The First Cut | Cash Kings

The First Cut is designed as a starting point for investors. Each issue we list the top stocks that pass relatively simple screens of interest to individual stock pickers. AAII's Stock Investor Pro *screening software is used to generate the First Cut listing.*

The Federal Reserve reported that non-financial firms held over $2 trillion in cash on their balance sheets at the end of June, the highest level since 1945. Cash accounted for 7.1% of company assets. Firms are hoarding cash in an environment of economic uncertainty as protection against the type of credit squeeze that occurred in 2008. Adequate cash reserves can help fund research and development, make dividend payments, buy shares back, entice buyout offers, or even acquire other firms. While companies may enjoy the financial freedom of cash, economists fear that a lack of corporate investment and spending may help push the economy into a recession. Since cash earns little return on investment, a critical question to ask is why a company is holding on to its cash.

This issue's First Cut focuses on firms trading with a high level of net cash per share relative to their share price. Net cash is a traditional measure of excess cash and is calculated by totaling cash, marketable securities and short-term investments and subtracting current liabilities. Beyond high net cash levels, firms making the First Cut have positive earnings and operating cash flow, as well debt levels below the norm for their industry. Financial and utility stocks were excluded because of their unique nature and special cash holding requirements. The 30 stocks with the highest levels of net cash as a percentage of share price made the First Cut. The table also displays the level of net cash relative to total assets. The dividend yield highlights firms paying out some of their cash holdings directly to investors. The listing also includes the price-earnings ratio as a basic valuation measure, the earnings growth rate to examine recent growth, and the 52-week relative price strength to highlight stock market performance relative to other companies. A high net cash level relative to share price or assets does not ensure financial strength or price stability; however, it allows effective managers to fund operations and invest in the future of the company.

—John Bajkowski, President of AAII

Cash Kings (Ranked by Net Cash as a Percentage of Price)

Company (Ticker)	Net Cash per Share ($)	Net Cash as a % of Price (%)	Net Cash as a % of Assets (%)	Total Liab to Assets (%)	Div Yield (%)	P/E Ratio (X)	EPS Growth Rate (3 Yr) (%)	52-Wk Rel Strgth Rank (%)	Current Price (Sep 16) ($)	Description
Richardson Electronics, Ltd. (RELL)	8.14	56.1	47.1	28.6	1.4	161.1	29.9	90	14.50	electronic devices
American Superconductor (AMSC)	2.53	47.5	19.1	21.9	0.0	6.2	32.9	3	5.33	power grid technologies
Rex American Resources (REX)	7.55	46.4	19.4	32.5	0.0	33.2	(42.3)	75	16.26	alt energy; real estate
Park Electrochemical Corp. (PKE)	11.00	44.7	62.9	8.6	1.6	17.0	(2.4)	41	24.60	printed circuit materials
Argan, Inc. (AGX)	4.49	43.1	41.7	31.3	0.0	23.7	65.3	77	10.43	devlp & engin'g for energy
STEC, Inc. (STEC)	3.36	34.4	43.1	11.4	0.0	9.3	72.0	24	9.76	solid-state drives
MIPS Technologies, Inc. (MIPS)	1.86	32.5	80.4	13.9	0.0	16.9	71.0	20	5.73	processor architectures
Rudolph Technologies, Inc. (RTEC)	2.12	30.9	28.5	14.2	0.0	6.8	29.1	32	6.87	process control systems
Monolithic Power Systems (MPWR)	3.91	30.9	50.3	13.7	0.0	21.1	33.2	23	12.67	semiconductors
Outdoor Channel Holdings (OUTD)	1.92	30.0	32.4	8.4	0.0	71.1	39.5	72	6.40	entertainment & media
Lattice Semiconductor (LSCC)	1.65	29.2	48.5	15.0	0.0	12.9	30.6	81	5.66	programmable logic prods
GSI Technology, Inc. (GSIT)	1.46	28.5	28.2	12.8	0.0	8.5	38.7	32	5.12	SRAM memory products
VAALCO Energy, Inc. (EGY)	1.66	28.4	36.7	16.0	0.0	7.6	26.6	65	5.84	crude oil & natural gas
Cabot Microelectronics (CCMP)	10.51	26.8	38.7	9.4	0.0	15.9	14.5	79	39.17	circuit polishing
FutureFuel Corp. (FF)	2.96	26.7	33.0	24.5	3.6	16.1	33.6	91	11.09	chemicals & biofuels
Electro Scientific Industries (ESIO)	3.86	26.2	24.5	17.0	0.0	31.4	(22.0)	84	14.75	laser solutions for microtech
Data I/O Corporation (DAIO)	1.37	25.4	40.5	15.1	0.0	20.8	54.2	73	5.40	program sys for electron dev
Minerals Technologies Inc. (MTX)	13.21	24.6	20.4	32.6	0.4	15.3	67.2	43	53.70	speciality materials
JAKKS Pacific, Inc. (JAKK)	4.87	24.6	21.4	34.6	2.0	14.4	(18.1)	80	19.84	toys, stationery, pet prods
Liberty Media Corp. (Starz) (LSTZA)	17.25	23.8	32.1	16.1	0.0	18.4	183.9	71	72.52	entertainment & media
Vishay Precision Group Inc. (VPG)	3.40	23.7	17.7	27.0	0.0	16.3	(25.8)	41	14.37	foil technology prods
Bel Fuse, Inc. (BELFA)	4.21	22.8	17.4	21.6	1.3	18.6	(19.1)	37	18.45	electronic products
PetMed Express, Inc. (PETS)	2.16	22.1	47.0	13.4	5.1	11.8	3.9	14	9.78	pet pharmacy
OM Group, Inc. (OMG)	5.89	19.6	9.7	29.6	0.0	9.0	(9.8)	54	30.04	specialty chemicals
Kirkland's, Inc. (KIRK)	1.83	18.9	18.9	36.5	0.0	10.3	43.6	23	9.70	home décor retailer
Superior Industries Int'l (SUP)	3.10	18.8	14.3	25.9	3.9	8.1	76.7	52	16.47	aluminum wheels
True Religion Apparel, Inc. (TRLG)	5.82	18.6	45.8	14.8	0.0	17.0	14.7	91	31.24	brand apparel
Volterra Semiconductor (VLTR)	3.91	18.2	58.7	11.7	0.0	28.2	280.3	52	21.44	power mgmt semiconductors
Synaptics, Incorporated (SYNA)	4.57	18.1	33.8	25.5	0.0	14.1	39.0	43	25.32	user interface for devices
Brooks Automation, Inc. (BRKS)	1.67	18.0	17.2	18.0	3.4	4.3	8.0	92	9.29	instrumentation solutions

Source: AAII's Stock Investor Pro*, Thomson Reuters and I/B/E/S. Data as of 9/16/2011.*