



## The Next Million-Dollar Penny Stock

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Penny stocks can [make you rich](#). Need proof? Every one of these multi-baggers was, at one time, a penny stock:

Company	Recent Price	<a href="#">CAPS Stars</a> (out of 5)	5-Year Return
<b>Hansen Natural</b> (Nasdaq: <a href="#">HANS</a> )	\$33.96	****	2,134.2%
<b>Ebix</b> (Nasdaq: <a href="#">EBIX</a> )	\$22.97	****	384.6%
<b>SBA Communications</b> (Nasdaq: <a href="#">SBAC</a> )	\$18.80	*	337.2%
<b>Perdigao S.A.</b> (NYSE: <a href="#">PDA</a> )	\$24.78	***	281.8%
<b>Alliance Healthcare Services</b>	\$9.07	*	145.1%

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](#) been one of them, and he still enjoys the stock market's super-cheap seats. The Royce Low-Priced Stock fund [has beat the market for a decade](#) by betting on stocks trading near or below \$10 a share, including **Gammon Gold** (NYSE: [GRS](#)).

Even the All-Stars in our 125,000-plus [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? I suppose because the SEC has warned us about them. 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 limit our choices to four- and five-star stocks whose market cap doesn't exceed \$2 billion, but is at least \$250 million? Surely our new [CAPS screener](#) would return some winners, right?

This week when I [ran it](#), 79 stocks made the cut -- not including [our last topper](#), **Flextronics International**. Let's move on to **Accuray** (Nasdaq: [ARAY](#)), which has a growing following in our CAPS community:

Metric	<a href="#">Accuray</a>
CAPS stars (out of 5)	****
Total ratings	467
Percent bulls	95.7%

Percent bears            4.3%  
Bullish pitches           95 out of 98

Data current as of Feb. 23, 2009.

Fools who like Accuray compare its CyberKnife tumor-targeting technology to that of **Intuitive Surgical** (Nasdaq: [ISRG](#)), one of David Gardner's best-ever picks for [Motley Fool Rule Breakers](#).

"You might still be able to make some money with Intuitive Surgical but with Accuray you have a serious candidate for a multi-bagger in the making whose underlying technology is still in the early stages of its adoption curve. Peter Lynch would be all over this one," wrote CAPS All-Star [PauvrePapillon](#), who says he's a venture capitalist, in response to [this article](#) about the wisdom of paying up for growth.

You'll have to ask Lynch if he really would be "all over this one," but the business is progressing nicely. Earlier [concerns over late filings](#) have since been resolved, and today, Accuray says that 10% of its installed base has signed up for a service called "treatment planning," in which remote experts are made available to handle issues and overflow on demand. Good idea.

But that's my take. I'm far more interested to know what you think. Would *you* buy Accuray at today's prices? Let us know by [signing up](#) for CAPS today. It's 100% free to participate.

See you back here next week with another penny stock from heaven. Fool on!

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