

Upside

Best buys in small and midcap stocks

Vol. 45, No. 3, March 4, 2024

5 NEW BUYS

■ **AssetMark Financial** (\$34; *AMK*) operates a wealth-management platform used by more than 3,100 active financial advisors to serve about 254,000 investor households. The firm says it expects to have at least 5,000 active advisors on its platform by 2026. On Dec. 31, platform assets totaled \$109 billion, up 19% from a year earlier. Management targets asset growth of at least 12% this year.

AssetMark looks timely in Quadrix®, scoring 79 or higher in Momentum, Earnings Estimates, and Performance. The Overall score is 89. The five-analyst consensus estimate calls for per-share profits to climb 13% to \$2.60 in 2024 on 9% sales growth. The stock trades at a reasonable 13 times estimated current-year profits. *We are initiating coverage of AssetMark with a Buy rating.*

■ A leading provider of pawn loans in the U.S. and Latin America, **EZCORP** (\$11; *EZPW*) also sells

Continued on page 8

New picks

Company (Price; Ticker)	Quadrix Overall Score
AssetMark Fin'l (\$34; <i>AMK</i>)	89
EZCORP (\$11; <i>EZPW</i>)	93
Greenbrier (\$50; <i>GBX</i>)	90
Tapestry (\$48; <i>TPR</i>)	99
Victory Capital (\$38; <i>VCTR</i>)	99

What works by sector

Our Quadrix® Overall score is designed to measure all U.S. stocks with a single yardstick, and putting investors in the right sectors is a big part of why the score works. But sometimes we want to limit our search to a single sector, or decide between two names in the same sector.

How well does the Overall score work for those purposes? That depends on the sector. Based on relative returns for the top one-fifth of scorers, Overall has worked within every sector of the S&P 1500 Index since 1994, as shown on page 2. But Overall has worked especially well within the consumer-discretionary, financials, and technology sectors.

Quadrix Value scores have worked especially well in the financials, materials, and industrials sectors, while Momentum scores have worked best in technology, consumer discretionary, and communications. Drawing on such insights, our Reranked Overall sector scores are customized to emphasize the category scores that work best within a sector.

We also have 12-Factor Sector scores, which consider a dozen statistics that work well in a given sector. For example, the 12-Factor score for technology uses the price/sales ratio and gross profit margin, since those variables have worked well in that sector.

The Overall score and most of our sector scores are enjoying an impressive run of performance, adding to solid historical records. We've seen particularly strong results over the last year in

areas we tend to favor — industrials, technology, consumer discretionary, and health care.

Reviewed below are sector standouts from the consumer-discretionary, consumer-staples, and health-care sectors. Quadrix Overall and sector scores for our stocks are shown on page 7.

■ Operating nearly 1,200 clothing stores in the U.S. and overseas, **American Eagle Outfitters** (\$24;

Continued on page 2

OUR YEARLY RETURNS

	Upside Best Buy List	Upside Buy List	Russell 2000 Index	S&P 500 Index
Total *	1,181.8%	1,220.4%	354.0%	290.0%
Annual. *	10.9	11.0	6.3	5.7
2024 *	7.1	10.0	1.4	6.5
2023	19.4	25.6	15.1	24.2
2022	-22.8	-25.1	-21.6	-19.4
2021	53.3	42.9	13.7	26.9
2020	12.8	8.6	18.4	16.3
2019	39.7	32.3	23.7	28.9
2018	-35.4	-31.2	-12.2	-6.2
2017	12.5	19.9	13.1	19.4
2016	6.5	9.0	19.5	9.5
2015	-4.6	-8.8	-5.7	-0.7
2014	1.8	7.7	3.5	11.4
2013	63.4	53.4	37.0	29.6
2012	9.8	11.6	14.6	13.4
2011	-8.8	-9.8	-5.5	0.0
2010	21.5	24.0	25.3	12.8
2009	27.5	32.7	25.2	23.5
2008	-44.7	-47.5	-34.8	-38.5
2007	0.5	4.5	-2.8	3.5
2006	18.6	18.2	17.0	13.6
2005	5.4	9.1	3.3	3.0
2004	38.3	46.8	17.0	9.0
2003	90.0	76.0	45.4	26.4
2002	-6.7	-0.5	-21.5	-23.4
2001	1.2	-0.8	1.0	-13.0
2000	14.1	27.1	-4.2	-10.1
1999 †	43.4	20.8	15.1	12.9

* Through Feb. 27. † May 28 to Dec. 31.

What works by sector

Continued from page 1

AEO) generates healthy growth in its namesake brand, which focuses on denim and activewear for young adults. The retailer's Aerie brand, accounting for nearly one-third of sales, is seeing strong demand for lingerie and sportswear. The stock earns an Overall score of 91, Reranked Overall score of 88, and 12-Factor Sector score of 92.

Healthy consumer spending, steady store expansion, and improved cost controls have fueled solid profit growth. For the January quarter, expected to be announced on March 7, the consensus of 11 analysts calls for per-share earnings of \$0.50, up 34%. Revenue is projected to climb 11%. Ample operating cash flow, up more than eight-fold over the past 12 months to \$777 million, bodes well for shareholder returns. Last month management authorized a new stock-repurchase plan totaling 30 million shares. In December, the retailer increased the quarterly per-share dividend 25% to \$0.125. *American Eagle, yielding 2.1%, is rated Buy.*

■ **PriceSmart** (\$84; PSMT) is essentially a foreign retailer headquartered in San Diego. Nearly 100% of annual revenue is generated across 54 membership shopping warehouse clubs in 12 countries in Latin America and the Caribbean. Some 96% of employees work outside the U.S. With 1.8 million club members, PriceSmart boasts a healthy annual renewal rate of 85%. Profit-growth prospects hinge on membership gains, an expanding footprint, and a growing online presence. In addition, improved transaction volumes and higher average sales tickets should help near-term sales and margins.

PriceSmart earns an Overall score of 97, paced by scores above 90 for Momentum and Earnings Estimates. Its Reranked Overall score of 98 puts it among the top 2% of consumer-staples stocks. Earnings per share are expected to advance 20% to \$4.85 in fiscal 2024 ending August. That estimate was \$4.42 three months

QUADRIX RESULTS BY SECTOR SINCE 1994

While our Overall scores work within all sectors of the broad S&P 1500 Index, as shown below, we've found we can do even better by also considering sector-specific scores. The Reranked Overall score uses the same numbers used to calculate the traditional Overall score, but the category scores are reweighted to emphasize the ones that work best within a sector. The 12-Factor Sector score considers a dozen statistics that work well in a given sector.

Below we show average 12-month outperformance of the top one-fifth of stocks in a sector, based on four different scores. For example, the top one-fifth of consumer-discretionary stocks based on Overall score outperformed the average stock in the sector by an average of 3.1% in rolling 12-month periods since 1994.

At the very bottom of the table, we show how the Overall and Value scores have done when used among all the stocks in the S&P 1500 Index. With a couple of exceptions, the Overall score has worked better for the broad index than when limited to a single sector, as favoring the right sectors is a big part of why the Overall score works.

Sector	Average 12-Month Outperformance Of Top — One-Fifth Of stocks In S&P 1500 Sector Since 1994 —			
	Quadrix Scores		Sector Scores	
	Overall	Value	Reranked Overall	12-Factor
Consumer discretionary	3.1%	1.8%	2.1%	5.8%
Financials	2.8	5.0	3.9	3.2
Technology	2.1	1.4	-0.3	4.3
Energy	2.0	2.4	-0.7	1.0
Materials	1.8	4.5	2.2	3.7
Communication services	1.1	-1.4	1.8	2.6
Consumer staples	1.0	2.6	2.7	3.6
Health care	0.9	2.2	3.5	2.1
Utilities	0.8	1.9	1.2	2.4
Real estate	0.7	0.4	1.0	2.7
Industrials	0.6	3.1	1.3	2.3
All S&P 1500 stocks	2.3	2.5	NM	NM

NM Not meaningful.

ago. Revenue is projected to increase 10%. PriceSmart recently raised its semiannual per-share dividend 26% to \$0.58, payable in February and August. *Yielding 2.8%, PriceSmart is being upgraded to Best Buy.*

■ **Semler Scientific** (\$48; SMLR) is a truly elite stock in Quadrix, with an Overall score of 99. Its scores for 12-Factor Sector (98) and Reranked Overall (96) stand out in the health-care sector. In our research universe of more than 3,200 stocks, only eight have similar scores or higher.

Semler's core product, which helps identify peripheral artery disease, accounts for nearly all its annual sales. While only three customers represent roughly 75% of total sales, manage-

ment is looking to diversify the revenue stream by expanding into complementary markets, including diagnosing heart dysfunction.

Semler is expected to announce December-quarter results around March 5. Only one analyst provides estimates. Per-share profits are expected to jump 39% to \$0.57. Over the last four quarters, per-share earnings have outpaced expectations by an average of \$0.14, or 31%. Revenue is projected to climb 5%. For full-year 2024, per-share earnings are expected to climb 27%. While that may be optimistic, we expect market-share gains and improved cost controls to drive solid growth. The stock trades at a reasonable 14 times projected 2024 profits. *Semler is a Best Buy.*

STOCK SCREEN

Follow the money for timely infrastructure plays

Three massive U.S. government programs — the Chips Act, the Infrastructure Investment and Jobs Act, and the Inflation Reduction Act — are investing hundreds of billions of dollars into infrastructure. The spending aims to modernize the electrical grid, promote renewable energy, upgrade roads and bridges, and build facilities to boost U.S. semiconductor production, among other things.

The list of infrastructure-spending beneficiaries is long, especially among cyclical companies in the industrial sector. Construction and engineering contractors are big winners and enjoy a potentially huge kicker — the rapid adoption of artificial intelligence (AI) is expected to drive enormous investments in power generation and data centers, which require an immense amount of electricity.

Listed below are seven stocks, including four leading providers of construction and engineering services, positioned to benefit from the spending spree. While many of the obvious ben-

eficiaries have seen their shares rally, our seven picks seem reasonably valued considering their operating momentum. Two standouts are reviewed.

■ A leading provider of mechanical, electrical, and plumbing services, **Comfort Systems USA** (\$291; *FIX*) is benefiting from robust demand in manufacturing (34% of sales in 2023) and technology (21%) markets. Leveraged to the buildout of data centers and semiconductor foundries, the company had a massive \$5.2 billion order backlog on Dec. 31, up 27% from a year earlier. A growing national footprint, strong cash flow, and contributions from recent acquisitions should sustain growth.

In the December quarter, Comfort Systems delivered per-share earnings of \$2.55, up 66% and above the consensus of \$2.18. Revenue jumped 21.5% to \$1.36 billion. Operating cash flow totaled \$173 million, up 31%. Gross profit margin rose nearly two percentage points to 20.6%. For 2024, Wall Street expects per-share profits to increase 25% on sales growth of 26%. *The stock*

is a Best Buy.

■ One of the largest U.S. specialty contractors, **EMCOR** (\$277; *EME*) offers an array of construction and industrial services to manufacturers, health care, technology, and utility customers. Its services are increasingly focused on renewable energy, electric vehicles and batteries, chip manufacturing, and data centers. A growing industrial business serves refineries and petrochemical plants. EMCOR earns an Overall score of 90, ranking it No. 1 among the 29 construction and engineering stocks in Quadrix®.

December-quarter results were scheduled to be announced on Feb. 28 — a day after our publishing deadline. Per-share earnings were expected to jump 36% to \$3.59 on sales growth of 14%. Earnings have handily exceeded expectations in recent periods. For full-year 2023, the two-analyst consensus projects per-share-profit growth of 54%. The consensus calls for a 5% gain for 2024, which seems conservative. *EMCOR is a Best Buy.*

7 STOCKS LEVERAGED TO INFRASTRUCTURE SPENDING

Company (Price; Ticker)	– 12-Month Trailing –			– Forward 12 Months –			— Quadrix Scores —		
	Sales Growth	EPS Growth	P/E Ratio	Sales Growth	EPS Growth	P/E Ratio	Momentum	Quality	Overall
Comfort Systems USA (\$291; <i>FIX</i>)	26%	65%	33	26%	25%	26	96	98	88
While not cheap at 33 times trailing earnings, the stock is an attractive play on the construction of data centers and semiconductor facilities.									
Eagle Materials (\$251; <i>EXP</i>)	8	23	18	7	10	16	96	96	96
A standout in Quadrix with an Overall score of 96, Eagle sells construction materials, with an emphasis on cement and wallboard.									
EMCOR (\$277; <i>EME</i>)	12	55	24	11	13	21	85	96	90
Offers mechanical and electrical-construction services from 180 global locations for energy, industrial, health-care, and utility customers.									
Oshkosh (\$109; <i>OSK</i>)	17	204	11	7	5	11	75	77	92
Makes specialty vehicles for several attractive niche markets, including defense, emergency, construction, and waste management.									
Primoris Services (\$38; <i>PRIM</i>)	29	12	13	9	12	12	72	64	84
Fueled by renewable energy, industrial, and pipeline markets, Primoris is benefiting from large solar and energy-storage projects.									
REV Group (\$20; <i>REVG</i>)	13	65	15	-1	19	12	82	69	90
A leading maker of fire trucks, REV also makes custom vehicles and sweepers used to clean and prepare roads and bridges for repaving.									
Sterling Infrastructure (\$106; <i>STRL</i>)	11	25	24	12	5	23	77	91	81
Specializing in large projects and concrete work for residential and commercial markets, Sterling is leveraged to growth in data centers.									

Note: Quadrix scores are percentile ranks, with 100 the best.

STOCK PICKS

Once again, Upside stocks are strong growers

Robust profit growth is a cornerstone of our stock-picking process. How results compare to Wall Street expectations is also crucial. So, we're not surprised when *Upside* stocks deliver impressive earnings. Projected growth rates for our stocks are also impressive.

Including recent downgrades and excluding this month's five new picks, 21 of our stocks have announced December quarters. Average profit growth was 140%, compared to 4% for 1,266 members of the S&P 1500 Index that announced results through Feb. 26. Excluding a nearly 1,900% surge at **Powell Industries** (\$172; *POWL*), *Upside* stocks delivered 34% average earnings growth. Average sales growth was 12%, versus less than 2% for the S&P 1500 stocks.

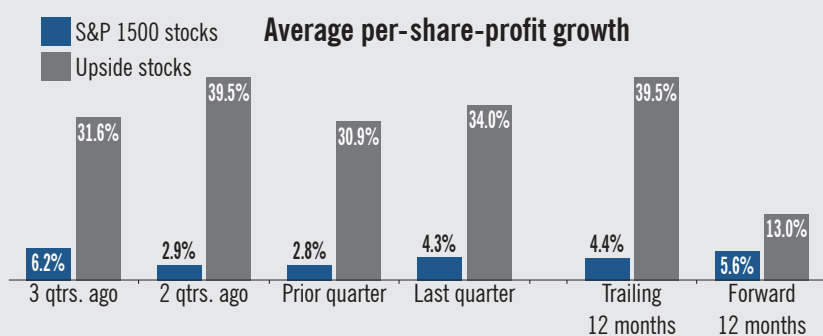
For the quarter, 86% of *Upside* stocks exceeded the consensus for per-share earnings, compared to 71% for S&P 1500 stocks. Nearly 67% of our stocks outstripped sales estimates, versus 57% for S&P 1500 stocks. All told, 14 of our stocks beat on both sales and earnings.

Spurred by strong showings and healthy upward earnings revisions, *Upside* stocks are positioned to deliver superior growth. Over the next 12 months, consensus estimates project average per-share-profit growth of 13%, compared to 6% for S&P 1500 stocks. Moreover, *Upside* names are expected to generate 10% sales growth, versus 4% for S&P 1500 stocks.

The stocks listed on page 5 delivered at least 7% profit growth and 1.6% sales growth in the December quarter — and exceeded consensus expectations on both. All nine reported have seen estimates for current-year earnings revised higher over the past 60 days. Five standouts are reviewed below.

■ For the December quarter, **Applied Industrial Technologies** (\$189; *AIT*) increased per-share profits 9% to \$2.24, ahead of the consensus of \$2.11.

UPSIDE STOCKS = SUPERIOR PROFIT GROWTH



As shown above, current *Upside* stocks have delivered at least 30% average per-share-profit growth in each of the last four quarters — far outstripping stocks in the S&P 1500 Index.

As shown below, average sales and earnings growth rates and P/E ratios for our stocks compare favorably to stocks in three popular S&P indexes.

	— Trailing 12 Months —			— Forward 12 Months —		
	Sales Growth	EPS Growth	P/E Ratio	Sales Growth	EPS Growth	P/E Ratio
Current Upside stocks	16.7%	39.5%	18.9	9.8%	13.0%	16.7
S&P SmallCap 600 stocks	1.7	2.4	17.6	2.8	3.5	18.0
S&P MidCap 400 stocks	3.5	5.6	20.4	5.1	6.6	19.8
S&P 500 stocks	3.0	5.4	23.0	4.7	6.9	21.6

Revenue advanced 2%, also topping expectations. Cash from operations surged 62% for the quarter and more than doubled for the 12 months ended December. Free cash flow nearly tripled over the past 12 months to \$345 million. Responding to strong cash-flow trends, management announced a 6% dividend hike, its largest increase since 2015. Yielding 0.8%, Applied Industrial has raised its dividend in each of the past 15 years.

Management narrowed its profit guidance for fiscal 2024 ending June, with its new midpoint of \$9.52 per share implying 9% growth. Since that announcement, the consensus has climbed to \$9.55 per share. Applied Industrial has proved itself capable of managing expectations, topping the consensus profit estimate in 17 straight quarters. The company also lowered its fiscal 2024 sales guidance to 1% to 3%

growth, versus its prior growth range of 1% to 4%. Applied Industrial distributes industrial-motion, fluid-power, and automation technologies. *The stock is a Best Buy.*

■ **Eagle Materials** (\$251; *EXP*) earns a Quadrix® Momentum rank of 96, helped by impressive December-quarter results. Per-share profits rose 16% to \$3.72, topping the consensus by \$0.15. Sales reached \$559 million, up 9% and \$21 million ahead of the consensus. Operating cash flow climbed 4%, and free cash flow 3%. Robust spending on public infrastructure boosted sales of cement. Spending on nonresidential construction was mixed, though industrial and manufacturing revenue was a bright spot.

Eagle says residential construction shows signs of bottoming. Moreover, management says it is seeing no meaningful supply additions to the cement in-

DECEMBER-QUARTER STANDOUTS

Company (Price; Ticker)	Per-Share		Revenue		— Estimated Current Year —			Quadrix	
	Profits		Growth		EPS	60-Day	Revenue	Scores	
	Growth	Surprise	Growth	Surprise	Growth	Revision In	Growth	Quality	Overall
Applied Industrial Tech. (\$189; AIT)	9.3%	6.3%	1.6%	1.7%	9.1%	0.7%	2%	90	84
Comfort Systems USA (\$291; FIX)	65.6	17.2	21.5	1.7	25.3	14.4	26	98	88
Eagle Materials (\$251; EXP)	16.3	4.1	9.3	3.9	14.4	1.3	6	96	96
Esquire Financial (\$50; ESQ)	7.3	0.6	15.2	30.0	7.7	0.9	16	97	99
Federal Agricultural Mtg. (\$181; AGM)	29.7	1.3	18.4	1.3	8.9	0.4	8	82	93
NMI (\$30; NMIH)	17.4	5.3	13.7	0.5	6.9	1.9	9	80	96
Oshkosh (\$109; OSK)	57.1	14.3	12.1	0.4	3.5	0.9	7	77	92
Powell Industries (\$172; POWL)	1,880.0	135.7	52.9	6.6	86.7	96.7	20	90	93

dustry, preserving Eagle's pricing power. Eagle also says supplies for synthetic gypsum are shrinking, allowing it to push through a price hike in February. Eagle raised cement prices in half of its markets on Jan. 1 — and plans an April 1 price hike for its remaining markets.

The consensus calls for per-share profits to slip 2% in the March quarter but climb 14% in fiscal 2025 ending March. Eagle's stock has soared 80% over the past 12 months, yet its trailing P/E ratio of 17.5 is below its five-year norm of 20. *Eagle is a Best Buy.*

■ **Esquire Financial** (\$50; ESQ) has delivered 12 straight quarters of profit growth, topping the consensus in each of those quarters. For the December quarter, Esquire's per-share profits rose 7% to \$1.18, easing past the consensus by a penny. Revenue climbed 15%, also ahead of estimates. Rising costs curbed profit growth, as noninterest expense jumped 22%. Still, management credited the solid results to strong demand for commercial loans. Total loans jumped 27%, driven by growth of 34% for commercial loans (61% of total loans) and 20% for real estate (38%), while consumer (1%) fell 13%. Total deposits grew 15%.

Management declined to offer specific guidance for 2024, though it did suggest that loans should climb at growth rates similar to past years. Annual loan growth has ranged from 17% to 27% over the past four years. The three-analyst consensus calls for 2024 earnings per share to increase 8% on 16% higher revenue. Esquire

shares trade at 11 times trailing earnings, below their five-year norm of 13. In January, Esquire announced a 20% dividend hike, its third increase since launching the distribution in 2022. *Esquire, yielding 1.2%, is rated Best Buy.*

■ For the December quarter, **Oshkosh's** (\$109; OSK) per-share profits surged 57% to \$2.56, exceeding the consensus by \$0.32. Oshkosh grew quarterly revenue 12%, operating cash flow 4%, and free cash flow 9%. The company has delivered five straight quarters of double-digit growth for earnings per share and revenue. The backlog swelled 19% to \$16.75 billion, which exceeds Oshkosh's total sales over the past seven quarters. Full-year operating profit margin expanded to 8.7% from 4.9%, reaching its highest level since 2018. Oshkosh also increased its dividend 12%, marking its 10th straight year of double-digit growth. The company produces heavy trucks and construction equipment.

At first blush, Oshkosh's 2024 guidance seemed disappointing. Per-share profits are projected to rise 3% to \$10.25, below the consensus of \$10.28 at the time of the announcement. But its initial 2023 profit guidance proved unduly conservative. And the consensus has actually risen to \$10.33 per share since the report. Management targets 7% sales growth for the year. At 11 times trailing earnings, the stock trades below its five-year norm of 16. The stock also trades at a discount to its five-year norms for

multiples based on trailing sales and operating cash flow. *Oshkosh is rated Best Buy.*

■ **Powell Industries** (\$172; POWL) reported impressive operating momentum for the December quarter, topping consensus estimates by a wide margin. Per-share profits were \$1.98, well above \$0.10 in the year-earlier quarter and the two-analyst consensus of \$0.84. Revenue jumped 53% to \$194 million, exceeding the consensus by \$12 million. Powell has increased sales by at least 8% in eight straight quarters, with December-quarter growth the strongest in the company's history. The backlog surged 91% to \$1.3 billion, the equivalent of Powell's combined revenue over the past eight quarters. Management expects recent strength in commercial activity across its core markets to continue into fiscal 2024 ending September. Powell makes equipment and systems used to control and monitor electrical energy.

For the 12 months ended December, operating cash flow jumped 68%. Free cash flow totaled \$248 million, versus just \$7 million for the prior 12-month period. Powell's balance sheet now contains \$355 million in cash, more than three times the level of a year earlier. Net cash equals \$29 per share, or 19% of Powell's stock price. The shares trade at 28 times trailing earnings, well above the industry median of 22 for electrical components and equipment stocks in the S&P 1500 Index. But the P/E drops to 23 after backing out net cash. *Powell is a Best Buy.*

PORTFOLIO REVIEW

REV UPGRADED

REV Group (\$20; *REVG*) joined the Best Buy List on the Feb. 20 hotline because of its operating momentum and strong Quadrix® scores. A leading maker of specialty vehicles, including fire and emergency trucks and recreational vehicles (RVs), REV is benefiting from healthy spending by municipalities. Per-share earnings are projected to be up 15% for fiscal 2024 ending October and 39% for fiscal 2025. Improved cash flow and free cash flow should help sustain growth. REV has a growing order backlog and rising profit margins. *Trading at a modest 13 times projected 2024 earnings, the stock is capable of climbing 20% in the year ahead.*

DOWNGRADES

■ **Axcelis Technologies** (\$110; *ACLS*) was downgraded to Sell on the Feb. 20 hotline. Shares have tumbled since the company offered disappointing March-quarter sales and earnings guidance on Feb. 7. For the quarter, Wall Street now targets per-share profits of \$1.27, down 11%. The consensus was \$1.86 just a month ago. The stock's Quadrix Overall score is down to 41, hurt by a dismal rank of 3 in Performance. *First recommended in December 2021 at \$63.99, the stock was added to the Best Buy List in June 2022 at \$64.22.*

■ **CarGurus** (\$24; *CARG*) is being dropped from coverage because of its cloudy near-term growth outlook. December-quarter adjusted per-share earnings were \$0.35, up 59% and a penny above expectations. But revenue tumbled 22%. Moreover, management offered disappointing March-quarter

EDITOR'S NOTE

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RANK CHANGES

UPGRADES TO BEST BUY: **Powell Industries** (\$172; *POWL*), **PriceSmart** (\$84; *PSMT*), **REV Group** (\$20; *REVG*).

NEW BUYS: **AssetMark Financial** (\$34; *AMK*), **EZCORP** (\$11; *EZPW*), **Greenbrier** (\$50; *GBX*), **Tapestry** (\$48; *TPR*), **Victory Capital** (\$38; *VCTR*).

guidance, saying per-share earnings would range from \$0.24 to \$0.29, below the consensus of \$0.31 at the time of the announcement. *CarGurus was initiated as a Buy at \$21.62 in November and upgraded to Best Buy at \$22.85 in January.*

■ **Dropbox** (\$24; *DBX*) was downgraded to Sell on the Feb. 16 hotline. December-quarter earnings per share increased 25%. Revenue rose 6%. But March-quarter revenue guidance was below analyst expectations, and full-year targets for sales and profit margins were disappointing. Management offered a downbeat view, saying recent growth initiatives "did not generate the uplift we were looking for." *Dropbox was initiated as a Buy at \$23.19 in June and upgraded to Best Buy later that month at \$26.72.*

Custom Stock Screen: This month our Web feature highlights shareholder-friendly companies raising dividends or repurchasing stock.

Editor: **Richard Moroney, CFA**

Managing Editor: **David Wright, CFA**

DOWNGRADES TO SELL: **Axcelis Technologies** (\$110; *ACLS*), **CarGurus** (\$24; *CARG*), **Dropbox** (\$24; *DBX*), **ePlus** (\$80; *PLUS*), **OSI Systems** (\$132; *OSIS*).

A complete list of all recommendations, with initial purchase prices, is available on request or on our website (www.upsidestocks.com).

■ **ePlus** (\$80; *PLUS*) was downgraded to Sell on the Feb. 6 hotline because of disappointing December-quarter results. Hurt by weak demand, adjusted per-share earnings fell 14.5% to \$1.18, well below the consensus of \$1.40. Revenue slumped 18% to \$509 million, versus the consensus of \$595 million. *ePlus was initiated as a Buy at \$66.38 in August and upgraded to Best Buy at \$62.24 in October.*

■ **OSI Systems** (\$132; *OSIS*) was dropped from coverage on the Feb 20 hotline. OSI has seen its Quadrix Overall score dip to 60, reflecting below-average ranks for Momentum (42), Value (44), and Financial Strength (42). Moreover, downward earnings-estimate revisions for both March and June quarters are worrisome. *OSI was recommended at \$106.41 on Nov. 2.*

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trading volume of less than 200,000 shares, and a market capitalization of less than \$1 billion.

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UPSIDE BUY LIST

Upside sells any stock that no longer qualifies as one of our top picks for 12-month returns. This love-it-or-leave-it approach — while sometimes generating short holding periods and overnight downgrades from Best Buy to Sell — has been central to our market-beating returns since 1999.

The stocks listed below have upside potential of at least 10% over the next six months or 20% over the next year. **Stocks rated “Best Buy,” shown in bold, represent our most timely ideas.** A complete list of recommendations, with initial purchase prices, is available on request and on our Web site, UpsideStocks.com.

Quadrix® scores are percentile ranks, with 100 the

maximum. A stock's **Overall** score depends on its ranks for **Momentum** (recent operating results), **Value** (valuation ratios), **Quality** (long-term growth), **Financial Strength** (debt levels and profit margins), **Earnings Estimates** (trends in analyst estimates), **Performance** (short-term returns), and **Reversion** (long-term returns). A contrarian indicator, Reversion rewards long-term laggards with a high score.

The **12-Factor Sector** score considers statistics that work well within a sector. **Reranked Overall** score reweights the six Quadrix category scores to assign extra weight to those that work best within a sector. Both sector scores rank stocks relative to the companies in the S&P 1500 Index.

Company (Price; Ticker)	52-Week		Momen- tum	Quadrix® Scores							Sector Scores	
	Price Range	Div. Yield		Value	Quality	Fin'l Str.	Earns. Ests.	Perfor- mance	Rever- sion	Overall	12-Factor Sector	Reranked Overall
American Eagle Outfitters (\$24; AEO)	\$24 - \$10	2.1%	87	60	56	68	87	92	48	91	92	88
Amphastar Pharma. (\$55; AMPH)	68 - 32	0.0	95	51	97	81	79	17	6	86	94	85
Applied Industrial Tech. (\$189; AIT)	191 - 122	0.8	78	35	90	65	89	79	6	84	64	74
AssetMark Financial (\$34; AMK) *	34 - 23	0.0	79	57	64	89	79	89	28	89	NA	NA
Brink's (\$80; BCO)	90 - 59	1.1	72	82	85	30	81	46	38	92	68	97
Comfort Systems USA (\$291; FIX)	292 - 127	0.3	96	21	98	55	94	95	0	88	26	71
Crawford & Co. (\$12; CRDa)	14 - 5	0.0	57	76	64	34	52	76	29	78	71	67
Eagle Materials (\$251; EXP)	253 - 130	0.4	96	35	96	85	96	97	11	96	78	86
EMCOR (\$277; EME)	278 - 152	0.3	85	37	96	57	92	90	3	90	55	79
Esquire Financial (\$50; ESQ)	55 - 35	1.2	85	81	97	97	95	50	8	99	97	97
EZCORP (\$11; EZPW) *	11 - 8	0.0	73	84	45	53	97	93	50	93	72	80
Fed. Agricultural Mtg. (\$181; AGM)	198 - 122	3.1	99	63	82	66	89	56	3	93	70	79
Greenbrier (\$50; GBX) *	51 - 25	2.4	88	71	52	33	87	89	46	90	97	94
Huron Consulting (\$107; HURN)	113 - 70	0.0	96	42	85	38	94	50	31	85	38	85
ITT (\$125; ITT)	127 - 76	1.0	57	28	80	74	39	77	14	56	49	29
Modine Manufacturing (\$89; MOD)	91 - 19	0.0	94	20	66	46	98	99	2	73	71	80
NMI (\$30; NMIH)	33 - 21	0.0	72	86	80	95	86	41	36	96	51	93
Oshkosh (\$109; OSK)	116 - 72	1.7	75	79	77	53	72	62	37	92	95	95
Photronics (\$28; PLAB)	34 - 14	0.0	51	74	88	98	51	44	11	84	98	93
Powell Industries (\$172; POWL) ↗	174 - 39	0.6	100	35	90	56	99	100	6	93	72	86
PriceSmart (\$84; PSMT) ↗	84 - 62	2.8	93	64	73	51	96	75	69	97	88	98
Primoris Services (\$38; PRIM)	41 - 23	0.6	72	56	64	24	84	92	44	84	58	83
REV Group (\$20; REVG) ↗	21 - 10	1.0	82	71	69	33	76	95	7	90	95	94
Semler Scientific (\$48; SMLR)	53 - 19	0.0	76	59	98	99	88	88	77	99	98	96
Shift4 Payments (\$77; FOUR)	79 - 43	0.0	88	44	86	47	49	56	66	83	15	44
Sterling Infrastructure (\$106; STRL)	113 - 34	0.0	77	44	91	39	67	80	1	81	39	75
Tapestry (\$48; TPR) *	49 - 26	2.9	94	70	80	63	91	97	45	99	50	100
Tennant (\$115; TNC)	115 - 63	1.0	96	53	87	60	97	91	33	97	65	93
Travelzoo (\$10; TZOO)	11 - 5	0.0	73	66	76	82	67	66	86	94	98	95
Vertiv (\$66; VRT)	69 - 12	0.0	96	16	86	34	87	96	2	77	14	61
Victory Capital (\$38; VCTR) *	38 - 28	3.5	95	76	93	64	94	75	8	99	NA	NA
Wintrust Financial (\$98; WTFC)	101 - 57	1.8	95	86	71	92	88	61	28	98	96	95

* Initiated coverage. ↗ Upgraded since last issue. NA Not available.

Dropped coverage since Feb. 5: Axcelsis Technologies (ACLS), CarGurus (CARG), Dropbox (DBX), ePlus (PLUS), OSI Systems (OSIS).

UPSIDE OPPORTUNITIES

5 new buys for year-ahead gains

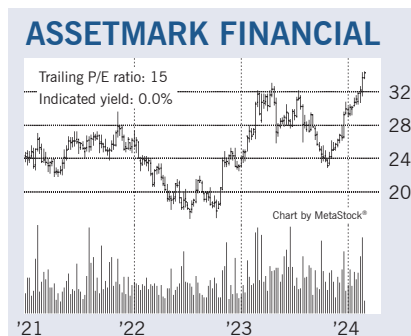
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forfeited merchandise and goods purchased from customers. Gold jewelry accounts for the bulk of merchandise pawned, and most of the unclaimed jewelry is sold to scrap dealers. The company is capitalizing on consumers and small borrowers that have limited access to traditional lenders and banks. On Dec. 31, EZCORP operated 1,237 locations, including more than 500 in Mexico.

For fiscal 2024 ending September, Wall Street projects per-share earnings will increase 13% to \$1.04. EZCORP trades at only 10 times projected earnings and sports a Value score of 84, versus the average of 68 for consumer-finance stocks in Quadrix. If the trailing P/E reverts to the five-year norm of 13.4 and the company meets consensus profit estimates, the stock price would climb roughly 31% by late 2024 and 40% by late 2025. *EZCORP is being started as a Buy.*

■ **Greenbrier** (\$50; GBX) designs and builds freight railcars in Europe, Brazil, and North America. The company built nearly 40% of all North American freight cars last year. On Nov. 30, Greenbrier's new railcar backlog totaled 29,700 units with an estimated value of \$3.8 billion. The company also operates a lease fleet of roughly 14,100 railcars and manages railcars for leading shippers and railroads. Strong recurring revenue and improved cost controls bode well for profit growth.

Over the past 12 months, per-share earnings surged 247% on sales growth



of 26%. Powered by strong demand, Greenbrier is expected to deliver per-share-profit growth of 34% for the year ending August. For fiscal 2025, earnings are expected to be flat on a sales decline of 1% — conservative targets given recent operating momentum. *Earning impressive Quadrix scores for Momentum (88) and Performance (89), Greenbrier is a Buy.*

■ Founded in 1941, **Tapestry** (\$48; TPR) oversees global fashion brands Coach (75% of sales in 2023), Kate Spade (21%), and Stuart Weitzman (4%). The company is benefiting from improved margins and solid consumer spending, particularly in markets in Asia. Key licensing relationships with leading watch, fragrance, and jewelry makers should help sustain growth.

The stock boasts strong scores in Momentum (94) and Performance (97), contributing to an Overall score of 99. Propelled by better-than-expected December-quarter results, Tapestry enjoys robust operating momentum, reflected in its positive revision trends. For fiscal 2024 ending June, earnings per share are expected to advance 9%

to \$4.23. The consensus was \$4.13 before Tapestry announced results on Feb. 8. For fiscal 2025, the consensus calls for \$4.57, up from \$4.44 just a month ago. *Tapestry is rated Buy.*

■ A diversified global asset manager, **Victory Capital** (\$38; VCTR) had \$167 billion in assets on Dec. 31, up 9% from a year earlier. The company oversees and manages mutual funds, separately managed accounts, retirement plans, and exchange-traded funds (ETFs). Victory is benefiting from higher fees and improved profit margins. Product launches and acquisitions should help propel growth.

In the December quarter, per-share earnings increased 10% on sales growth of 2%. For 2024, the nine-analyst estimate calls for per-share profits of \$5.11, up 13%, on revenue growth of 8%. At just seven times projected full-year earnings, the stock seems cheap. Healthy earnings growth translates to strong Quadrix scores for Momentum (95) and Quality (93). The Overall score of 99 far outstrips the industry average of 65. *Victory Capital is being initiated as a Buy.*

