

# 5 Guru Stocks Near 52 Week Lows

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% [oldschoolvalue.com/blog/ideas/guru-stocks-52-wk-low/](https://oldschoolvalue.com/blog/ideas/guru-stocks-52-wk-low/)

It's no secret that even the best investors look to other investors as a source for ideas.

Mohnish Pabrai is known to leverage other guru's investing ideas.

Since I love to rummage in wreckage, here's a look at 5 stocks that gurus own trading near 52 week lows.

## International Business Machines (IBM)

**Major Guru Owner:** Warren Buffett

**Position Size:** 14.6%

**Percentage off 52 week low:** 3.9%

Multi-national IT and consulting company. Any internet or IT network you use likely has some sort of IBM influence.



The company was founded in the 1880's and has a huge moat. It is one of the rare companies that has survived for as long as it has by being able to change its identity and business strategy in order to keep up with changing times.

Buffett's average price per share is \$173 so the current price of \$179 is only 3.4% above his average buying price.

Not only does IBM throw off a ton of [owner earnings](#), IBM is also trading at a cash adjusted PE of 11.9, EV/EBITDA of 9 with ROE in the 80% range and CROIC at an awesome 19%.

You also get a decent 2.1% dividend yield.

If you like IBM, expect to pay a fair price for a good company.

No freebie here.

## Baxter International (BAX)

The image shows the Baxter logo, which is the word 'Baxter' in a large, bold, blue, italicized sans-serif font. The letters are thick and slanted to the right. The logo is centered on a white background.

**Major Guru Owner:** Tweedy Browne

**Position Size:** 4.5%

**Percentage off 52 week low:** 4.7%

Baxter manufactures products and services used to treat patients with hemophilia, immune deficiencies, infectious diseases, cancer, kidney disease, trauma and other disorders.

Baxter is a dividend stock first. Its yield is 3% and completely safe with the amount of FCF it generates.

The concern is the lack of growth and is the reason why Baxter is hovering near its lows. FCF has been in a decline since hitting an all time high of \$2b in 2010. In the last twelve months, FCF is \$1.6b.

Compare the 10 year FCF growth of 13% to the last 5 year growth of 5.7%. A heavy sign of slow down.

At the current price of \$65.75, Baxter has to grow its FCF at 12% going forward to be what it's worth today.

If growth slows down to even 9%, then the fair value is around \$55.

## **Caterpillar (CAT)**



**Major Guru Owner:** Bill Gates (technically)

**Position Size:** 5%

**Percentage off 52 week low:** 5.2%

Bill Gates doesn't manage the portfolio at the Bill and Melinda Gates Foundation. The portfolio is managed by Michael Larson who likes his privacy and its difficult to dig information on his investment style.

One thing for sure is that he hit a homerun with Caterpillar. He started buying it during the 2008 recession and as the cyclical downturn on industrial stocks turned around, Caterpillar was a big winner.

The more interesting thing is that Larson has been buying more of Caterpillar. In the last round of 2013 Q2 13-F releases, more shares have been purchased.

Margins have been decreasing and TTM numbers is close to 2009-2010 numbers.

A cash adjusted PE is 14, EV/EBITDA is 8.5 and ROE has fallen to 19% in the TTM compared to 32% last year.

If you take a look at the [DuPont analysis](#), the big drop in ROE is attributed to falling margins which is a concern.

If Caterpillar can get back on track, I see it as a \$100+ stock.

## **Blackberry (BBRY)**

**Major Guru Owner:** Prem Watsa

**Position Size:** 21.8%

**Percentage off 52 week low:** 5.4%

The truth is that there is only enough space for two giant competitors in the phone space.

Blackberry lost.

Blackberry certainly has assets that are valuable, especially if it evolves into a software company, but it's far too early to tell what is going to happen.

As a value investor, Prem Watsa may be able to make the business more efficient, but does he have the vision or plan to execute a turnaround plan is.

First, I'll let the numbers do the talking.

Blackberry doesn't do much better in the quality department.

It's **Piotroski score** is currently at 3 where it only scores points for

1. positive



<b>Research In Motion Limited (BBRY)</b>		<input type="button" value="Enter Ticker"/>	<input type="button" value="Refresh"/>				
11/3/2013		2011	2012	2013	TTM		
<b>Financial Statistics &amp; Ratios</b>							
<b>Valuation Ratios</b>							
P/E	10.49	6.12	-10.60	-4.33			
P/E (cash adjusted)	9.87	4.59	-6.49	-1.84			
EV/EBITDA	6.05	1.59	4.12	-10.18			
EV/Free Cash Flow	13.95	-25.82	4.74	8.05			
P/S	1.80	0.39	0.62	0.41			
P/BV	4.00	0.70	0.72	0.48			
P/Tang BV	5.40	1.09	1.14	0.83			
P/CF	6.41	1.25	3.82	4.00			
P/FCF	14.83	-34.39	7.74	18.95			
ROE	38.2%	11.5%	-6.8%	-11.2%			
ROA	26.5%	8.5%	-4.9%	-7.5%			
ROIC	47.9%	13.6%	-8.9%	-15.0%			
CROIC	33.9%	-2.4%	12.5%	3.4%			

BBRY Ratios

operating cash flow

2. cash flow from operations great than ROA

3. lower ratio of long term debt to in the current period compared value in the previous year

When it comes to fair value, even if the company is worth the current \$7.77 a share, there is a higher chance that value will be chipped away one quarter at a time.

If you like or hold Blackberry, the best position size is 1% as it's really all about hoping for a higher bid.

## Intuitive Surgical (ISRG)

**Major Guru Owner:** Andreas Halvorsen  
([about this guru](#))

**Position Size:** 4.8%

**Percentage off 52 week low:** 4.2%



I was more curious about how Intuitive Surgical was doing so I forced it on the list

I've never heard of Andreas Halvorsen but if you follow the link above, it states that Halvorsen is the most successful Tiger Cub.

As an aside, a Tiger Cub is an analyst or manager that used to work or was mentored at [The Tiger Fund](#) when it was run by Julian Robertson.

To be labeled as the most successful out of all the people that came out of that fund is quite a feat.

Intuitive Surgical is best known for its robot assisted surgery system known as the da Vinci to perform microscopic, minimally invasive surgery. See this video of a [surgeon lacing up a football](#) using the system.

Without getting into the full details, the big drops in share price is associated with the systems not selling well. Intuitive Surgical isn't a quiet sleeper stock. Because of its association with surgery, the company is currently being investigated by the FDA to see whether da Vinci is the cause of 70 deaths since 2009. There is also a growing number of litigation.

That is reason enough to cause jitters in any business.

Combine that with slowing down system sales and Intuitive Surgical has a lot of uncertainty in front of it.

Despite that, FCF is actually up TTM at \$870m vs \$814m in 2012.

There is no competitor and its monopoly position allows it to have a fat 71% gross margin and 30% net margin.

Current numbers show that Intuitive Surgical is the cheapest it has been except for 2008.

- EV/EBITDA of 13.5
- Cash adjusted PE of 20
- Price to tangible book value of 4.8
- Stellar CROIC of 33% and ROE of 20%

That ROE is even more impressive because the company is debt free.

With other headwinds related to the Affordable Health Care Act (Obamacare), litigation and negative publicity, the company has some issues to deal with.

If it can, Intuitive Surgical is a \$600 stock.

## **Disclosure**

None