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Cash is King: Carlson's trio of 'cash-heavy' tech'

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"Given the problems in the credit markets, companies with plenty of cash and little debt should find support on Wall Street," says **Chuck Carlson**, editor of The DRIP Investor and the industry leader in dividend reinvestment plans.

Here, the advisor profiles three such "cash-heavy firms"-- Intel (NASDAQ: INTC), Microsoft (NASDAQ: MSFT) and Qualcomm (NASDAQ: QCOM).

"Companies with lots of cash have lots of flexibility in how they run their businesses. Big cash coffers allow firms to pursue acquisitions, fund capital projects, boost dividends, or buy back stock.

"Also, companies with big cash holdings will become increasingly attractive as takeover candidates, especially if the large cash holdings represent a big chunk of the company's market value.

"We've screened for companies with strong cash positions and long-term debt as a percentage of total capital of less than 30%. I own a number of the stocks that made the list, including several technology issues.

"Intel and Microsoft have a combined $34 billion in cash and very little debt. Large-cap technology stocks have held up reasonably well throughout the market's recent turmoil. Both Microsoft and Intel should post decent earnings growth in the September and December quarters.

"Intel has been a solid performer this year, up around 21%. The stock is one of the best performers in the Dow this year after turning in the worst performance in the Dow in 2006. I look for Intel to show continued strength for the remainder of the year. I would feel very comfortable buying the stock at current price levels.

"Microsoft pulled back around 10% from its 52-week high. A strong move through the $32 level would be especially bullish. The stock offers a high quality play in the tech sector.

"Another cash-rich technology stock worth considering is Qualcomm. The stock has pulled back some 20% from its 52-week high of $47.72. The stock has been impacted by concerns over Qualcomm's relationship with Nokia.

"The two firms have been embroiled in a dispute about royalty fees. Nokia wants to pay less than the royalty fees required under the recently expired 2001 agreement. Qualcomm has also been impacted by a ruling that bans U.S. imports of new cell phones made with Qualcomm semiconductors because the chips violate a patent held by rival chipmaker Broadcom.

"Per share profits should jump 20% in fiscal 2007 ending in September. Qualcomm has $7.3 billion in cash, or over $4 per share — roughly 11% of its market value. The stock trades at 19 times the fiscal 2007 earnings estimate of $1.97 per share, a relatively moderate earnings multiple given the company's growth potential.

“To be sure, some of the patent and royalty uncertainties could hinder the stock’s performance in the near term. Still, I like the long-term potential of these shares and rate the stock a buy.

“Intel’s direct-purchase plan allows any investor to make even initial purchases directly. The plan has a minimum initial investment of $250. Subsequent investments are a minimum $50. The plan’s enrollment fee is $10.

“Microsoft’s direct-purchase plan has a minimum initial investment of $1000. However, the firm will waive the minimum if an investor agrees to monthly automatic investment via electronic debit of a bank account of at least $50. There is a one-time enrollment fee of $10.

“Qualcomm’s direct-purchase plan has a minimum initial investment of $500. Subsequent investments may be as little as $50. There is a $10 enrollment fee.”