



The Next Million-Dollar Penny Stock

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Penny stocks can [make you rich](#). Need proof? Every one of these multibaggers was once a penny stock:

| Company | Recent Price | CAPS Stars (out of 5) | 5-Year Return |
|--|--------------|--|---------------|
| Dynamic Materials (Nasdaq: BOOM) | \$18.19 | ***** | 989.2% |
| ViroPharma | \$7.98 | ***** | 271.2% |
| Female Health Co. | \$6.07 | ***** | 257.1% |
| Ebix (Nasdaq: EBIX) | \$52.50 | **** | 1,144.1% |
| U.S. Global Investors | \$12.94 | **** | 824.3% |

Sources: Motley Fool CAPS, Yahoo! Finance.

The promise of outrageous returns has periodically made even the world's best stock pickers penny stock investors. Peter Lynch [has enjoyed](#) the stock market's super-cheap seats in the past, and still does on occasion. The Royce Low-Priced Stock fund [has beaten the market for a decade](#) by betting on stocks trading near or below \$10 a share, including **Silver Standard Resources** (Nasdaq: [SSRI](#)).

Even the All-Stars in our 140,000-plus-member [Motley Fool CAPS](#) community take to penny stocks. More than a few have been [richly rewarded](#).

Pennies from heaven

So why *not* invest in penny stocks? Well, the warning the SEC issued about them provides one excellent reason to steer clear. But what if we take the agency's definition literally, and limit our choices to stocks trading between \$1.50 and \$5 a share? And what if we further seek only four- and five-star stocks with market caps between \$250 million and \$2 billion? Surely our [CAPS screener](#) would return some winners?

This week when I [ran that screen](#), 59 stocks made the cut -- including [our last topper](#), **Rubicon Minerals**.

My favorite penny stock this week is **Akamai** (Nasdaq: [AKAM](#)) competitor **Limelight Networks** (Nasdaq: [LLNW](#)). The details:

| Metric | Limelight Networks |
|-----------------------|------------------------------------|
| CAPS stars (out of 5) | **** |
| Total ratings | 170 |
| Percent bulls | 88.8% |
| Percent bears | 11.2% |
| Bullish pitches | 25 out of 26 |

Data from CAPS.

As much as our CAPS crowd likes Limelight, this isn't an easy pick to make. Researchers at Raymond

James recently [downgraded the stock](#) on concerns that the company wouldn't be able to overcome pricing pressure from start-ups and established peers.

That's possible. But having spent years studying Akamai for our [Motley Fool Rule Breakers](#) subscribers, I know that large clients such as **Apple** (Nasdaq: [AAPL](#)) and **Netflix** (Nasdaq: [NFLX](#)) tend to do business with established vendors, and there's no doubting Limelight's credibility in this area; it's the clear No. 2 behind Akamai, as CAPS investor [smortypants](#) pointed out in [June](#):

Got my attention when I was researching Akamai. ... They could be a big player (possibly VERY big) in the next wave of high density (read: TV/video) content delivery over the Internet. With mobile internet emerging as possibly the most exciting tech phenomenon since the Internet itself and the soon to be released \$99 iPhone and amazing [**Palm**] Pre as well as the growth of services like Hulu, this could be huge. PE is a bit heavy and if I were buying this stock for real, I would probably wait for a 5-10% pullback, which I think we will get.

The stock is off roughly 15% since, and today Limelight trades for a slight premium to Akamai in terms of [enterprise value](#) to *projected* earnings before interest, taxes, depreciation, and amortization ([EBITDA](#)).

There's risk in buying Limelight at these levels, but I suspect not as much as investors think. Do you agree? Would *you* buy Limelight Networks at today's prices? Let us know by [signing up](#) for CAPS today. It's 100% free to participate.

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