

GUESSING GAME



ANN ZURAW
President, Zuraw Financial Advisors LLC, Greensboro

LABORATORY CORP. OF AMERICA (LH)

MARKET CAP: \$16 BILLION

LabCorp, the second-largest independent U.S. clinical laboratory, benefits from an aging population and increased preventative care. Its contract-research organization, Covance, is achieving fast growth.

ALBEMARLE CORP. (ALB)

MARKET CAP: \$14.4 BILLION

Charlotte-based Albemarle is a leading producer of lithium, one of the fastest-growing markets in specialty chemicals. Lithium's use in electric vehicles and utility-scale storage should hasten growth.

FIRST BANCORP (FBNC)

MARKET CAP: \$1.1 BILLION

The Southern Pines-based regional bank has strong management that has overseen acquisitions in Greensboro and Asheville. It now has almost \$6 billion in assets. Cost savings from the deals should aid profit.

► **AVOID: SONIC AUTOMOTIVE (SAH)**

The fourth-largest U.S. auto dealership has been hurt by declining sales of BMWs, which have made up 30% of profits. Spending to expand its EchoPark used-car business will lower near-term profits.



PATRICK RUSH
Chief executive officer, Triad Financial Advisors, Greensboro

AMERICAN AIRLINES GROUP INC. (AAL)

MARKET CAP: \$24.4 BILLION

American Airlines, which relies on Charlotte as its second-largest hub, benefits from rising disposable income and added revenue from convenience charges. Tax reform could crimp foreign competitors.

LOWE'S COS. (LOW)

MARKET CAP: \$71.2 BILLION

Mooresville-based Lowe's should benefit from a strong economy and increasing consumer spending for home-improvement projects.

BB&T CORP. (BBT)

MARKET CAP: \$39.4 BILLION

The Winston-Salem-based bank is a more conservative underwriter than its peers, while strategic acquisitions make it a solid stock to own.

► **AVOID: WELLS FARGO & CO. (WFC)**

The San Francisco-based bank is struggling to rebuild its reputation with longstanding clients after various scandals. Rising interest rates and deregulation should soften the blow.



CHRISTY PHILLIPS
Director of research and senior portfolio manager, Franklin Street Partners, Chapel Hill

IQVIA (IQV)

MARKET CAP: \$21.3 BILLION

Quintiles' merger with IMS Health has led to a growing backlog, cost synergies and stock buybacks. The company, renamed IQVIA, has a competitive advantage in the contract-research organization industry.

BANK OF AMERICA CORP. (BAC)

MARKET CAP: \$303.4 BILLION

The bank's simplification, efficiency and risk-reduction strategies are slowly paying off. It is much stronger than it was 10 years ago and is poised to repurchase up to \$17 billion in stock by June.

SPX FLOW INC. (FLOW)

MARKET CAP: \$2 BILLION

Margins should improve as the industrial-parts manufacturer changes from a holding company to an operating entity. Investor confidence is relatively low but should improve as earnings growth accelerates.

► **AVOID: SONIC AUTOMOTIVE (SAH)**

Higher interest rates and strong competition from CarMax may pressure earnings. Car sales appear to be peaking, so there's little reason to assign a higher valuation.



DON OLMSTEAD
Managing director,
Novare Capital
Management, Charlotte

MARTIN MARIETTA MATERIALS INC. (MLM)

MARKET CAP: \$13.4 BILLION

Greater infrastructure spending for highways, bridges and airport runways and an improving economy should aid the Raleigh-based aggregates company.

LIVE OAK BANCSHARES (LOB)

MARKET CAP: \$1.1 BILLION

Regional banks are poised to outperform as regulations are reduced and interest rates rise. Wilmington-based Live Oak is also a good takeover candidate.

LOWE'S COS. (LOW)

MARKET CAP: \$71.2 BILLION

Home-improvement industry is poised for expansion, and Lowe's can narrow its valuation gap with rival The Home Depot. The P/E ratio of 16 is attractive given its growth prospects.

► **AVOID: LENDINGTREE INC. (TREE)**

A 200% gain in the last year and 58 times price-earnings ratio make a significant decline more likely.



FRANK JOLLEY
Managing director,
Jolley Asset
Management, Rocky
Mount

POTASH CORP. (POT)

MARKET CAP: \$16.3 BILLION

Potash is the world's biggest fertilizer company, with a huge site in eastern North Carolina. It is buying rival Agrium, creating \$500 million in synergies, while spinning off its stake in a Chilean producer.

INGLES MARKETS INC. (IMKTA)

MARKET CAP: \$681 MILLION

Amazon's purchase of Whole Foods Market scared investors, sending shares down 40%. The Black Mountain-based grocery chain is inexpensive at about 1.1 times book value and a P/E ratio of 12.

NUCOR CORP. (NUE)

MARKET CAP: \$19.4 BILLION

The Charlotte-based steel producer's earnings should accelerate 18% to \$4.40 a share this year. A dividend yield of 2.7% should give excellent total return potential.

► **AVOID: LENDINGTREE INC. (TREE)**

While LendingTree has excellent growth prospects, the shares appear ahead of themselves, trading at 58 times the estimated 2018 earnings.



BOBBY EDGERTON
Co-founder, Capital
Investment Cos.,
Raleigh

TARGET CORP. (TGT)

MARKET CAP: \$33.7 BILLION

Millennials love this retailer. Market value is the same as its property, plants and equipment at cost. With average annual cash flow of \$5 billion, shares are very inexpensive.

BANK OF AMERICA CORP. (BAC)

MARKET CAP: \$303.4 BILLION

CEO Brian Moynihan has improved this company too much for this stock to be lagging. Reduced pressure on regulation and capital requirements will boost the bank's earnings and share price.

CATO CORP. (CATO)

MARKET CAP: \$389.3 MILLION

Debt-free retailer pays a fat 8.5% dividend that looks sustainable. A great private-label women's apparel company. Sales totaled more than \$850 million in the last four quarters.

► **AVOID: RED HAT INC. (RHT)**

Great company that has had a massive run but is due for a correction. Stock price trades at 30 times cash flow, which is too much.

Greensboro money manager Ann Zuraw dominated last year's stock-selection competition, registering a 22% average gain for her four picks. Frank Jolley of Rocky Mount followed at 13%, while Christy Phillips' choices increased 9%. Phillips and Patrick Rush would have done much better except their suggestions for stocks to short — Qorvo and Old Dominion Freight Line, respectively — each advanced more than 35%. Zuraw had the best pick, BNC Bancorp, which was acquired by Pinnacle Financial Partners and gained 122%. Another winner was Jolley's Tyson Foods, which gained 51%. Less successful was Don Olmstead's Argos Therapeutics, which lost 96%. Bobby Edgerton was slammed by declines at Cato and Cempra. Percentage change is based on share prices between Dec. 1, 2016, and Dec. 8, 2017.

Market cap data is based on Dec. 8 closing price. Read more detailed descriptions of the picks at businessnc.com.