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This Month's Foolish 8 Stocks

<http://www.fool.com/investing/small-cap/2011/03/18/this-months-foolish-8-stocks.aspx>

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This article is part of our [Rising Star Portfolios series](#).

Over the next couple of days, I'm once again going to search for great small-cap stocks for my Rising Stars "[multivitamin](#)" portfolio using my Foolish 8 and Modified Foolish 8 screens. Today, here's the Foolish 8, which was developed by Fool co-founder David Gardner to identify profitable, rapid-growth, small-cap stocks. Here are the eight criteria:

1. Revenues: \$500 million or less.
2. Earnings and sales growth: 25% or greater.
3. Net profit margin: 7% or greater.
4. Daily dollar volume: \$1 million to \$25 million.
5. Insider holdings: 10% or greater.
6. Share price: \$7 or greater.
7. Relative strength: 90 or greater.
8. Operating cash flow: a positive number.

The contenders

Seven companies passed the screen this month:

Company	Market Cap (Millions)	Business	Add to Your Watchlist
3-D Systems (Nasdaq: TDSC)	\$1,075.1	Graphics software	Add
China Biologic Products (Nasdaq: CBPO)	\$399.2	Biotechnology	Add
DDI	\$181.8	Printed circuit boards	Add
Ebix (Nasdaq: EBIX)	\$1,101.5	Business software	Add
GSI Technology (Nasdaq: GSIT)	\$234.0	Semiconductors	Add
iGATE	\$956.4	IT services	Add
Interactive Intelligence (Nasdaq: ININ)	\$624.7	Business software	Add

Source: Capital IQ, a division of Standard & Poor's.

New stocks to the list this month include 3-D Systems, DDI, Ebix, and iGATE. Dropping off the screen from last month were **eMagin**, **IPG Photonics**, **LogMeIn**, **Puda Coal** (AMEX: [PUDA](#)) , and **ZAGG** (Nasdaq: [ZAGG](#)) . That leaves China Biologic, GSI, and Interactive Intelligence as our veterans.

Biggie smalls

By rule, I'm not allowed to buy sub-\$200 million companies for my portfolio, so DDI is out. Here are

some important metrics for the remaining small-fry candidates:

Company	Insider Ownership	Forward P/E	EV/FCF (TTM)	ROE	Net Margin
3-D Systems	10%	62.4	40.7	16%	12%
China Biologic Products	43%	11.0	14.9	51%	24%
Ebix	13%	20.0	23.2	29%	45%
GSI Technology	17%	23.6	35.2	18%	20%
iGATE	46%	18.8	30.4	24%	18%
Interactive Intelligence	24%	24.8	29.3	18%	9%

Source: Capital IQ, a division of Standard & Poor's. P/E = price-to-earnings ratio; EV = enterprise value; FCF = free cash flow; TTM = trailing 12 months; ROE = return on equity.

Interestingly, iGATE also passed my [7 Signs of a Winner](#) screen. Another one at the top of my watchlist is Ebix, the hidden engine that helps much of the insurance industry function efficiently.

Next week I'll show you the results of this month's Modified Foolish 8 screen, and then talk about the companies that interest me, from both screens, in more depth.

If you're interested in keeping up with any of these companies, add them to your free watchlist by clicking the "add" button in the far-right column of the top table. You can also [follow me on Twitter](#) and check out the multivitamin [discussion board](#). Until next week!

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