of almost 15%.

In its fiscal 2019, its e-commerce sales increased 60%. And in fiscal fourth quarter, sales at SMPL rose 28.6% and adjusted EBITDA was up greater 33%. Although shares have risen significantly, I believe there is more growth to come. My target price is \$37.

*(Editor's note: Nancy Zambell chose medical device maker **Smith & Nephew plc (SNN)** as her Top Pick in 2019; the shares are up 27%. The advisor now explains, "SNN has continued to bring innovative products to market, but its growth seems to be slowing, so I would suggest banking your profits at this time.")*

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Three Favorite Gold & Silver ETFs (GLD) (GDX) (SLV)

Mary Anne and Pamela Aden

The Aden Forecast



*The gold related markets were outstanding in 2019. Gold shares were especially strong, leading the way for the entire sector, observe resource sector specialists **Mary Anne and Pamela Aden**, editors of [The Aden Forecast](#).*

The XAU gold share index, for example, surged nearly 50%. It more than doubled the gains in gold and the Dow Jones Industrials. It also outperformed Nasdaq and, overall, it was the top performer.

There's no question that gold and gold shares are in major bull markets. The same is true of silver. Most interesting, these major bull markets are still in their early stages.

That is, they have a lot further to go on the upside. They'll likely outperform stocks and bonds and they're set to be top performers as 2020 unfolds.

The gold related markets have many factors in their favor, like low or zero interest rates and a U.S. dollar that's beginning to weaken. Global uncertainty, central bank buying, and a mature stock market are also very positive. Plus, investor sentiment is now shifting toward gold.

As these markets head higher, gold shares will probably continue to outperform gold, which is usually the case during bull markets, but we recommend buying both.

An easy way to invest in these markets is by buying the **SPDR Gold Trust (GLD)**. For gold shares we like the **VanEck Vectors Gold Miners ETF (GDX)**. And for silver, which is also poised to outperform, we like the **iShares Silver Trust (SLV)**.

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Turning Point Brands (TPB)

Timothy Lutts

Cabot Marijuana Investor



Turning Point Brands (TPB) — our top speculative pick for the coming year — is a way to invest in the 2020 rebound of the most battered market sector of 2019 — marijuana stocks, notes **Timothy Lutts**, editor of [Cabot Marijuana Investor](#).

Obviously, this is a very aggressive and high-risk sector; many institutions won't even touch marijuana stocks because of continuing Federal illegality — and most investors won't touch them because volatility is high, and liquidity is low.

But with the sector off nearly 50% from its 2019 high, there's great potential for a rebound, and Turning Point is a relatively lower-risk way to play it.

This well-managed company, headquartered in Kentucky, has a stable, profitable business in smokeless tobacco (snuff and chewing tobacco) that supports a dividend of 0.7%.

But in recent years Turning Point has been diversifying into the marijuana business, first by marketing vaping supplies and then by peddling CBD, activities which are totally legal across the U.S.

In 2019, the vaping crisis (mainly attributable to black market THC devices) hit the stock hard, but it rebounded strongly in late October and since then it's been building a base that looks like a great entry point as we wait for a resumption of the stock's uptrend.

*(Editor's note: Tim Lutts' Top Pick for 2019 was **Innovative Industrial Properties (IIPR)** — a REIT with some 2.9 million square feet of properties that it leases to cannabis companies. The stock rose 73% last year. The advisor says, "If you want relatively low risk exposure to the cannabis industry, consider this one.")*

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Top Picks 2020: Vanguard Balanced Index Admiral Shares (VBIAX)

Cynthia Andrade
MoneyLetter

*Generally, balanced funds stick to a relatively fixed proportion of stocks and bonds but may also have a money fund component. Their objective is typically a mix of income and capital appreciation, explains **Cynthia Andrade**, contributing editor to [MoneyLetter](#).*

On the equity side, the portfolio at **Vanguard Balanced Index Admiral Shares (VBIAX)** mimics the CRSP U.S. Total Stock Market Index, which includes 3,600 stocks ranging from micro-caps to the largest stocks traded on the New York Stock Exchange and the NASDAQ.

The fund contains a sampling of the very smallest, but replicates the rest, holding 3,500 securities in total. Technology is the largest sector weighing at 20.4% of assets, followed by financials (19.4%).

Consumer services, industrials, and healthcare follow, all between 13%-14% of assets. This fund's portfolio differs from many others in the asset allocation category in that it does not hold any foreign securities.

The fixed income portion of the fund tracks the Bloomberg Barclays U.S. Aggregate Float Adjusted Bond Index, which represents a wide spectrum of taxable investment-grade bonds.

It includes government, corporate, and international dollar-denominated bonds with maturities of more than one year. The fund's bond holdings are selected through a statistical sampling process.

The fund maintains an average maturity and credit profile in line with the index. About 64% of assets are invested in US Government securities, with most of the remainder in the A/BBB range. Here, the fund differs from some peers in that it does not hold high-yield debt.

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Vertex Pharmaceuticals (VRTX)

Mike Cintolo

Cabot Growth Investor



Vertex Pharmaceuticals (VRTX) is a great company, and after a couple of years of choppy action, it appears the buyers are finally beginning to flex their muscles, explains **Mike Cintolo**, editor of **Cabot Growth Investor**.

The company has made hay with cystic fibrosis (CF) treatments, with approvals of individual drugs (it has three on the market today) and combination therapies gradually expanding the share of the CF market it addresses—sales growth has been steady and earnings are following the same upward path.

But what's brought in the buyers was news that the FDA approved (five months early) Vertex's triple combination CF treatment — long story short, the combo will greatly expand the number of CF patients the company can serve, and the selling price it's targeting was higher than many analysts expected.

Bottom line, management hiked revenue guidance after the approval (now looking for a 22% bump in revenues in 2019) and analysts are looking for a very solid 2020 (sales up 26%, earnings up 39%) as the triple combo product gains acceptance, with another round of excellent growth in 2021. All told, earnings are expected to basically double from 2019 to 2021.

The firm has some other early-stage research going on — it eventually wants to diversify away from just CF products — but there's no question the cystic fibrosis business is going to drive perception in the quarters ahead.

Technically, the stock broke out of a two-year dead period in October and looks like it is going to be one of the stock market's liquid leaders for 2020.

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ViacomCBS (VIAC)

Chuck Carlson

DRIP Investor



ViacomCBS (VIAC) — the media company recently formed by the merger of Viacom and CBS — is our more risk-oriented Top Pick recommendation for 2020, notes **Chuck Carlson**, editor of [DRIP Investor](#).

The stock was weak for most of 2019 as investors were concerned about the merger with Viacom and what is viewed as an uphill battle for ViacomCBS to compete in the streaming wars against such giants as **Netflix (NFLX)**, **Disney (DIS)**, **Amazon (AMZN)**, and **Apple (AAPL)**.

Despite the heavy competition, I continue to believe that ViacomCBS has appeal at current prices. For starters, the firm's content vault is especially attractive, and content is still king in the media space.

ViacomCBS has an attractive content vault that includes 140,000 television episodes, 3,600 films, and ongoing content creation via its film and television activities.

CBS has a myriad of ways to monetize this content, including running content on its own streaming and subscription services (CBS All Access and Showtime) as well as licensing to other media firms.

In addition, valuation is incredibly attractive. The stock is trading at less than 10 times 2020 earnings estimates. That multiple is discounting a lot of the negative news on the stock.

With many media companies paying huge dollars to create content, ViacomCBS offers a very viable acquisition candidate given the fairly moderate market cap (\$25 billion) and attractive content assets. At some point, one of the giants may look at ViacomCBS as a quick and relatively inexpensive way to build a content library.

Bottom line, I expect these shares to outperform the market in 2020. Please note ViacomCBS offers a direct-purchase plan whereby any investor may buy the first share and every share directly.

*(Editor's note: Last year, Chuck Carlson selected **Comcast (CMCSA)** as a Top Pick; the shares are up 28%. Carlson notes, "Comcast remains a favorite. I foresee record sales and profits in 2020 and a higher valuation. The yield of nearly 2% is a nice kicker to total-return prospects. The stock is a strong buy.")*

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YCG Enhanced (YCGEX)

Brian Kelly
MoneyLetter



*YCG Enhanced (YCGEX), a relative newcomer to the actively managed equity mutual funds universe (having been launched at the end of 2012), has drawn attention for its options-enhanced value strategy, observes **Brian Kelly**, mutual fund expert and editor of [MoneyLetter](#).*

In addition, its performance in 2017, 2018, and 2019 has been admirable. And despite a couple of underperforming calendar years, its long-term trailing returns stack up well compared to its Morningstar large blend category peers.

Background

YCG Enhanced portfolio manager (and founder of YCG, LLC) is Brian Yacktman. He is the son of legendary value stock investor Don Yacktman, who founded Yacktman Investment Management.

Initially, Brian was an associate with Yacktman Investment Management. Brian founded Yacktman Capital Group in 2007, later renamed YCG, and opened this fund about five years later. Brian differentiated his investment style from the parent firm using what he calls “option enhancement.”

He further explained that as “using options as a way to get exposure to businesses. It’s a strategic way to indirectly access a security when we believe that doing so through the option provides a better risk-adjusted return than owning a stock outright.”

Investment basics

The investment process at YCG is grounded in value fundamentals. Brian and co-portfolio manager Elliott Savage look at equities of any market capitalization that they believe will produce high, risk-adjusted, forward rates of return.

They use a bottom-up approach focused on individual companies and construct a portfolio they expect to excel across economic cycles, with an investment horizon that looks out a decade or more.

Brian told Wellington Wall St. that they like stocks with “attributes like high cash returns on tangible assets, low or no cyclicality, high returns on incremental invested capital, wide and stable profit margins, high market share, pricing power, conservative use of leverage, and a growing competitive advantage.”

He added, “Our goal is to outperform the market over an entire market cycle, so we tend to lose ground during the go-go periods, then we tend to make up ground during the rough periods, or just in an average market.”

Portfolio highlights

Brian Yacktman acknowledges that the fund’s portfolio is going to be concentrated. Holding a relatively small number of stocks that are the “best ideas” allow those to have a meaningful impact on fund performance.

Typically, the fund will hold 15 to 50 securities. Recently, there were about 30 holdings in the fund, with more than half of assets concentrated in the top ten stocks.

Key contributors to recent results include a number of financial holdings: **Mastercard (MA)**, **Moody’s (MCO)**, and **Msci, Inc. (MSCI)**, plus industry-leading commercial real estate services firm **CBRE Group (CBRE)**.

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Zebra Technologies (ZBRA)

Richard Moroney

Dow Theory Forecasts



Zebra Technologies (ZBRA) was our Top Pick in 2019, and the stock has risen over 60% since that recommendation. We are once again choosing the stock as a favorite for the new year, explains **Richard Moroney**, editor of [Dow Theory Forecasts](#).

Zebra is named after the stripes on its bar codes, makes scanners, printers, and labels used by retailer. Transportation, healthcare, and manufacturing companies also employ Zebra products to track their assets, such as equipment and inventory moving through the supply chain.

Facing the prospect of annual tariff costs topping \$100 million, Zebra has been diversifying its product sourcing away from China. Management expects tariff-related costs to reach \$15 million to \$25 million in the March quarter before dissipating in the second half of 2020.

Despite the trade headwinds, a favorable product mix has helped Zebra expand its operating profit margin, with per-share profits climbing 22% on revenue growth of 8% for the 12 months ended September.

Encouragingly, analysts have steadily become more bullish on Zebra's 2020 outlook over the past 90 days. The consensus now forecasts per-share profits of \$14.09 next year, implying 8% growth, on 6% higher revenue.

At 18 times estimated 2020 profits, the stock trades below a median of 21 for electronic-equipment stocks in the S&P 1500 Index. Zebra is rated as buy on our Focus List of top recommendations.

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