

Guide to Aggressive Growth Investing

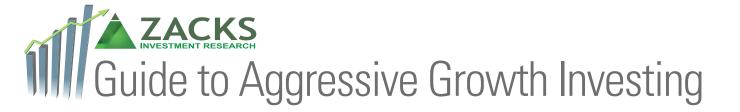




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Introduction to Aggressive Growth Investing

Aggressive Growth investing is about finding stocks that are showing high and accelerating earnings growth. These companies with the potential to achieve annual profit growth rates of 20% or more. Often, there is product or positive industry change that is causing the surge in earnings.

This style of investing can be extremely exciting and profitable. This is the realm of the most innovative, cutting-edge companies in the world. Get on board with the right stock and you could be netting a "Ten Bagger" or more. But guess wrong and you could lose money in a hurry. The key to successful Aggressive Growth investing is to monitor earnings estimate revisions, which is the best gauge as to the current health and future prospects of your stocks.

It is our hope that the Zacks Guide to Aggressive Growth Investing helps you find companies poised to deliver large increases in earnings by utilizing the various products and services we have to offer.

Incorporating Zacks into an Aggressive Growth Strategy

In 1979, Len Zacks published a groundbreaking article in the *Financial Analysts Journal* entitled: "EPS Forecasts - Accuracy Is Not Enough." The article's premise outlined how earnings estimates are the most powerful force impacting stock prices. From this seminal work was born Zacks Investment Research and the Zacks Rank.



INSIDER TIP:

To fully understand how to harness the power of earnings estimates, it is strongly recommended that you read the free Zacks Rank Guide, if you have not already done so.

Changes in earnings estimates are a primary determinant in whether a stock's earnings growth will remain strong or will disappoint in the future. Once a growth estimates begin to decline, it is time to jump ship because the party is over.

Using Zacks and incorporating earnings estimate revisions is easy.

Aggressive Growth investors simply need to follow the I AM method:

Identify - Find great stocks

Analyze – Research the trend in earnings estimate revisions and fundamentals

Manage – Determine which stocks to hold, and more importantly which stocks to sell

By using this three-step process, you will be able to proudly say, "I AM a successful Aggressive Growth investor." Of course, your returns will verify this.

This is a comprehensive guide designed to highlight many of the resources available to Aggressive Growth investors. For more information about aggressive growth investing, please visit http://www.zacks.com/education/aggressivegrowth.

1. Identify

Find great stocks

Zacks provides a wide selection of commentary, portfolios and tools to help you identify great stocks.

ARTICLES

Zacks Rank Buys

Every day on Zacks.com, we feature four Zacks #1 Rank (Strong Buy) or Zacks #2 Rank (Buy) stocks that are poised to outperform the market. These stocks are divided among the four main investment styles, including Aggressive Growth, which is the featured article on Wednesdays.





The Zacks Rank Buy articles are located in the upper right hand corner of the Zacks.com home page.

INSIDER TIP:

Subscribe to our free RSS feed and get the Aggressive Growth Zacks Rank Buy article delivered to you every morning.

Zacks Industry Rank Analysis

Every Wednesday, we spotlight specific industries benefiting from positive revisions in earnings estimates. You'll discover trends affecting various industries and the best stocks within those industries.



WHERE TO FIND IT:

Zacks Industry Rank Analysis is located on the left side of the <u>Zacks.com home page</u> in the Zacks Industry Analysis Section. The Zacks Industry Rank is calculated by averaging the Zacks Rank for all covered companies within a given industry. It is a quantitative indicator designed to predict relative price performance for a period of one to three months. It serves to help investors get a feel for which industries are experiencing improving earnings prospects.

Each week, a few of these attractive industry groups, and the companies within them, are spotlighted in the Zacks Industry Rank Analysis article (found on our homepage under Zacks Industry Analysis). Learn why this group of stocks has performed well and why they are projected to continue doing so over the short-term.

Zacks Equity Research Analyst Blog

Highlights of the latest Zacks Equity Research reports are available on the Analyst Blog. Updated throughout the day, the blog tells you which companies our analysts like and which ones they don't.

Zacks Equity Research

ANALYST BLOG

- Avnet Provides Good Exit Point
- Target \$45 on GameStop Shares
- ECA Downgraded from Buy to Hold
- Full Analyst Blog

Bull of the Day

Bear of the Day Zacks Equity Research

Zacks Top 10 Stocks for 2007

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WHERE TO FIND IT:

The Analyst Blog is located on the upper left side of the Zacks.com home page.

INSIDER TIP: Be sure to check out the Bull and Bear of the day. Links to both can be found just below the blog.



Profit from the Pros

This free e-mail newsletter offers continuous coverage of the industries and the stocks poised to outperform the market. Subscribe today at http://at.zacks.com/?id=2338.

Targeted Recommendations: Aggressive Growth Stocks

Every Wednesday, Zacks Elite subscribers can read about Focus List stocks with the highest growth rates. The Focus List is a diversified portfolio that is maintained by Zacks, with the objective of outperforming the markets over the next 12 months.



WHERE TO FIND IT:

Targeted Recommendations are located in the upper left-hand side of the Zacks Elite home page.

INSIDER TIP: Zacks Elite subscribers have full access to both Zacks Premium and Zacks Elite.

Portfolios and Stock Lists

Zacks #1 Rank List

Since 1988, Zacks #1 Rank stocks have generated a 27% return, making the list a great place to start looking for ideas. And with a click of a mouse button the list can be narrowed down by sector.



WHERE TO FIND IT:

The Zacks #1 Rank List, and related resources, is located in the Zacks Rank Section.

Just click on "Zacks Research" from the top of any page and then click on Zacks Rank.

Zacks Industry Rank List

The Zacks Industry Rank leverages the power of earnings estimate revisions to identify industries with improving earnings prospects, which is the surest bait to lure investor interest. And with a click of a mouse button, you can find the best stocks within those industries.



WHERE TO FIND IT:

The Zacks Industry Rank List, and related resources, is located in the Zacks Rank Section.

Just click on "Zacks Research" from the top of any page and then click on Zacks Rank.

Profit Tracks

Profit Tracks are successful stock-picking strategies that have crushed the market since 2001, each tailored to meet various investment styles. On Zacks.com, we have created these nine unique screens to offer investors great strategies to potentially outperform the market in the years ahead. Strategies of particular interest to Aggressive Growth investors are PEG Ratio, Earnings and Margins, Return on Equity and Recent Price Strength.

WHERE TO FIND IT:

The <u>Profit Tracks</u> home page is located in the Screening section of Zacks.com. Just click on "Screening" from the top navigation and then click on Profit Tracks.

INSIDER TIP: Each month three Profit Track strategies are made available for free.

Focus List

The Focus List is a diversified portfolio of hand-picked stocks designed to outperform the markets over the next 12 months. "Diverse" meaning that you will find stocks from many different industries and market cap levels, as well as stocks that appeal to both growth and value investors.

WHERE TO FIND IT:

Zacks Elite subscribers can access the <u>Focus List</u> by going to the Zacks Elite web site <u>www.zackselite.com</u> and clicking on the Focus List tab.

Timely Buys

The Timely Buys are stocks selected from the Focus List with a Zacks #1 Rank. These are stocks that brokerage analysts have recently raised their earnings estimates on. Positive revisions in earnings estimates can lead to outperformance over the next one to three months.

→ WHERE TO FIND IT:

Zacks Elite subscribers can access the <u>Timely Buys</u> by going to the Zacks Elite web site <u>www.zackselite.com</u> and clicking on the Timely Buys tab.

TOOLS

Predefined Screens

Predefined Screens are perfect for investors who are not sure how to filter for winning stocks. These are pre-built stock screening strategies strategies that many investors use on a regular basis to locate potential winners.

The Top EPS Growth Stocks Screen should grab the attention of Aggressive Growth investors. This screens for stocks with the highest projected earnings per share growth. Specifically, the screen analyzes projected growth rates for both this year and the next three to five years. To run this screen, simply click on Top EPS Growth Stocks Screen and then click on the "Run Screen" button.



WHERE TO FIND IT:

Click on Screening from the top of any page and then click on <u>Predefined Screens</u> from the left-hand column.

Custom Screener

If you want even more control then check out our Custom Screener. This screener includes over 140 items from the proprietary Zacks stock database including popular growth metrics such as annualized 5 year historic growth, forecast long-term growth and changes in quarterly and full-year earnings estimates.

WHERE TO FIND IT:

Click on Screening from the top of any page and then click on <u>Custom Screener</u> from the left-hand column.

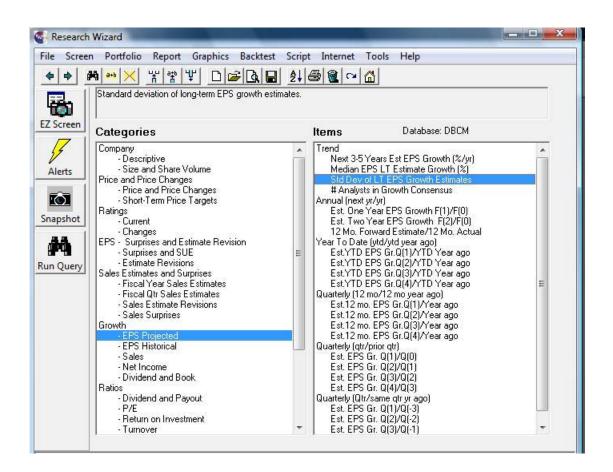
INSIDER TIP: Subscribers to <u>Zacks Premium</u> are able to add the Zacks Rank to their screens, along with many more filters—membership has its privileges!

Research Wizard

Want to know how profitable your screens really are? Research Wizard, with its backtesting capabilities, can tell you. In addition, this powerful program features more than 650 different screening criteria, expanded company reports and the ability to evaluate stocks within your portfolio. Aggressive Growth investors will also appreciate the multiple ways to find stocks with bullish outlooks, including the deviation of analyst growth estimates.

→ WHERE TO FIND IT:

Click on Screening from the top of any page and then click on Research Wizard to learn more about this great program.



2. Analyze

Research the trend in earnings estimate revisions and fundamentals

Once potential investments are identified, the next step is to analyze them to make sure the potential for earnings is growth and price appreciation really exists. Zacks offers all of the data that Aggressive Growth investors need to analyze stocks.

Earnings Estimate Revisions

As we mentioned earlier, earnings estimate revisions are the most powerful force impacting stock prices. Stocks with rising earnings estimates have materially outperformed the S&P 500 year after year. Similarly, stocks with falling earnings estimates have underperformed the S&P 500 year after year. Thus, investors can use earnings estimate revisions to reap great rewards. Zacks.com provides earnings estimate data for nearly 4,200 companies.

WHERE TO FIND IT:

Just type a company's ticker into the quote box located in the upper left-hand corner of any page and hit the "Go" button. The quote page will appear. Near the top of the quote page, click the drop-down arrow and select Estimates under Company Reports.

Investors should pay attention to four factors: Agreement, Magnitude, Upside and Surprise. All four of these factors are detailed on the estimates page.

Agreement is the proportion of covering brokerage analysts that have revised their forecasts over the past seven and 30 days. The greater the proportion of analysts who believe earnings will be better than previously thought, the more likely the stock will outperform the broader markets over the next one to three months.

Agreement - Estimate Revisions								
	Current Qtr (12/2007)	Next Qtr (03/2008)	Current Year (09/2008)	Next Year (09/2009)				
Up Last 7 Days	1	2	2	1				
Up Last 30 Days	5	6	7	2				
Down Last 7 Days	0	0	0	0				
Down Last 30 Days	0	1	0	0				



Magnitude is the actual change in estimates over the past 60 days. Positive revisions are good, multiple and large revisions are even better.

Magnitude - Consensus Estimate Trend									
	Current Quarter (12/2007)	Next Quarter (03/2008)	Current Year (09/2008)	Next Year (09/2009)					
Current	1.38	0.99	4.54	6.24					
7 Days Ago	1.38	0.97	4.48	5.88					
30 Days Ago	1.35	0.96	4.37	5.47					
60 Days Ago	1.32	0.94	4.31	5.51					
90 Days Ago	1.26	0.90	3.93	5.17					

Upside is the difference between the most accurate consensus and the consensus estimate.

Upside - Most Accurate Estimate versus Zacks Consensus								
	Current Quarter (12/2007)	Next Quarter (03/2008)	Current Year (09/2008)	Next Year (09/2009)				
Most Accurate Consensus	1.41	1.03	4.71	6.66				
Zacks Consensus Estimate	1.38	0.99	4.54	6.24				
Upside Potential	2.17% 🔺	4.04% 📥	3.74% 📥	6.73% 🔺				

Surprise is whether the company beat, met or missed earnings estimates over the past four quarters. Frequent positive surprises suggest that forward-looking valuation measures such as PEG may be too conservative. (In other words, the company has a lower valuation than the ratio implies.) Companies that have recently reported negative surprises should be avoided.

Surprise - Reported Earnings History								
	09/2007	06/2007	03/2007	12/2006	Average Surprise			
Reported	1.01	0.92	0.87	1.14				
Estimate	0.84	0.71	0.63	0.78				
Difference	0.17	0.21	0.24	0.36	0.25			
Surprise	20.24%	29.58%	38.10%	46.15%	33.52%			

INSIDER TIP:

The Zacks Rank can quickly tell you which stocks are the most attractive based on these four factors. Full access to the Zacks Rank comes with Zacks Premium membership has its advantages.

Full Company Report

The full company reports offered through Zacks.com basically provide everything on a particular stock under the sun. Growth investors should focus on the EPS Growth, Sales Growth, ROE, and Net Margin ratios under the "Fundamental Ratios" section.

Fundamental Ratios					
P/E		EPS Growth		Sales Growth	
Current FY Estimate:	21.32	vs. Previous Year	92.86%	vs. Previous Year	82.00%
Trailing 12 Months:	18.55	vs. Previous Quarter	110.94%	vs. Previous Quarter:	27.85%
PEG Ratio	2.03				
Price Ratios		ROE		ROA	
Price/Book	2.06	09/30/07	14.46	09/30/07	4.69
Price/Cash Flow	16.17	06/30/07	12.28	06/30/07	4.08
Price / Sales	0.36	03/31/07	9.80	03/31/07	3.42
Current Ratio		Quick Ratio		Operating Margin	
09/30/07	1.54	09/30/07	0.91	09/30/07	2.09
06/30/07	1.74	06/30/07	1.00	06/30/07	1.90
03/31/07	1.89	03/31/07	1.08	03/31/07	1.64
Net Margin		Pre-Tax Margin		Book Value	
09/30/07	2.81	09/30/07	2.81	09/30/07	55.50
06/30/07	2.25	06/30/07	2.25	06/30/07	45.21
03/31/07	1.67	03/31/07	1.67	03/31/07	42.30
Inventory Turnover		Debt-to-Equity		Debt to Captial	
09/30/07	8.03	09/30/07	0.52	09/30/07	38.03
06/30/07	7.81	06/30/07	0.67	06/30/07	40.45
03/31/07	7.62	03/31/07	0.66	03/31/07	39.75

WHERE TO FIND IT:

Just type a company's ticker into the quote box located in the upper left-hand corner of any page and hit the Go button. The quote page will appear. Near the top of the quote page, click the drop-down arrow and select Full Company Report under Company Reports.

INSIDER TIP: The <u>education section</u> on Zacks.com has several articles explaining how to use these ratios.

Financial Statements

If you would like to retrieve the underlying data used in the calculation of various ratios and measures (and dig deeper into other areas as well), a company's financial statements are the place to go. These reports are formal records of a business' financial activities and provide an overview of its profitability and financial condition in both the short- and long-term.

Aggressive Growth investors want companies that have strong free cash flow growth (so more can be plowed back into the business), accelerating rates of both earnings and revenue growth, and a high ROE. A combination of these factors should provide the fuel for explosive gains.

WHERE TO FIND IT:

Just type a company's ticker into the quote box located in the upper left-hand corner of any page and hit the Go button. The quote page will appear. Near the top of the quote page, click the drop-down arrow and select Balance Sheet, Income Statement or Cash Flow Statement under Financials.

Zacks Rank in Industry

The key to investment success is to buy the best stocks in the best industries. The Zacks Rank in Industry shows how a company's Zacks Rank compares to its peers. You should seek out Zacks #1 or Zacks #2 rank within stock industries that contain several other stocks with favorable Zacks Ranks.

About Zacks Rank in Industry									
Company	Ticker	Zacks Rank	Zacks Rank 1-wk Ago	EPS Estimate (Current Yr)	EPS Suprise (Last Qtr)	Report			
HASBRO INC	HAS	1	1	\$1.84	0.00%	≽ Analyst			
ACTIVISION INC	ATVI	2	2	\$0.51	0.00%	从 Snapshot			
JAKKS PACIFIC	JAKK	2	2	\$2.40	33.33%	. Analyst			
MATTEL INC	MAT	2	2	\$1.59	160.00%	≽ Analyst			
MIDWAY GAMES	MWY	2	2	\$-0.37	4.17%	♣ Snapshot			
NINTENDO LTD	NTDOY	2	2	\$1.68	NA	N/			
RC2 CORP	RCRC	2	2	\$2.71	19.35%	⊁ Analyst			
TOPPS INC	ТОРР	2	2	\$0.44	80.00%	从 Snapshot			
ATARI INC	ATAR	3	3	\$-0.68	120.00%	从 Snapshot			
ELECTR ARTS INC	ERTS	3	3	\$0.77	-20.00%	Snapshot			
LEAPFROG ENTRPS	LF	3	3	\$-0.64	-23.08%	<u></u>			
MARVEL ENTERTMT	MVL	3	3	\$1.53	64.71%	从 Snapshot			
TAKE-TWO INTER	TTWO	3	3	\$-0.03	11.76%	≽ Snapshot			
THQ INC	THQI	4	4	\$1.19	-20.00%	从 Snapshot			



Just type a company's ticker into the quote box located in the upper left-hand corner of any page and hit the Go button. Under the Zacks Premium Research section you will find a link to the Zacks Rank in Industry table.

INSIDER TIP:

You can also get to Zacks Rank in Industry by going to the <u>Industry</u> <u>Rank List</u>.





Zacks Equity Research Reports

Zacks Equity Research combines quantitative model (Zacks Rank) with the insight provided by experienced equity analysts to create superior long-term stock recommendations. Growth investors should pay attention to both the analyst's assessment of the company's prospects and the projected long-term growth rate.

WHERE TO FIND IT:

Just type a company's ticker into the quote box located in the upper left-hand corner of any page and hit the Go button. Under the Zacks Premium Research section, click on the Zacks Recommendation Rating.

INSIDER TIP: You can see all of the <u>Zacks Equity Research</u> reports by clicking on Zacks Research from the navigation bar at the top of any page and then clicking on Equity Research.



3. Manage

Determine which stocks to hold, and more importantly which stocks to sell

When you complete the analysis of your stocks in Step 2, then you are ready to buy these shares in your brokerage account. Your broker will provide you with an online portfolio tracker to keep tabs on your stocks. However, your broker won't provide you with the most important aspect of managing your portfolio: *knowing which stocks to continue holding and which to sell*. And that is exactly why you need to set up your portfolio on Zacks.com to truly manage your stocks and maximize profits.

Portfolio Tracker—Free Version

The Free Version contains the basic information you need to monitor your portfolio including:

- Daily Price Changes
- · Changes in consensus earning estimates
- Earning surprises
- Changes in Average Broker Recommendations (ABR)

Portfolio Tracker—Premium Version

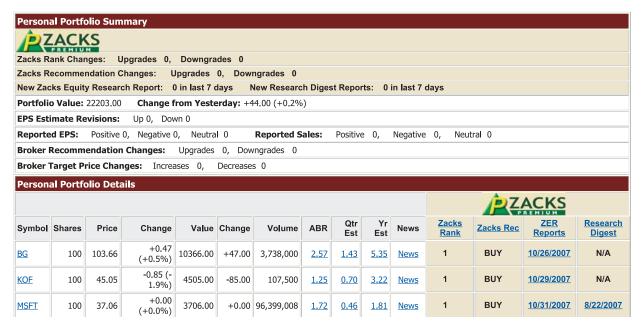
The Zacks Premium Portfolio Tracker contains everything that is included with the Free Version plus:

- Changes in the Zacks Rank a key indicator for short-term trading
- Changes in the Zacks Recommendation a key indicator for long-term investing
- Detailed earnings estimate revisions
- Detailed average brokerage recommendation changes
- Access to Zacks Equity Research Reports
- Access to Research Digest Reports

WHERE TO FIND IT:

Click on Portfolio from the top of any page and click on Go to <u>Portfolio Tracker</u> or the portfolio name, if you have already set up a portfolio with Zacks.com. If you have not set up a portfolio, <u>click here</u> to start maximizing your profits today.

Setting up a portfolio takes only a couple of minutes. Enter the name of the new portfolio, and a list of ticker symbols separated by a comma. Once your Aggressive Growth portfolio has been created, you will enjoy the premier benefit of the Portfolio Tracker—its comprehensive and timely updates via a single daily email before the market even opens.



Portfolio Tracker—Applicable Views

In addition to the daily emails from the Portfolio Tracker, you are also able to utilize multiple portfolio views that offer unique insight into your holdings. These views include: Price, Value, Price Action, Sector Industry, Brokerage Recommendations, EPS and Fundamental. It is highly recommended that you give each view a chance and pick those that best suit your needs. A number of them should directly appeal to Aggressive Growth investors.

Viewing Personal Portfolio 'Rising Estimates'							🖺 PRINT/	ABLE VERSION
Display	y portfol	io: Risin g	Estimates	with	Fundamenta	al View	Display	
Ticker	Last	P/E (TTM)	P/E (F1)	P/E(F2)	Price/Book	Net Margin	Debt/Equity Ratio	Current ROE
<u>BA</u>	98.13	32.29	19.58	15.82	13.44	.04	1.45	28.89
BDC	56.61	28.7	21.74	17.72	2.83	.04	.51	11.51
<u>CNH</u>	43.85	25.15	19.38	14.99	2.01	.02	.98	7.96
COL	68.55	21.83	20.12	17.92	8.38	.12	.17	42.86
CTV	51.6	24.8	20.11	18.85	3.86	.08	.32	20.88
<u>DE</u>	114.45	16.98	16.85	13.64	3.46	.08	1.4	20.88
<u>HAS</u>	32.41	20.55	17.61	17.91	3.41	.07	.32	19.41
<u>JWN</u>	51.85	19.31	17.74	15.57	5.75	.08	.64	33.93



Other Educational Resources

In addition to the many powerful tools and resources already mentioned in the guide, Zacks has even more educational material to help you proclaim "I AM a successful investor".

Zacks Rank Guide: Harness the Power of Earnings Estimate Revisions

This free guide is prerequisite reading for any investor who wants to use Zacks.com to become a more successful investor. If you have not read this guide, or you need a refresher, then now is the time to get started. Read online at www.zacks.com/help/zrank.php.

Aggressive Growth Investing Page:

All of our educational resources and articles geared towards Aggressive Growth investors can be found here http://www.zacks.com/education/aggressivegrowth.

Other Investing Style Pages:

Zacks has resources for all investors. Here is how you can explore the resources Zacks has available for other investors:

- Value
- Growth & Income
- Momentum

Zacks Education

All of our educational resources can be found on our <u>Education Home page</u>. We are always adding new articles and guides to further our goal to help you become a more successful investor.

Contact us:

Toll Free 1(800) 767-3771, est. 9339

Outside the U.S. call (312) 265-9339 (customer support hours are 9am to 6pm EST)

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