



## The NASCAR Portfolio: Stocks Headed To Victory Lane (DD, FDX, K, PEP)

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No sport is more tied to corporate America than NASCAR. Sure, there's an "official" beer of the NFL and an "official" airline of the NBA, but in those sports, companies don't sponsor an entire team. The opposite is true in NASCAR where large corporations sponsor every NASCAR driver, and pay millions of dollars for the privilege.

The cars are essentially billboards moving at 180 miles per hour and the drivers are essentially the sponsors' spokesmen. While it's easy to spot a driver's primary sponsor - it's the company on his car's hood - each car is also covered in some of America's most recognizable companies.

With NASCAR season upon us, it's time to take a look at some of the sport's most identifiable corporate affiliations and see if there are some worthy investments. Here are just a few recognizable companies associated with the sport:

- **DuPont** (NYSE:[DD](#)) Car Sponsor of: Team No. 24  
One-year performance: -60%
- **FedEx** (NYSE:[FDX](#)) Car Sponsor of: Team No. 11  
One-year performance: -50%
- **Kellogg** (NYSE:[K](#)) Car Sponsor of: Team No. 5  
One-year performance: -25%
- **PepsiCo** (NYSE:[PEP](#)) Car Sponsor of : Team No. 88  
One-year performance: -30%

### A Stimulus Boost

DuPont is one of the world's largest chemical companies and its shares were hammered in 2008, first by soaring energy prices, then by weakened consumer demand. Dupont's shares might get some help in 2009 by way of the \$787 billion stimulus package that President Obama recently signed into law. It is estimated that almost 10% of the bill could directly or indirectly benefit chemical companies, which is good news for weary shareholders of these stocks. (For more, see [Industries That Thrive On Recession](#))

In addition, DuPont is poised to benefit if solar power ever takes off as they manufacture up to eight essential solar panel components. The [Dow](#) component has the look of a [value](#) play here: it is trading at just over five times its [trailing 12-months earnings](#), and it has a very nice 6.5% [dividend yield](#). DuPont is also taking steps to rein in costs this year and recently said it would trim \$1.1 billion in expenditures for 2009. (For further reading see [3 Secrets Of Successful Companies](#))

### Delivering Returns?

FedEx, a member of the [Dow Jones Transportation Index](#), is a company that serves as a barometer for the state of the economy at large. If businesses are doing well, they are more likely to pay for FedEx's overnight and international shipping services; if not, businesses can cut back to cheaper services, and this cuts into FedEx's [bottom line](#).

This past year's weakened economy is reflected in FedEx shares, which reached nearly \$100 last year, but now languish around \$40. The company's outlook for 2009 is bleak and they have already laid off 900 workers in an effort to cut costs. To make matters worse, FedEx is squarely in the cross-hairs of the Democrat-controlled Congress. Pending legislation would strip the company of its ability to block certain workers from joining labor unions, and this could make FedEx vulnerable to costly labor disputes.

While FedEx does offer a 44-cent annual dividend and currently trades at less than [book value](#), political issues and a murky economic outlook make it hard to recommend getting involved with the shares right now.

### **Cereal, Snacks and Soda**

It is surprising that shares of Kellogg and PepsiCo have not fared better in the past year. However, it's probably a function of the weak market and not a reflection of the overall health of these companies. Both are considered [defensive issues](#), but neither has provided investors much respite from recent market carnage.

PepsiCo has an "X" factor in its stellar management team that seems to have recognized long ago that it can't beat rival **Coca-Cola** (NYSE: [KO](#)) in selling more cola products. PepsiCo is the superior investment alternative because it is the maker of Tropicana orange juice and Gatorade sports drinks, the dominant labels in their respective supermarket aisles.

Throwing in PepsiCo's FritoLay snack business makes it the world's largest producer of chips and pretzels. Add in PepsiCo's teas and energy drinks and it's clear the company has something for everyone. This product [diversification](#) is one reason some analysts seem to favor PepsiCo shares over those of its rival. Even trading at more than six times its book value and 12 times its [forward P/E](#), PepsiCo shares are a good value. A 3.4% dividend yield is also enticing, as is \$1.46 in cash per share.

On the cereal side, Kellogg is a lot like PepsiCo in that it goes head-to-head with one primary rival, **General Mills** (NYSE: [GIS](#)). Things haven't been rosy lately for Kellogg's public relations. The company recently dropped Olympic superstar Michael Phelps as a product endorser and the company had to take a six-cent charge against fourth quarter earnings due to the salmonella-related peanut products recall in January.

Fortunately, Kellogg has a very manageable debt scenario and has actually managed to raise its dividend in the past year - no small feat considering so many companies have done the exact opposite. Potential investors need to be aware that retail giant **Wal-Mart** (NYSE: [WMT](#)) is making a push into private label products and this could impair cereal companies like Kellogg as consumers trade down to save some cash.

### **The Bottom Line: Don't Load Up on NASCAR Sponsors Quite Yet**

Watching a NASCAR race may not be a bad way to find some decent investment ideas. If you consider fund managers with more sophisticated investment theories still underperform the market every year, you may prefer a more simple approach. That said, being a NASCAR sponsor has little bearing on a company's ability to reward shareholders, but picking from the lot mentioned here, PepsiCo takes the checkered flag, while DuPont has the look of a dark horse.

By [Todd Shriber](#)

At the time of writing Todd Shriber did not own shares in any of the companies mentioned in this article.

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