TheStreet's

BEST of the BEST

FOR

2016

TheStreet's Best of the Best for 2016

Following a 2015 that suffered from the constant specter of the Federal Reserve raising interest rates and collapsing growth in China, investors are looking for the strongest plays for 2016 that will help build wealth.

Fortunately, TheStreet's various portfolio managers have used their expertise to select what they consider to be their best stock ideas for 2016.

Below, you'll find top picks from Jim Cramer, Jack Mohr, Doug Kass, David Peltier, and more, as well as two of the highest-rated stocks according to *Quant Ratings*, TheStreet's proprietary quantitative and algorithmic stock rating service.

Action Alerts PLUS – Allergan (AGN)

Our top pick heading into 2016 is pharmaceutical giant **Allergan (AGN:NYSE)**. The name has been at the top of the headlines in recent weeks following news that the company has agreed to merge with **Pfizer (PFE:NYSE)** in a $160 billion transaction that would create the world's largest pharmaceutical deal.

Beyond the transaction, we view Allergan as a well- diversified, high-quality, global pharmaceutical company with deeply embedded market leadership in several high-growth therapeutic categories including, but not limited to, dermatology & aesthetics, eye care, cystic fibrosis and cardiovascular disease. In addition, the recent sale of AGN's generics business immediately de-levers the company, accelerating its ability to pursue potentially transformational M&A. At its core, Allergan offers best-in- class execution (spearheaded by visionary CEO Brent Saunders), high visibility into long-term earnings (as its leading franchises are protected by long-dated patents), consistent growth and potential synergy upside from recent acquisitions.

With shares volatile over the past two months, driven by a convergence of deal-related concerns (mainly, the risk of the merger closing, as well as regulatory scrutiny around the combined entity's tax structure) and broad-based controversy across the biotech landscape (particularly the heightened political scrutiny into price-gouging tactics), our deep-dive analysis suggests that these fears are overdone. This provides investors with a lucrative entry point at current levels.

For starters, it does not appear that the U.S. Treasury Department's recently proposed actions around tax inversions will have any impact on the combined AGN/PFE entity (in fact, it almost seems as if the rules were written to let this deal occur). Second, Allergan has unfairly been linked to notorious price-gouger **Valeant Pharmaceuticals (VRX:Nasdaq)**, as its track record of price increases is among the lowest across the industry.

The planned Pfizer transaction values AGN at approximately $364 per share (16% above current levels). With the deal conservatively expected to deliver more than $2 billion in operational synergies in three years -- driving operating cash flow in excess of $25 billion within the next two years-- we see additional upside to the takeover price, driving our $400 12-month price target.

—Jim Cramer, Portfolio Manager, and Jack Mohr, Director of Research for *Action Alerts PLUS*

Action Alerts PLUS **– Panera Bread (PNRA)**

Heading into the New Year, we believe **Panera Bread (PNRA:Nasdaq)** is poised to outperform its restaurant peers, and for that reason is one of our top picks for 2016. Although the stock has rallied from its recent lows in the middle of November (due largely to better sentiment in the segment and market share potential from **Chipotle's CMG:NYSE** E.coli outbreak), we think 2016 holds multiple levers of growth that could propel this name to new highs.

As we have mentioned in the past, the key driver for PNRA in the New Year will be the continued execution of its Panera 2.0 initiative, which is aimed at utilizing cutting-edge technology to bring a quick, efficient and enjoyable experience to customers who visit the restaurant. The company is roughly one-quarter through the conversion process, so while there is some uncertainty around the continued implementation of the plan, management has indicated that the vast majority of company-owned restaurants will be converted by the end of 2016, and the data thus far have shown same-store-sales lifts from the Panera 2.0 models.

Importantly, this signifies management's confidence in the initiative as it implies they will continue the 100- plus store conversion pace quarter over quarter in 2016. That being said, we believe earnings guidance has been on the conservative end as management ramps up the process, but the benefits from the newly revamped stores should come sooner rather than later, leading to upside surprises in sales, followed by a rally (or rallies) in the stock.

While the startup costs, of course, will remain high as the conversion process moves along, we believe many investors are aware of this, which is one of the reasons why the stock has yet to break out. Even better, high cost comps figures will get easier as we head into next year and the company anniversaries a large number of store conversions from the second half of this year. As the stores become normalized to the Panera 2.0 model, labor costs also benefit from the higher digital sales mix (as these higher check orders -- potentially 20% to 25% higher -- leverage fixed costs).

Further into the future, management believes a more prevalent digital business will also undoubtedly help drive small-order delivery and catering orders, which adds supplementary markets for the company to expand upon (catering sales have already showed explosive growth, up 12% in the fiscal third quarter). According to leadership, company comps performed almost 200 basis points better than franchisees in the latest quarter, largely due to sales initiatives that have yet to be released to franchise owners (such as 2.0, marketing focus and delivery hubs to bolster catering). If this is any sign for things to come, and we think it is, the company will only perform better as these pilots are distributed throughout its entire ecosystem.

Lastly, Panera has been a leader in the transparent food sourcing movement, which has been driven by the consumer's desire not only for nutritious offerings, but also by the need to know where food is coming from and what exactly makes up the ingredients. As consumers continue to become more conscious of their food -- from a health, sanitation and sourcing perspective -- PNRA is poised to benefit given its long legacy with transparent and reliable food sourcing, combined with growing brand equity from new marketing campaigns focused on this new trend (as can be seen in the company's most recent "Should Be" commercial campaigns).

All in, two continuous years of EPS declines have kept the name at bay, but we believe management will guide to EPS growth for fiscal 2016 (the company releases its fiscal 4Q results on Feb. 9) as it realizes the benefits from the past two years of focused improvements. Adding to the story is the remaining tranche of the planned $500 million of share repurchases (expected to be completed in the fiscal first quarter) and the additional $250 million of incremental repurchase authorization outstanding (albeit with no confirmed time frame).

In the end, we think 2016 sets up as a beat-and-raise year for the company, which will ultimately justify multiple expansion as investors jump in to get a piece of the pie.

—Jim Cramer, Portfolio Manager, and Jack Mohr, Director of Research for *Action Alerts PLUS*

Real Money Pro – Blackstone/GSO Strategic Credit closed-end fund (BGB)

From my perch, U.S. stock-market returns look like they'll be meager in 2016 at best -- so it'll be incumbent upon all of us to be creative in our selection of market sectors and individual stocks.

One investment that I'm keen on is closed-end high-yield funds. Click here to read my recent case for buying this asset class, or here to read my recent comments to *New York Times* columnist James B. Stewart.

My investment of choice in the space is the **Blackstone/GSO Strategic Credit closed-end fund (BGB)**. It's a diversified fund that's relatively liquid ($700 million in size), but provides a 9.35% yield. BGB also trades at about a 13% discount to net asset value, while only the depressed energy sector only accounts for about 5% of its portfolio.

As such, I'm a buyer of BGB at $13.50 a share or less. (The fund was trading at $13.36 at last check.)

—Doug Kass, *Real Money Pro*

Real Money Pro – Citigroup (C)

The case for **Citigroup (C)** is growing more compelling.

I believe that interest rates will begin a slow but steady rise in the years ahead. As such, banks like Citigroup seem ideally positioned, with balance sheets that have an imbalance of rate-sensitive assets over liabilities.

Citi's large deposit base and diversified market could also lift the stock in 2016. Moreover, the bank's operating results have beaten consensus forecasts in each of the last three quarters -- outperforming analyst estimates by 5% to 12%. Nonetheless, C trades at a discount to net tangible book value and remains well below its 2015 high.

Click here for a look at my latest update on my favorite money-center bank.

—Doug Kass, *Real Money Pro*

Dividend Stock Advisor – Ford (F)

Ford Motor Co. (F:NYSE) is one of our top dividend stocks for 2016. The company lagged the broader market this year, falling 8%, and recently changed hands around $14.22.

That said, the automaker is set to follow up 40% earnings growth in 2015 with another 18% improvement in the new year. In the meantime, Ford is trading at just 7.4x expected 2016 earnings of $1.92 per share. The stock also sports a solid 4.2% dividend yield. The company can cover the current quarterly payment $0.15 per share 3.2x with annual earnings and we believe that management will boost the dividend for the fourth straight year in early 2016.

We believe the U.S. auto industry can build upon robust 2015 sales, as customers continue to replace cars with an average age of 11 years. Lower gasoline prices are also pushing demand toward trucks and vans, which carry higher margins for Ford. While rising interest rates could eventually cut into consumer auto demand, higher rates also stress how important that dividend growth is for investors. We expect a dividend increase of at least 20% from the company next year, and we believe that shares can move up toward the high-teens.

—David Peltier, Portfolio Manager for *Dividend Stock Advisor*

Dividend Stock Advisor – Waste Management (WM)

Waste Management (WM:NYSE) is one of our top picks for 2016. The stock gained 4% last year and recently changed hands around $52.43.

As its name suggests, the company is a leading provider of collecting, transporting, recycling and disposing of commercial and residential trash. Waste Management is expected to grow earnings 7% in 2016, on top of a 4% improvement in 2015, to $2.76 per share.

Back in December, management said that it would boost its quarterly dividend for the 13th consecutive year, to $0.41 share (2.9% yield). The new dividend is expected to be paid in March 2016 and can be covered 1.9x with expected annual free cash flow of $1.4 billion. In addition, management has pledged to buy back $1 billion worth of stock over time. The company also has a solid balance sheet.

We are drawn to Waste Management because its business is not cyclical and should continue to grow despite rising interest rates. Last October, the company earned $0.74 per share in the third quarter, which beat expectations. Core pricing and volumes grew in the period and we believe that shares can outperform the dividend-paying universe in the new year.

—David Peltier, Portfolio Manager for *Dividend Stock Advisor*

Stocks Under $10 **– Zix (ZIXI)**

Zix (ZIXI:Nasdaq) may have gained 44% this year, but we maintain the stock will continue to outperform in 2016.

The shares recently changed hands around $5.19, which equals 20x expected 2016 earnings of $0.26 per share. That is a discount to the 30% profit growth Zix is expected to deliver next year. As a result, we believe shares offer an attractive way to play the rapidly growing e-mail encryption market.

Management delivered better-than-expected quarterly results in October, driven by record first-year orders. The company's already has five quarters worth of sales booked in its order backlog. In addition to the core encryption business, demand for new data-loss prevention and bring-your-own device products added to the upside.

We believe the major driver for Zix in 2016 will be its new distribution partnership with former competitor **Cisco Systems (CSCO:Nasdaq)**. The company just began to book revenue from the deal in the third quarter and as this part of the business ramps, we believe the stock can move up toward the high-single digits.

—David Peltier, Portfolio Manager for *Dividend Stock Advisor*

Stocks Under $10 **– Kratos Defense & Security (KTOS)**

Defense contractor **Kratos Defense & Security (KTOS:Nasdaq)** is one of our top picks for 2016, and we expect its shares to move higher after falling 27% this year.

When we initiated our position in September, the company was in the process of shedding non-core assets and improving margins by focusing on its unmanned systems, signal monitoring, cyber security and disruptive technology businesses. We added to our position as recently as Dec. 4, as we believe that management can deliver its first annual profit in three years in 2016.

One reason for our optimism is the company's ability to continue expanding margins in coming quarters. This should be driven by higher government budgets for defense spending, spurred by demand for unmanned aerial vehicles. Kratos is a leader in the fastest-growing areas of the defense industry, where we believe that budget spending will shift toward next- generation weaponry and security if the global political and economic situation remains volatile in the second half of the decade.

Our price target is $6.50.

—David Peltier, Portfolio Manager for *Dividend Stock Advisor*

Growth Seeker – Under Armour (UA)

There is no shortage of strong picks for the coming year inside the Growth Seeker portfolio. If pressed to narrow it down to one company that had significant growth opportunities over the next few years with several tailwinds at its back and with shares at a compelling risk-to-reward tradeoff, it would be a tough decision. But we chose **Under Armour (UA:NYSE)** after reviewing its strong prospects as it attacks the athletic footwear business and flexes its growing brand into the women's athletic apparel market as part of its larger international expansion plans.

UNDER ARMOUR

Despite the recent move lower in UA shares this holiday season, which is seeing large discounts at **J.C. Penney (JCP:NYSE), Nordstrom (JWN:NYSE), Macy's (M:NYSE), American Eagle Outfitters (AEO:NYSE)** and other retailers that are looking to move seasonal merchandise ahead of stocking spring wear in early 2016, recent data show solid acceptance for UA's footwear line. More specifically, because of the strength of the recently released Stephen Curry sneaker and the Speedform running platform, Under Armour was called out as an emerging footwear brand at both the mall channel and at **Foot Locker (FL:NYSE)** in particular.

While UA has enjoyed a strong relationship with **Dick's Sporting Goods (DKS:NYSE)**, Under Armour currently is in 30% to 40% of Foot Locker stores, and given the strength of UA's footwear performance this holiday season we would not be surprised to see it rolled out at more Foot Locker stores and others in the coming quarters. Per data published by SportScan, Under Armour's footwear is seeing strong sell-through in basketball (again, Stephen Curry) and running sneakers (Speedform). I'd note this is the strongest UA footwear lineup has had heading into the holiday shopping season. Moreover, while holiday and seasonal apparel is taking it on the chin with sales and discounts, branded athletic footwear actually is seeing better pricing year over year per SportScan.

One of the key attractions to Under Armour and its shares are the medium- to longer-term opportunities the company has in the global athletic apparel and footwear market as it makes more inroads into the women's market, expands its global footwear business and enters the sportswear market. In the September quarter, international revenues accounted for just 11% of overall UA revenues, and today the company has almost no sportswear-related revenue compared to **Nike (NKE:NYSE)**, which targets revenue for that category around $12.5 billion as part of its $50 billion revenue target by 2020. Combined with other opportunities at Under Armour that include more footwear models, expansion of its golf line and even the company's Connected Fitness initiative, we remain comfortable with Under Armour's 2018 revenue target of $7.5 billion versus the $3.08 billion delivered in 2014. Included in that target figure is the expectation that Under Armour will derive revenue of about $1.7 billion in fiscal 2018 from footwear alone.

Like many other companies, Under Armour continues to invest today for the growth it is expecting to deliver in the coming quarters. Like other meaningful expansions we've seen at other companies such as **Starbucks (SBUX:Nasdaq)** that expanded aggressively into food on the back of falling coffee prices, Under Armour is poised to benefit from lower input costs. Two of the key raw materials contained in fabrics used by its suppliers and manufacturers include petroleum-based products and cotton. Cotton prices have fallen modestly year over year, but oil prices are down significantly year over year. Given the slowing global economy and likelihood we will see more oil hitting the market in 2016 once Iran resumes exporting, lower oil prices should remain a tailwind for Under Armour. The push-pull combination of revenue growth and lower costs should position Under Armour to drop incremental earnings to the bottom line in the coming quarters.

Stepping back, we've seen the power of global brands mixed with sports before in the form of Nike. Under Armour has a blueprint before it; now the company simply needs to execute and build on its growing global brand awareness. As UA knows all too well given its strategy to leverage sports around the globe, follow-through is everything.

—Chris Versace, Portfolio Manager, and Lenore Elle Hawkins, Portfolio Analyst, for *Growth Seeker*

Growth Seeker – Fitbit (FIT)

Looking out over the coming year, we see **Fitbit (FIT:NYSE)** well positioned to capitalize on the growth in both wearables awareness of health and wellness.

According to several research reports from Technalysis Research, IDC (International Data Corporation) and CCS Insight, the wearable market is poised for robust growth over the next several years. Technalysis Research sees the market growing to 175 million devices in 2020 from 22 million devices in 2014, while CCS Insights forecasts 245 million devices will ship in 2019, with fitness and activity trackers accounting for more than half of the units shipped in 2019. That's significantly higher than the 21 million units that were shipped in the September 2015 quarter.

At the same time, the dramatic rise of healthcare costs over the last few decades, accounting for $3 trillion, or 17.5% of GDP in 2014, has led employers to embrace strategies, such as health and wellness programs, to offset costs while still offering benefit to their employees. Examples of corporate wellness programs that have started to deploy Fitbit's products include **Target (TGT:NYSE), Bank of America (BAC:NYSE), Time Warner (TWX:NYSE)** and more than 70 other Fortune 500 companies.

According to research firm IDC, Fitbit was the market- share leader for wearables in the September 2015 quarter, with 22% share thanks to its Charge and Surge fitness trackers. What we found most interesting in IDC's findings was that despite the growth of smart watches, interest in fitness trackers has not fallen. We attribute this to the combination of more affordable price points than smart watches, making products like those from Fitbit more palatable to consumers, and corporate wellness programs.

But despite those prospects, as of last night's market close FIT shares have fallen more than 35% since peaking at $51.64 in early August and are currently trading at 30x expected 2016 earnings of $1.13 per share, up from $0.97 per share called for in 2015. The combination of the current multiple and the pullback in the shares growth prospects for wearables in general, and those that focus on health and wellness in particular, is bound to attract bullish views from the Wall Street analyst herd.

Already we've had positive comments from Morgan Stanley and others that are pointing towards solid holiday season demand for the shares, with Barclays upgrading FIT shares to a Buy rating with a $49 price target coming out of the holiday- shopping weekend. With Fitbit's products on several 2015 holiday gift-giving guides and consumers prone to shedding the holiday pounds come January, the company's products and shares seem like a natural fit this holiday season.

Over the longer term, as the wearables market matures, we would expect price competition and consolidation to emerge, but near term the growth prospects remain vibrant. Our price target on FIT shares is $45, which equates to a price to earnings growth multiple of 1.5x expected earnings growth of 20% that Fitbit is expected to deliver between 2015 and 2017 (or a PE multiple of 31.5x) applied to 2017 consensus earnings of $1.44 per share. Given the lack of true peers as well as dividends, we find this to be better method of valuing the shares and our $45 price target equates to a multiple of 2.9x on an enterprise value to 2017 revenue basis.

On the downside, at current levels FIT shares are already trading 0.9x 2017 earnings on a PEG basis, which suggests downside to roughly $25 from current levels. While we like the net upside to be had a current level, we would be more aggressive buyers of FIT shares closer to $30. At such levels, FIT shares would be within the Growth Seeker market-cap restrictions of more than $250 million and less than $6 billion for new positions.

Market cap aside, as the wearables space eventually consolidates, we do see Fitbit as a potential takeout candidate as larger companies look to shore up their competitive positions. We see this unfolding much the way it has in the mobile phone space and would point to Microsoft (MSFT:Nasdaq) acquiring both Danger and the Nokia Mobile Phone business, **Hewlett Packard's (HPQ:Nasdaq)** takeout of Palm and **Alphabet's (GOOGL)** purchase of Motorola Mobility.

—Chris Versace, Portfolio Manager, and Lenore Elle Hawkins, Portfolio Analyst, for *Growth Seeker*

Trifecta Stocks **– Netflix (NFLX)**

Heading into 2016, we see no slowdown in the way people consume digital content, on both a domestic and international basis. In our view, one of the best-positioned companies that capitalizes on the shift toward streaming and on-demand content is **Netflix (NFLX:Nasdaq)**.

New data underscore the growing sentiment that younger folks are completely bypassing traditional TV and signing up for video streaming services such as Netflix. A recent Forrester Research study cited by *The Wall Street Journal* said that about 18% of the U.S. population has never signed up for cable TV. Even more interesting are the two following points called out in the survey. First, among viewers between the ages of 18 and 31, the number of viewers who aren't subscribing to cable at all is now greater than the number of viewers opting to cancel their cable. Second, only half of all TV viewers by 2025 will consume content via traditional cable TV, according to Forrester.

That's among the U.S. population, but Netflix's streaming service that has taken the U.S. by storm with award-winning proprietary content has started rolling out across Europe in Spain, Italy and Portugal during the current quarter. In 2016, the company intends to add South Korea, Hong Kong, Taiwan and Singapore, which means we see ample international subscriber growth ahead. Already in 3Q 2015, Netflix smashed expected international subscriber additions -- and that was before these additional countries came on stream.

Unlike the U.S. market, Netflix faces little competition in the overseas markets. While **Amazon's (AMZN:Nasdaq)** Amazon Prime Video and Hulu may be hampering domestic subscription growth -- something we believe will be overcome as Netflix further expands its proprietary content offering -- those two competitors are on less-solid footing in the international markets. Granted, startup costs with such deployments could weigh on margins, but the growing library of content, both proprietary and other key relationships like that from Trifecta holding Disney (DIS:NYSE), make Netflix a go-to source for streaming content. As those costs fade, prospects for earnings and cash flow in 2016 remain bright, which in our view positions NFLX shares to be a strong performer yet again in 2016.

Netflix Is Ready for an Encore Performance in 2016

As we look back at the best performing stocks of 2015, we can see plainly that Netflix is at the top of the list. The stock performance was just outstanding, and with little in the way of real competition and an enormous market to draw from, Netflix has an enviable position of strength. Growth prospects are vast, and, as my friend Mark Mahaney of RBC Capital says, the opportunity for upward trajectory is immense.

The chart also shows a stock with great momentum and interest by institutions. Volume trends are positive and price action is solid. Relative strength has been stair-stepping higher. The uptrend line is well defined and intact. Further, momentum at the bottom continues, and looking back earlier in the year when the %R is embedded that was a great sign -- more upside to come.

We could see this stock get back to $200 by the end of the year. We would consider buying around $128 to $132 and holding on.

—Bob Lang and Chris Versace, co-Portfolio Managers for *Trifecta Stocks*

Trifecta Stocks **– Wynn Resorts (WYNN)**

Anything related to China's growth plan in 2015 had a difficult time. Many of the mainland names trading here in the U.S. had some challenges, but so did American companies with big business interests in China. Casino stocks were the poster children for these challenges. Look no further than **Wynn Resorts (WYNN:Nasdaq)**.

A strong name in Las Vegas, in recent years Wynn ventured overseas, building casinos in sprawling Macau. This tiny island is a getaway for many in China to gamble, as that activity is outlawed on the mainland shores. Early on, Wynn and its competitor **Las Vegas Sands (LVS:NYSE)** enjoyed some robust gains and diversified their revenues smartly. They had the foresight of future growth.

However, crackdowns by the Chinese government against gamblers, junkets and frauds, not to mention a slowdown in the economy, put the casinos in a vice grip in 2015. Negative numbers from Macau in 2015 in just about every month drilled this stock all the way to lows not seen since 2010. Nearly every month had heavy double-digit losses from the prior year, -25% or more. But for 2016, the bar has been set lower and Wynn may be able to hurdle it with even a little life in Macau's gaming business.

We can see how this played out negatively in the chart of Wynn, with the stock down more than 40% from the summer highs. Overall, the stock is off 72% from its all-time highs of $231 back in 2014. The current price is up from the multi-month low reached in September, and a series of higher lows gives this some chance to get back to levels seen in the summer.

The 200-day moving average is a good first target, about 40% higher from the current level, while the gaps are looking to be filled from the August highs.

We could see this stock up 50% or more in 2016.

—Bob Lang and Chris Versace, co-Portfolio Managers for *Trifecta Stocks*

Daily Swing Trade – Nvidia (NVDA)

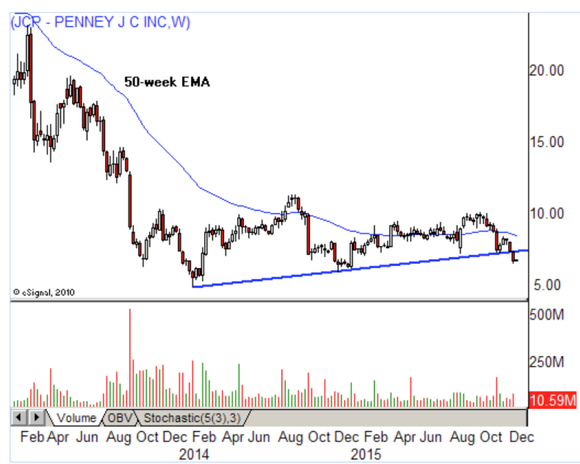
Nvidia (NVDA:Nasdaq) could dominate cloud gaming in coming years. The stock rallied to range resistance after our Nov. 16 pick and broke out to a seven-year high at $33.14. It's currently consolidating gains and could test new support between $31 and $32. A position in this sector leader makes sense, given our expectation that semiconductors will provide market leadership in 2016.

—Alan Farley, *Daily Swing Trade*

Daily Swing Trade – J.C. Penney (JCP)

J.C. Penney (JCP:NYSE), a short pick of ours on Dec. 9, could face renewed creditor issues and be forced to fight for its survival. The stock fell to a 13-year low at $4.90 in February 2014 and eased into a trading range with resistance above $10. It broke a major trendline earlier this month and is now testing the two-year low. A breakdown could yield a downward spiral that offers 2016 short sale profits.

—Alan Farley, *Daily Swing Trade*



TheStreet Quant Ratings – Alaska Air Group (ALK)

Recommendation

We rate **ALASKA AIR GROUP INC (ALK)** a BUY. This is based on the convergence of positive investment measures, which should help this stock outperform the majority of stocks that we rate. The company's strengths can be seen in multiple areas, such as its revenue growth, impressive record of earnings per share growth, expanding profit margins, good cash flow from operations and largely solid financial position with reasonable debt levels by most measures. Although no company is perfect, currently we do not see any significant weaknesses which are likely to detract from the generally positive outlook.

Highlights

ALK's revenue growth has slightly outpaced the industry average of 5.5%. Since the same quarter one year prior, revenues slightly increased by 3.4%. Growth in the company's revenue appears to have helped boost the earnings per share.

ALASKA AIR GROUP INC has improved earnings per share by 47.6% in the most recent quarter compared to the same quarter a year ago. The company has demonstrated a pattern of positive earnings per share growth over the past two years. We feel that this trend should continue. During the past fiscal year, ALASKA AIR GROUP INC increased its bottom line by earning $4.43 versus $3.59 in the prior year. This year, the market expects an improvement in earnings ($6.47 versus $4.43).

42.84% is the gross profit margin for ALASKA AIR GROUP INC which we consider to be strong. It has increased from the same quarter the previous year. Regardless of the strong results of the gross profit margin, the net profit margin of 18.08% trails the industry average.

Net operating cash flow has increased to $340.00 million or 32.29% when compared to the same quarter last year. Despite an increase in cash flow of 32.29%, ALASKA AIR GROUP INC is still growing at a significantly lower rate than the industry average of 133.46%.

The current debt-to-equity ratio, 0.30, is low and is below the industry average, implying that there has been successful management of debt levels. Although the company had a strong debt-to-equity ratio, its quick ratio of 0.79 is somewhat weak and could be cause for future problems.

TheStreet Quant Ratings – Hormel Foods Corp. (HRL)

Recommendation

We rate **HORMEL FOODS CORP (HRL)** a BUY. This is based on the convergence of positive investment measures, which should help this stock outperform the majority of stocks that we rate. The company's strengths can be seen in multiple areas, such as its growth in earnings per share, solid stock price performance, largely solid financial position with reasonable debt levels by most measures, notable return on equity and increase in net income. We feel its strengths outweigh the fact that the company shows weak operating cash flow.

Highlights

HORMEL FOODS CORP has improved earnings per share by 9.5% in the most recent quarter compared to the same quarter a year ago. The company has demonstrated a pattern of positive earnings per share growth over the past two years. We feel that this trend should continue. During the past fiscal year, HORMEL FOODS CORP increased its bottom line by earning $2.54 versus $2.23 in the prior year. This year, the market expects an improvement in earnings ($2.93 versus $2.54).

Investors have apparently begun to recognize positive factors similar to those we have mentioned in this report, including earnings growth. This has helped drive up the company's shares by a sharp 50.21% over the past year, a rise that has exceeded that of the S&P 500 Index. We feel that the stock's sharp appreciation over the last year has driven it to a price level which is now somewhat expensive compared to the rest of its industry. The other strengths this company shows, however, justify the higher price levels.

HRL's debt-to-equity ratio is very low at 0.11 and is currently below that of the industry average, implying that there has been very successful management of debt levels. Although the company had a strong debt-to-equity ratio, its quick ratio of 0.79 is somewhat weak and could be cause for future problems.

The return on equity has improved slightly when compared to the same quarter one year prior. This can be construed as a modest strength in the organization. Compared to other companies in the Food Products industry and the overall market on the basis of return on equity, HORMEL FOODS CORP has underperformed in comparison with the industry average, but has exceeded that of the S&P 500.

HRL, with its decline in revenue, slightly underperformed the industry average of 1.1%. Since the same quarter one year prior, revenues slightly dropped by 5.6%. The declining revenue has not hurt the company's bottom line, with increasing earnings per share.

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