Previously, at a subscriber's request, we scanned for stocks actively returning capital via dividends to shareholders in Five High Dividend Low Beta Stocks. This week we supplement that screen with a different approach. According to research published by S&P Dow Jones Indices, since 1997, share repurchases have become the most dominant form of returning capital to shareholders in the US. Their research is found here.

This week, our scan seeks companies with the potential for returning capital to shareholders through share repurchases. Ultimately, we look for stocks with a low Price/Free Cash Flow (P/FCF) ratio and expectations for solid earnings growth. In addition, we desire low valuations on a P/E basis as it incentivizes share buybacks at what management likely considers cheap valuations.

P/FCF is similar to P/E, but the denominator comes from the Statement of Cash Flows rather than the Income Statement. The lower the ratio, the less investors pay for FCF per share, which potentially leaves more cash to be returned to shareholders through dividends and or share repurchases.

## Screening Criteria

This week's scan results in four companies in the Consumer Discretionary sector and one in Basic Materials, all of which are deep value options. Interestingly, two companies sell athletic wear and sporting equipment, and two of the firms are large car dealerships. The fifth is a Canadian wood products company.

All five firms have a PEG ratio of less than 0.5 due to impressive growth expectations and single-digit P/E ratios. They also all have single-digit forward P/E?s. The companies in this scan show potential for share repurchases and may outperform in an environment with rising rates.

| Ticker | Company | Sector | Industry | Country | Market Cap ($mm's) | P/E | Forward P/E | PEG | P/Free Cash Flow | EPS growth next 5 years | LT Debt/Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| DKS | DICK'S Sporting Goods, Inc. | Consumer Cyclical | Specialty Retail | USA | 9,787 | 8.7 | 9.97 | 0.47 | 9.51 | 18.43% | 0.17 |
| FL | Foot Locker, Inc. | Consumer Cyclical | Footwear & Accessories | USA | 4,338 | 4.98 | 6.51 | 0.13 | 6.98 | 39.22% | 0.14 |
| LAD | Lithia Motors, Inc. | Consumer Cyclical | Auto & Truck Dealerships | USA | 8,687 | 8.55 | 7.59 | 0.41 | 5.96 | 20.90% | 0.57 |
| PAG | Penske Automotive Group, Inc. | Consumer Cyclical | Auto & Truck Dealerships | USA | 8,020 | 7.54 | 7.31 | 0.36 | 6.11 | 20.90% | 0.35 |
| WFG | West Fraser Timber Co. Ltd. | Basic Materials | Lumber & Wood Production | Canada | 12,839 | 2.69 | 5.36 | 0.09 | 3.1 | 28.83% | 0.07 |

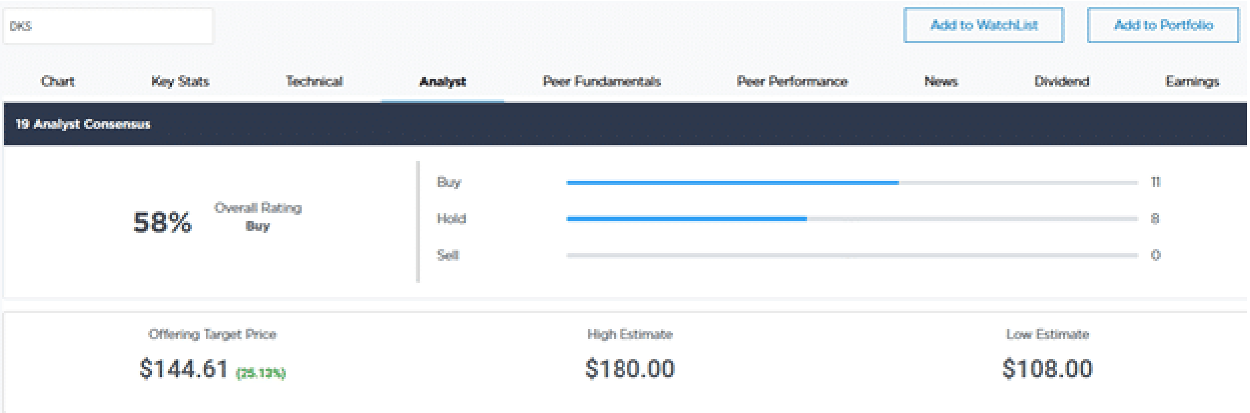
## Company Summaries (all descriptions courtesy Zacks)

## Dicks Sporting Goods (DKS)

The company operates as a major omni-channel sporting goods retailer, offering athletic shoes, apparel, accessories and a broad selection of outdoor and athletic equipment for team sports, fitness, camping, fishing, tennis, golf, water sports, etc.

Over the last five years, DKS has reduced its share count by nearly 25%. Its low level of debt, cheap valuation, and high forecasted growth lead us to believe they will continue to buy back shares at what they likely consider levels at which investors are undervaluing their potential. In addition to having future earnings to use for share repurchases, they also sit on $1.3 billion of cash, equating to about 15% of the company?s market cap.

The SimpleVisor table below shows Wall Street leans toward a ?buy? rating with a target price of $144, 25% above its current price.

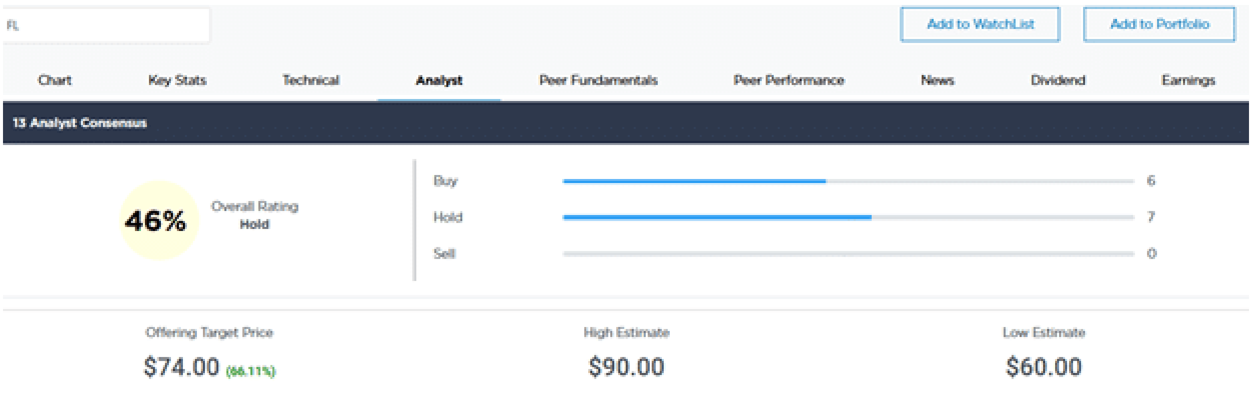



# Foot Locker (FL)

Foot Locker, Inc. (FL) is a retailer of athletic shoes and apparel. The company operates websites and mobile apps, aligned with the brand names of store banners comprising footlocker.com, ladyfootlocker.com, six02.com, kidsfootlocker.com, champssports.com, footaction.com, footlocker.ca, footlocker.eu, footlocker.com.au, sidestep-shoes.com, footlocker.hk, footlocker.sg, and footlocker.my.

FL is a cheaper version of DKS. It has a P/E of 5 or nearly half of DKS and a PEG ratio at about a quarter of DKS. Cash on its balance sheet is worth a quarter of its market cap. Like DKS, they have low debt, high cash balances, and significant earnings potential to repurchase shares. Over the last five years, they have repurchased about 30% of its shares. They currently pay a dividend of 2.7%.

The SimpleVisor table below shows Wall Street leans toward a ?hold? rating with a target price of $74, 66% above its current price. Comparing FL to DKS, FL has a lower rating but a higher price target in percentage terms. Based on the metrics used in this analysis we prefer FL over DKS.



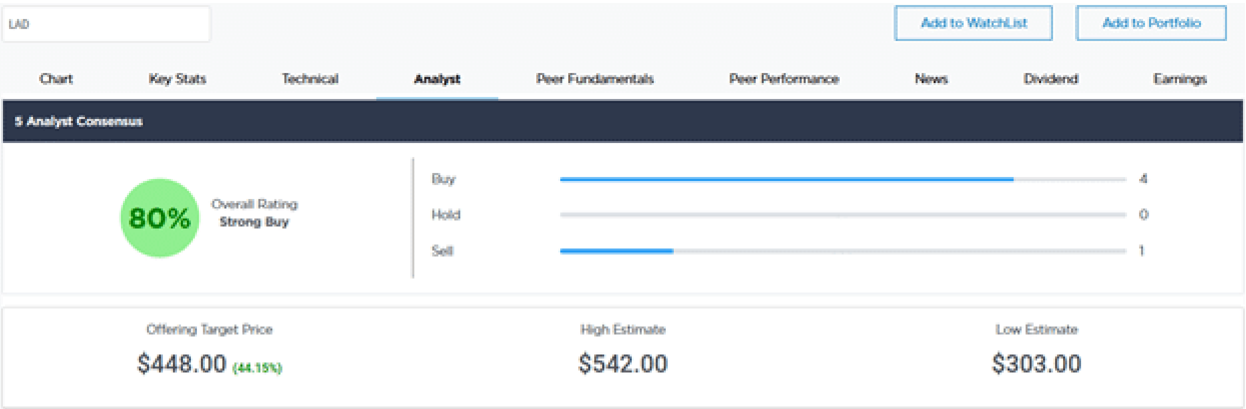

# Lithia Motors (LAD)

Lithia Motors, Inc. is one of the leading automotive retailers of new and used vehicles, and related services in the United States. As of Dec 31, 2020, the company offered 33 vehicle brands across 209 stores in 22 states within the United States. The core brands offered by Lithia Motors include Chrysler, General Motors, Toyota, Subaru, Honda, Acura, Ford, BMW, MINI, Nissan, and Hyundai.

LAD has strong growth prospects and low valuations. However, unlike the other stocks in this scan, LAD has been a net issuer of shares. Since mid-2019, their share count has increased by 30%.

They also have a low amount of cash. Its share price is more than double pre-pandemic levels despite falling 25% over the last year.

Lithia has a strong buy rating, albeit one sell rating, and a target price almost 50% above its current price.

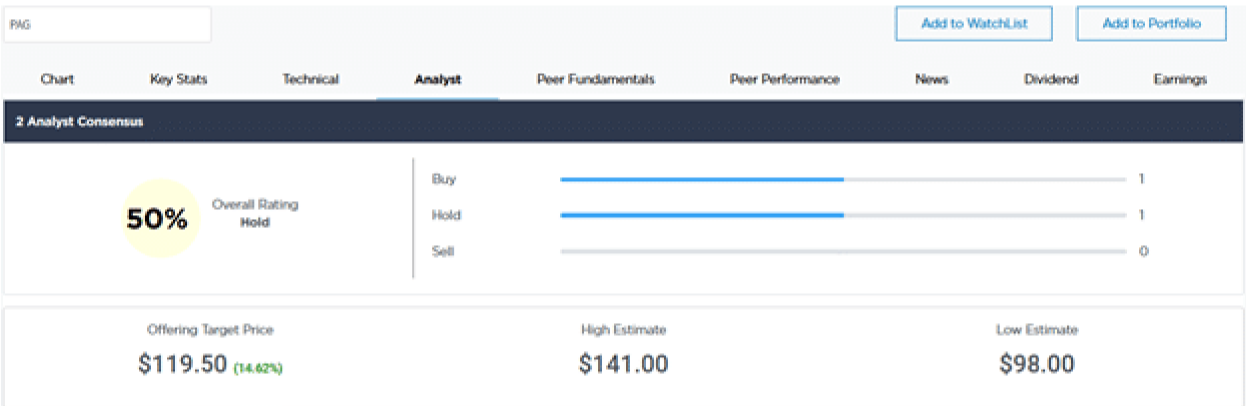



## Penske Automotive Group (PAG)

Established in 1990, Penske Automotive Group, Inc., based in Bloomfield Hills, MI, engages in the operation of automotive and commercial truck dealerships in the United States, Canada and Western Europe.

PAG is very similar to LAD in terms of valuation ratios and its business line. It trades at cheap valuations, has low debt levels, and is expected to grow significantly. Unlike PAG, its stock remains near recent highs and is up 5x from the March 2020 lows. PAG pays a 1.8% dividend, and unlike LAD, its share count has declined by over 10% in the last five years. Of the two car dealerships in this scan, PAG is more likely to buy back shares.

Analysts seem to prefer LAD over PAG. They rate LAD with a ?hold? rating, and the target price is only 15% above its current price.

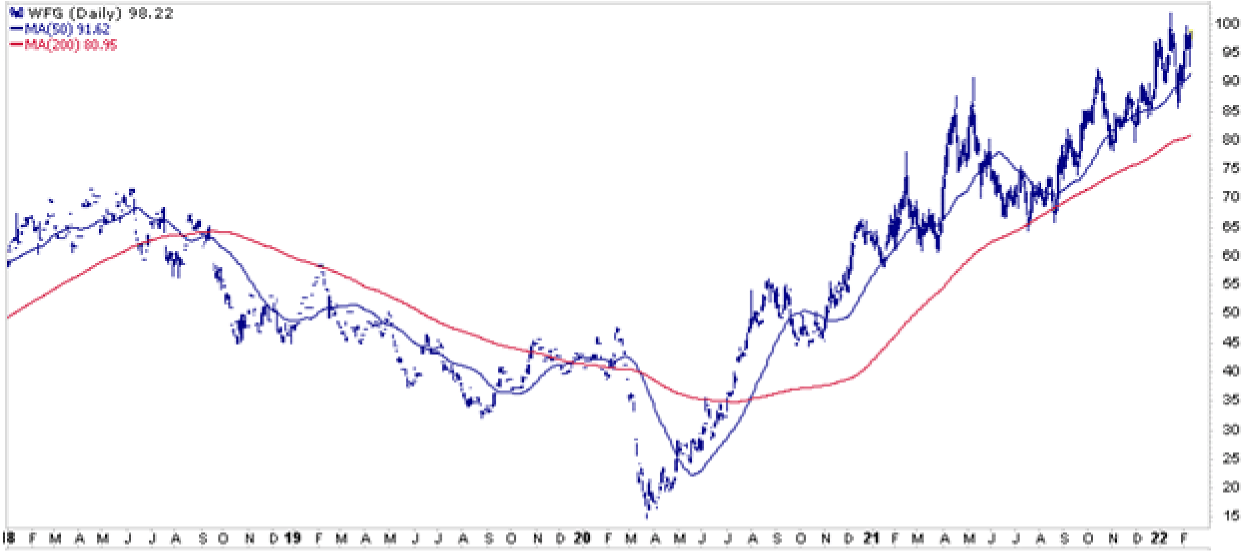



## West Fraser Timber (WFG)

West Fraser Timber Co. Ltd. is a diversified wood products company. It engages in producing lumber, LVL, MDF, plywood, pulp, newsprint, wood chips, other residuals, and energy principally in western Canada and the southern United States.

WFG is by far the cheapest company in this scan, sporting a P/E ratio under 3. The company has repurchased about 15% of its shares over the last five years. Further, it has over $2 billion in cash representing approximately 20% of its market cap. Expected solid earnings growth and low debt levels should allow WFG to repurchase shares if they choose.

The graph below shows WFG shares have done well since the Pandemic started. Strong demand for its product and higher lumber prices are certainly helping the share price. We could not find analysis expectations for the shares.




## Five for Friday

Five for Friday uses stock screens to produce five stocks that we expect will outperform if a particular investment theme plays out in the future. Investment themes may be relevant to the current or expected market, industry and/or economic trends. Investment themes may not always represent our current forecast.

## Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our disclosures carefully and do your own research before investing.