

How To Find & Own America's Greatest Opportunities

By William O'Neil

Computers evolved from a few expensive giant mainframes (mainly sold by IBM) to minicomputers and then to microcomputers. At one point the head of a minicomputer manufacturer said he couldn't see why anyone would ever want a computer in their home.

Bill Gates and Paul Allen in 1975

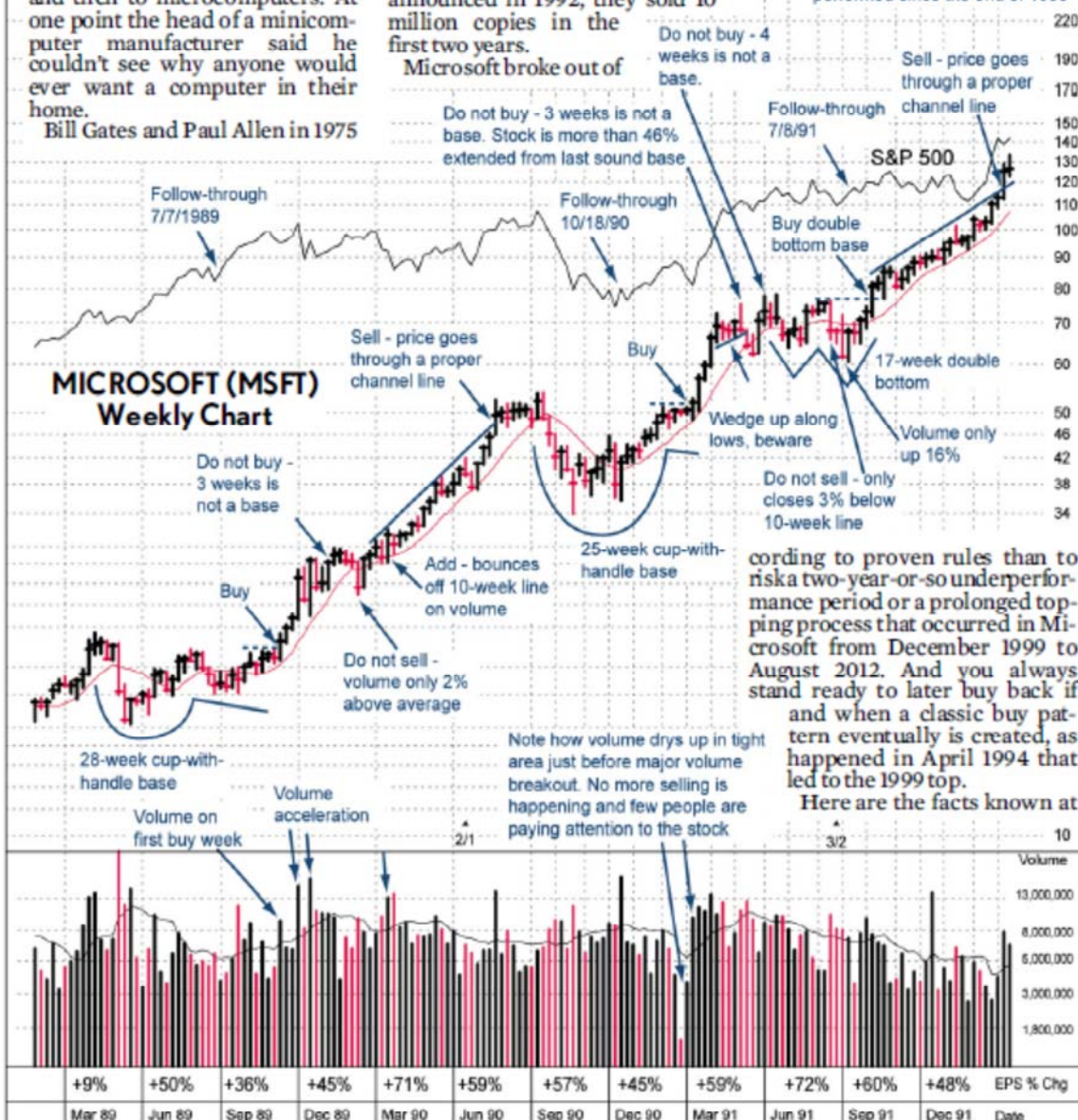
Microsoft PowerPoint. Microsoft also offered Windows 3.0 on May 22, 1990. Along with Windows 3.1, announced in 1992, they sold 10 million copies in the first two years.

Microsoft broke out of

call the time utilization of money.

The same opportunity occurred after the January 1992 channel line break sell point. It's better to nail down significant profits ac-

After the January 1992 sell sign, Microsoft went sideways for 27 months than ran up more than 10 times and finally really underperformed since the end of 1999



founded Microsoft. They early on saw the potential of the first microcomputer and revolutionized the ability of a nonspecialist to interact with the personal computer. They created software for IBM's microcomputer. They originally developed and sold Basic (Beginner's All-purpose Symbolic Instruction Code) language interpreters for the Altair 8800.

Microsoft's initial public offering was in 1986, about the time it launched MS-DOS (Microsoft disk operating system). During the time shown on this chart, it launched Microsoft Office in 1989, which bundled Microsoft Word, Microsoft Excel and Mi-

a 28-week cup-with-handle chart base in early September 1989 at about \$20 (at the time it was actually \$60, but the chart is adjusted for all stock splits that occurred). We note thereafter times to not get scared out and sell, plus times to more safely add, and finally when a specific history-proven rule says it's time to wisely sell.

The next base was a 25-week cup-with-handle. Note that once you sold Microsoft on the way up, you had the use of the money for 32 weeks to reinvest in another stock before Microsoft was again at a new sound buy point. This I

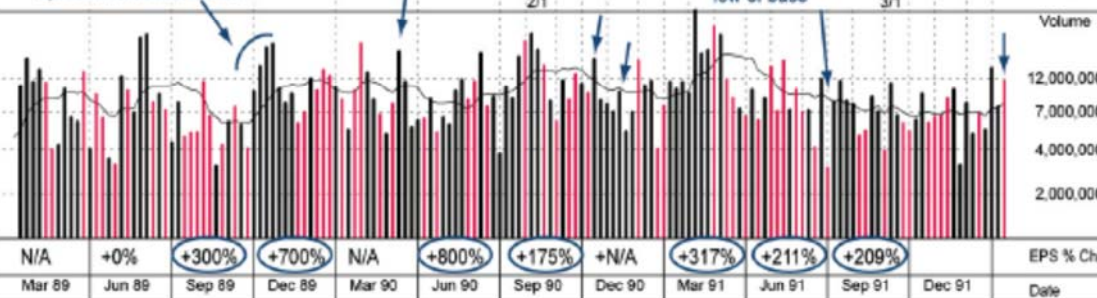
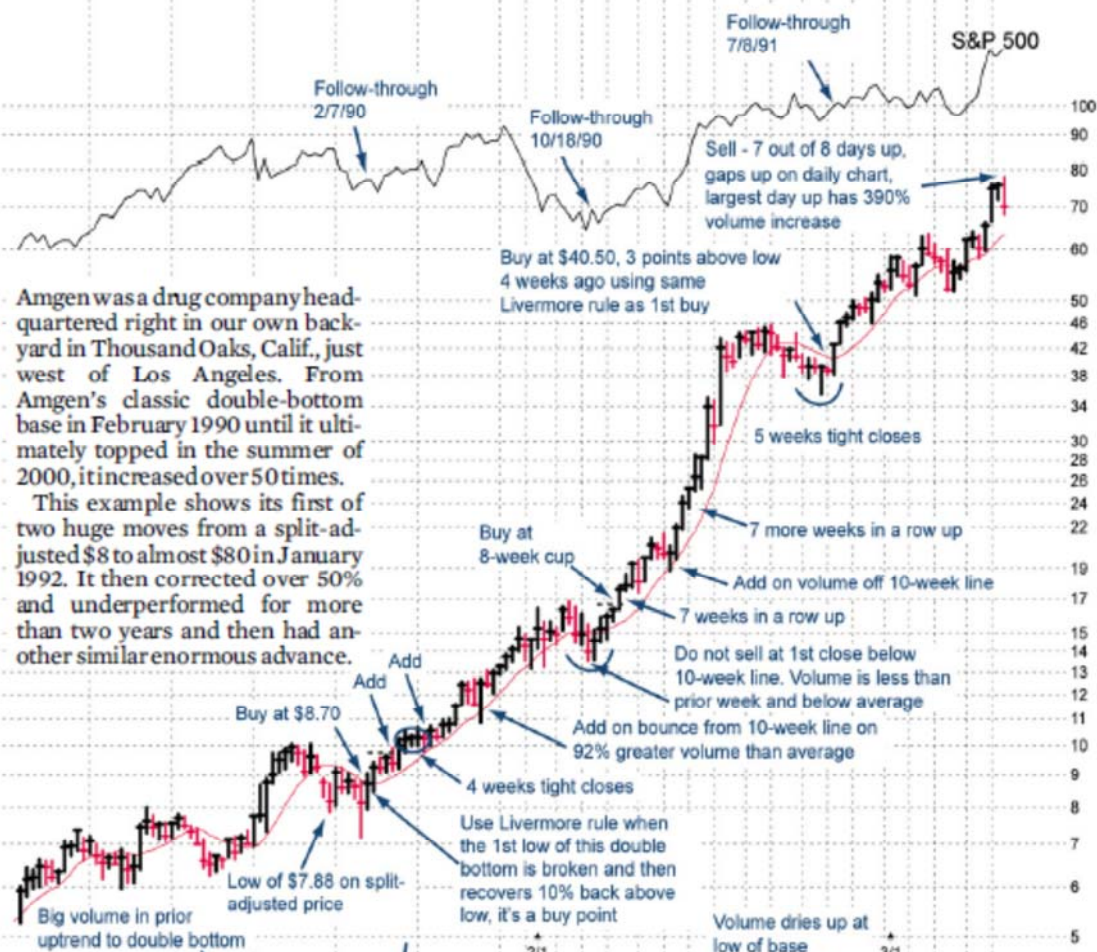
the September 1989 buy point:

- EPS annual growth rate from 1985 - 1989, 58%
- EPS Rank 95
- Return on Equity 40.3%
- Pretax profit margin 31%
- After tax profit margin 20.6%
- Latest quarter's EPS growth 48%
- Latest quarter's sales growth 29%
- Research and Development 11.8% of sales
- Annual % change in employees +54%
- Debt 0%
- Investment Banker Goldman Sachs

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AMGEN (AMGN) Weekly Chart



You spot a potential big leader by first recognizing a sound and classic chartbase. Then you check the key fundamentals. The quarterly earnings in late 1989 were up 300% and 700%. These 100%-plus earnings continued for several years, which is why the stock had such great performance.

I remember reading a story on the company that really caught my attention once we saw the stock's chart action and big earnings. Amgen had developed a new drug to treat cancer patients suffering from the side effects of chemotherapy. The drug had immedi-

ate results as it quickly rebuilt low white-blood cell counts. The company also spent an unusually large percentage of sales on research and development.

The weekly chart shows you the first buy at \$8.70 once the stock undercut its first bottom of \$7.88 and then recovers back 10% above the \$7.88 low. After that we have marked other buy points on the way up until the stock formed an 8-week cup pattern in the December 1990 quarter which set off a fast extra 200% increase. Note that both of these bases formed during a correction in the general

market averages and the stock broke out after follow-through days in the general market.

Known facts at the time of the breakout:

- Acceleration in quarterly earnings from 0% to +300% to +700%
- Quarterly sales acceleration from -46%, +46%, +84%, +207%
- R&D 36%
- After-tax margins at 12.2% up from single digits in the last eight quarters
- Marked increase in funds owning from 14 in September 1989 to 123 in September 1991

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Have you ever been to Chipotle? If you liked it, found it to be always busy and unique, did you think to track CMG's weekly chart and buy the stock when it formed a classic cup-with-handle

the right stock at a proper time, but it's also to learn how to make a big gain when you're finally right! That takes time, probably six months to three years or more in some cases.

CHIPOLTE MEXICAN GRILL (CMG) Weekly Chart



weekly chart pattern in late 2009?

Each new bull market will have 20 to 40 new market leaders with great new products or services. CMG had an IPO at \$22 in January 2006, late in the prior bull market, and ran to \$154, proving its superior bull-market leadership.

Then CMG corrected sharply during the two-year major bear market of October 2007 to March 2009. Next it resumed its growth with three big quarters of EPS growth into new high ground and a new 16-week cup with handle.

Now, your job isn't just to buy

During that time you have to have rules and a sound system to avoid several normal corrections or base-building periods that can easily cause you to be shaken out of a stock prematurely.

CMG is now beginning its third year of price progress during which time there were 11 such pullbacks or new basing areas. I'll cite rules and principles that can help you avoid selling out during tricky corrections.

Vital fundamental facts available and known at the time of the first CMG buy:

- 6 weeks prior to buy point, company announces \$100 million buyback of CMG stock
- Last 3 years average annual EPS growth rate over 40%
- Last 3 quarters EPS accelerate +50%, +49% +83%
- New highs in pretax margins at 13%
- Mutual funds owning CMG in last 3 quarters up from 220 to 332
- Cash flow in prior 3 years average 80% more than EPS
- Company was a spin-off of McDonald's, a well-managed leader in the restaurant industry

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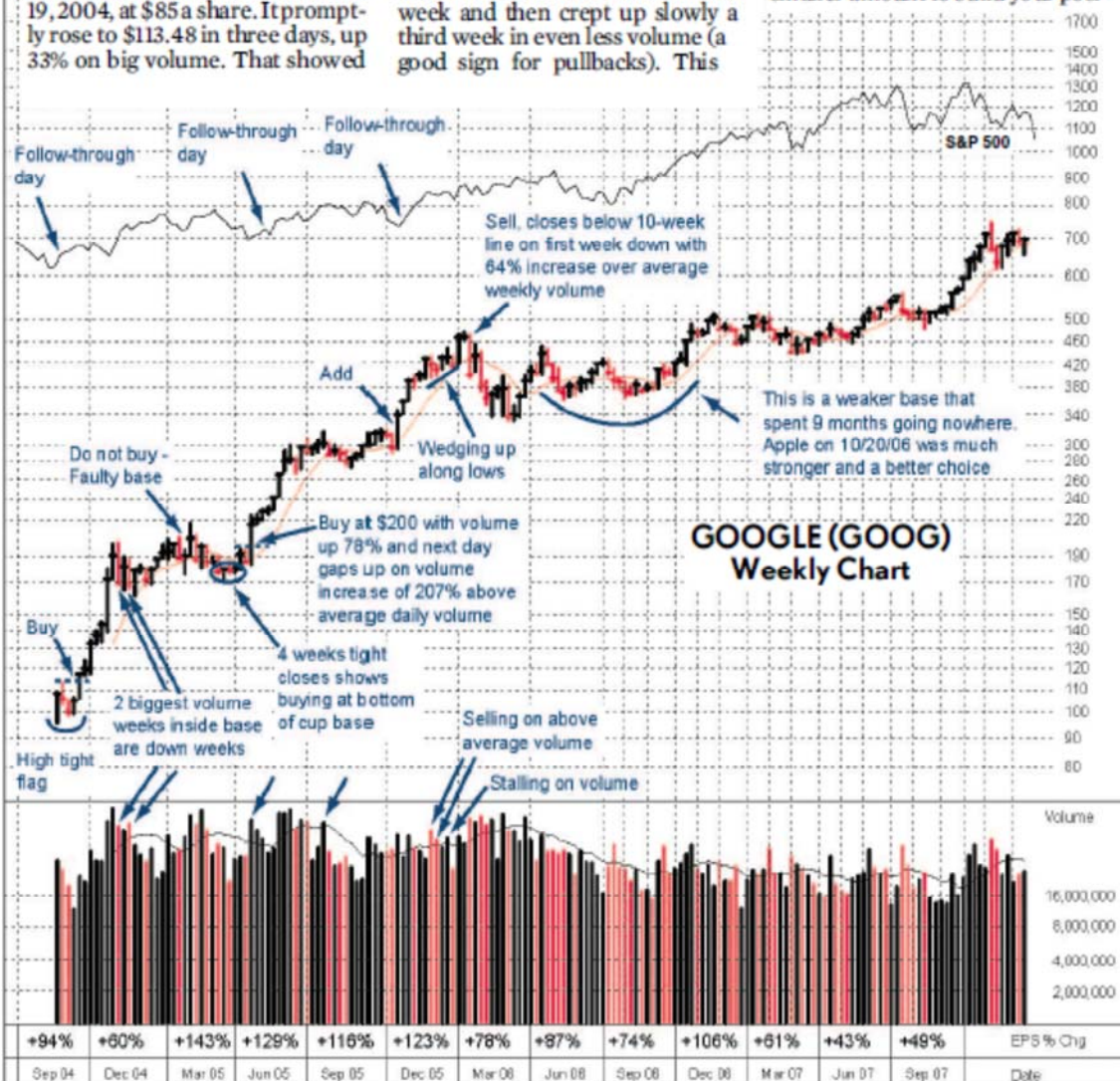
Google, headquartered in Mountain View, Calif., was incorporated in 1998. Goldman Sachs, one of the top investment bankers of technology companies, brought Google public with an IPO on Aug 19, 2004, at \$85 a share. It promptly rose to \$113.48 in three days, up 33% on big volume. That showed

They are simply unsure and are affected by the negative news around market low points.

After the 33% quick jump, Google had a pullback phase. It was down two weeks in less volume each week and then crept up slowly a third week in even less volume (a good sign for pullbacks). This

who comes up with a stock that can triple, as long as you get it and check it thoroughly.

It's one thing to buy a stock, but another to handle it on the way up with sound rules. So pay attention to all the marked-up great historical winners IBD runs in this space every Wednesday. Learn to recognize the faulty bases to avoid and where you can and should add a smaller amount to build your posi-



signs of leadership only a few days after a key follow-through day in the general market averages.

Everyone had just suffered through a five-month-long correction in the S&P 500. Ninety percent of all super winners build their bases during market corrections and break out of one of several historically classic bases either on the follow-through day or in the next two or three weeks. That's why most investors miss the truly great winners. They're asleep at the switch and not paying close attention because of the prior month's poor market action.

formed a perfect three-week high tight flag.

At that point, I got the idea for Google from a longtime associate. He felt it formed a high-tight-flag chart base if we could stretch the prior uptrend from 85. After studying the chart and checking the huge earnings, sales, return on equity and pretax margins, I said it's OK.

Now here's a tip for you: You don't have to come up with every big winner yourself. Join an IBD Meetup club in your area and develop one or two friends who are also very serious about using the CAN SLIM system. It doesn't matter

tion, but only when you're ahead and have a cushion. Also, you must learn when to sell a stock when it closes the week below its 10-week moving average and when to NOT sell just because it closes below that line.

Here are the key known facts at the initial buy point:

- Last 3 quarters earnings +87%, +112%, +123%
- Last 4 quarters sales +173%, +162%, +125%
- 2003 Return on Equity 87.8%
- 2003 Pre-tax margins 39.3%
- The Google search engine was dominant in its space

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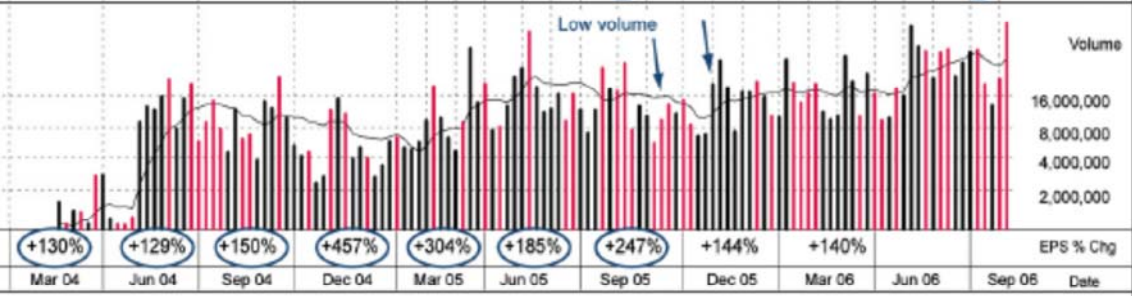
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Hansen Natural made energy drinks and fruit juices sold under the Hansen's and Monster brands. Hansen formed a large cup-with-handle base from the end of June to early November 2004 after climbing a hefty 350% in the prior 9 months.

On Nov. 11, 2004, Hansen broke out of its new large cup with handle on a 189% increase from its average daily trading volume. It then proceeded to advance more than 1,200% in just 79 weeks. Not so bad for selling energy drinks.

The big question is ... did you ever buy energy drinks

equip and prepare yourself to spot and properly act on each market's new leaders with greater confidence, knowledge and skill. You can learn to do it. It isn't easy, but the op-



at a gym, supermarket or convenience store? Or, were you aware of Hansen's product? Did you check out the stock? Do you take a chart service that you use every week to help you spot classic patterns like this that are repeated over and over again every year?

America leads the world with a relentless stream of fresh entrepreneurial innovators and inventors that continually create unique new products and companies every market cycle. Maybe you should get really serious,

portunities are there. It's all up to you.

Every Wednesday, I'll show you the best of the best leaders historically and the common factors they all showed at the start of their move up. Now you will better know what to look for in the future, plus how to apply rules to help you handle these situations once you're in them.

From the initial Hansen buy point in November 2004, notice how many times it met support when it pulled back around its

until our climax top rule told you it was time to sell your whole position.

Here are the key known facts at the initial buy point:

- Last 4 quarters earnings +20%, +40%, +130%, +129%
- Last 4 quarters sales +23%, +32%, +42%, +62%
- 2003 Return on Equity 18.7%
- Latest quarter after-tax margins 11%
- Number of funds owning was up last 4 quarters
- Monster product gains market share vs. industry

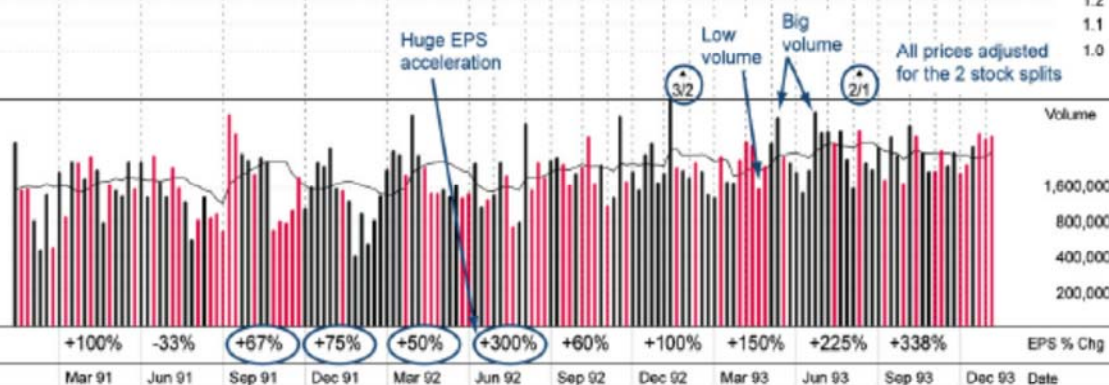
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EMC was the No. 1 firm manufacturing and selling computer memory to major computer companies such as IBM and Unisys. I call this a cousin stock since it supplied a key growing industry during the 1990s technology and Internet boom. Everybody needed more memory as the demand for data continually increased.



**EMC (EMC)
Weekly Chart**



Earnings accelerated over four quarters with the current quarter up a huge 300% and sales up 38%, just before the buy point. EMC also spent 7.5% of sales on R&D. The number of mutual fund owners increased the last two quarters and Relative Strength was 94 at the buy point. It was a new issue six years earlier.

EMC also created a base on top of a base, which was made by the prior base breaking out during the start of a market correction.

Looking at many stock charts every week is how you will learn to

spot many sound bases when they complete their formation. As soon as you recognize these new bases, you should check out all the vital fundamentals: strong EPS, growing sales, healthy profit margins, heavy sponsorship, etc. Ask yourself: What does the company do? Is there a unique new product that is accelerating sales? Read an IBD company story on Investors.com, or run a Stock Checkup. You're looking for the top 1% or 2% of companies, so you want to make sure there aren't any defects.

Vital facts known publicly at the first buy point:

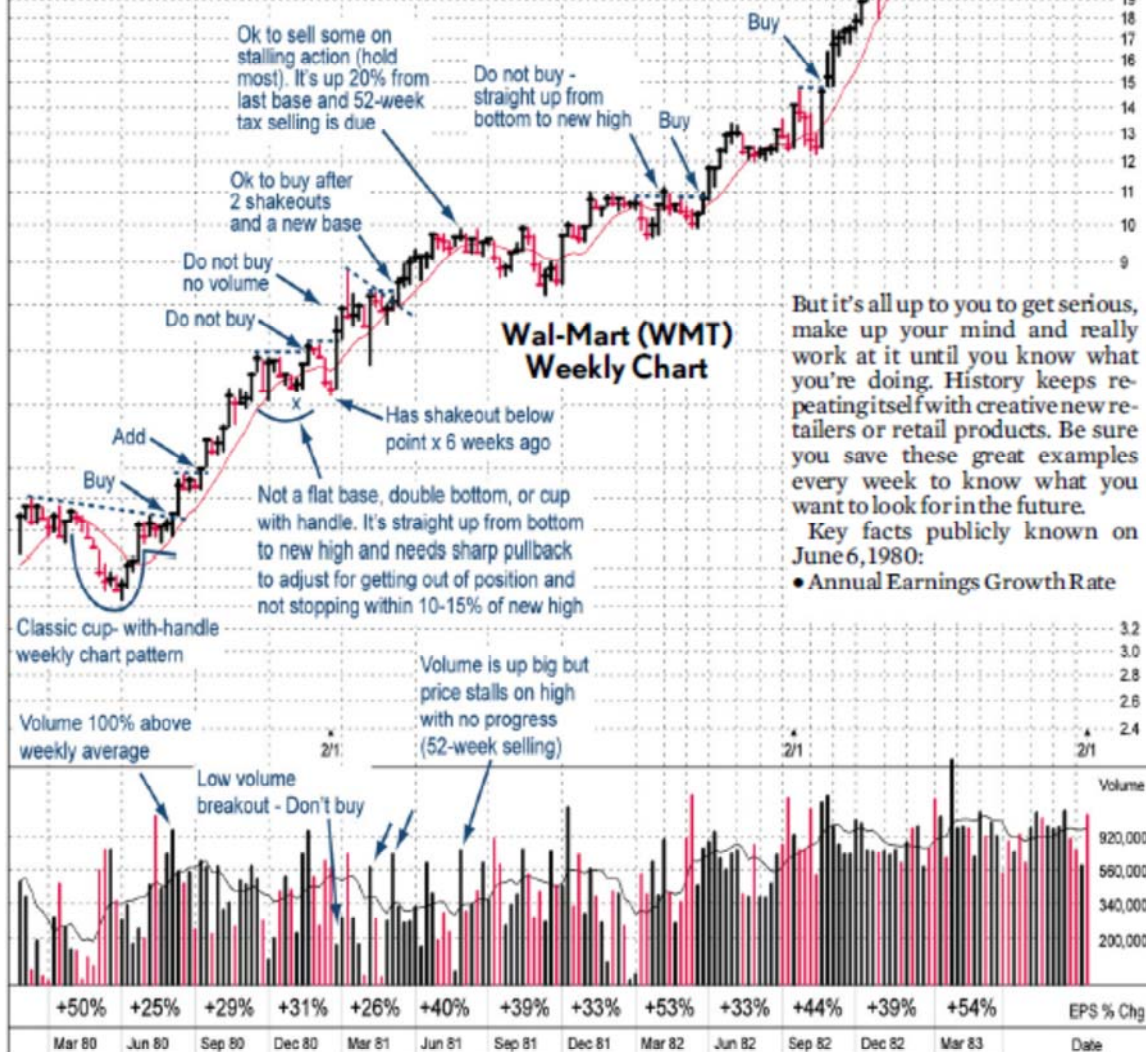
- Last 4 quarters earnings grew +67%, +75%, +50%, +300%
- Recent sales +38%
- Pretax margins +9%
- More fund owners in last 2 quarters
- New issue 6 years ago
- No. 1 firm in computer memory for big computer leaders
- R&D % of sales 7.5%
- Classic double-bottom base breaks out, volume up 258% on 9/14/1992
- Relative Price Strength 94

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Wal-Mart had its first public offering of stock on Oct. 1, 1970, at \$16.50 and was traded over the counter. It then only had about 800 shareholders. If you were aware of the company, and believed in it and bought just 100

There are now approximately 9,000 Wal-Mart/Sam's stores in 14 countries. It is the largest retailer in the world, having created a million jobs. And Wal-Mart's lower prices materially enabled the broad-based masses to im-



But it's all up to you to get serious, make up your mind and really work at it until you know what you're doing. History keeps repeating itself with creative new retailers or retail products. Be sure you save these great examples every week to know what you want to look for in the future.

Key facts publicly known on June 6, 1980:

- Annual Earnings Growth Rate

shares for a cost of \$1,650 then, by 1992 it had nine stock splits and you would have had 51,000 shares worth about \$60 per share, or \$3 million.

But that's not all. From 1993 to 2000, Wal-Mart had two more splits, and from early 1997 to the end of 1999 the price of the stock increased in value another four times, so your original \$1,650 investment would be worth \$12 million. That's astonishing!

From 1970 to 1980, the discount retailer's sales doubled every two years, and stores increased from 23 to 51 to 78 to 135 to 195 to 276.

prove their standard of living.

So over that 30-year period, did you or any of your friends or family members ever shop at a Wal-Mart or know about it? Did you or your friends or neighbors recognize this enormous opportunity and buy Wal-Mart stock? For years, Wal-Mart grew earnings 35% per year on average.

My purpose is to get you to think about and recognize the next round of amazing new innovative companies that show up in each new market cycle. This has been going on for 100 years, and it could just change your whole life.

1971-75 = 34%, 1976-80 = 36%

- Wal-Mart for last 10 years consistently grew average annual earnings at a rate of 35%
 - Return on equity 26%
 - Next-year earnings estimate 34%
 - P/E ratio 12
 - 195 discount stores in 10 central and southern states with plans to increase stores 17% next year
- Join William J. O'Neil on Aug. 11 in Los Angeles as he provides in-depth analysis and the story behind some of the greatest model stocks. Learn more at Investors.com or call 1-800-664-2013.

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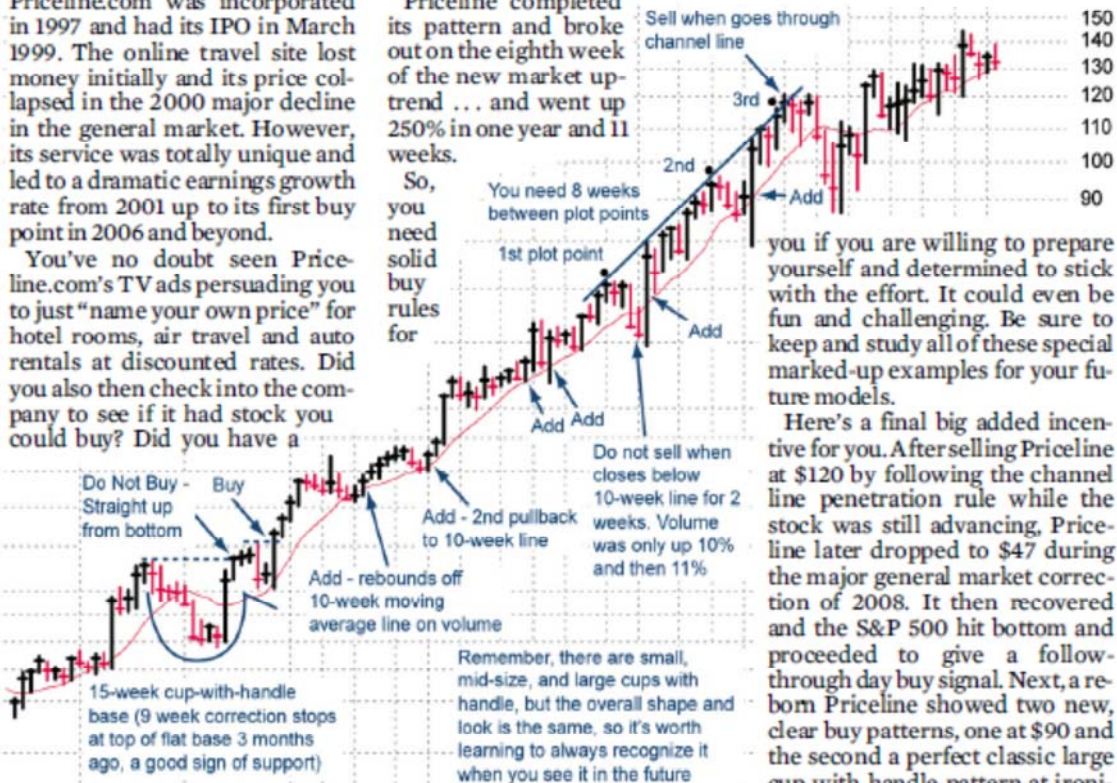
Priceline.com was incorporated in 1997 and had its IPO in March 1999. The online travel site lost money initially and its price collapsed in the 2000 major decline in the general market. However, its service was totally unique and led to a dramatic earnings growth rate from 2001 up to its first buy point in 2006 and beyond.

You've no doubt seen Priceline.com's TV ads persuading you to just "name your own price" for hotel rooms, air travel and auto rentals at discounted rates. Did you also then check into the company to see if it had stock you could buy? Did you have a

Priceline completed its pattern and broke out on the eighth week of the new market up-trend . . . and went up 250% in one year and 11 weeks.

So, you need solid buy rules for

Sell when goes through channel line



you if you are willing to prepare yourself and determined to stick with the effort. It could even be fun and challenging. Be sure to keep and study all of these special marked-up examples for your future models.

Here's a final big added incentive for you. After selling Priceline at \$120 by following the channel line penetration rule while the stock was still advancing, Priceline later dropped to \$47 during the major general market correction of 2008. It then recovered and the S&P 500 hit bottom and proceeded to give a follow-through day buy signal. Next, a reborn Priceline showed two new, clear buy patterns, one at \$90 and the second a perfect classic large cup with handle pattern at ironically \$120, only a year and half after the prior channel line sell at

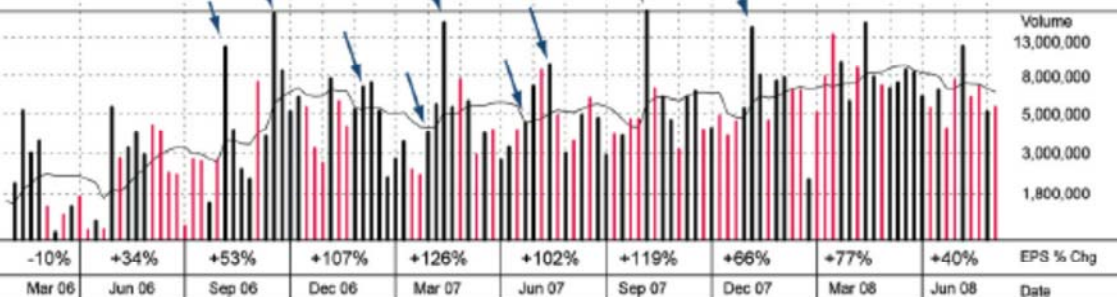


chart service you checked every week so you would not miss this great pattern that's been repeated over 100 times in the past?

Did you notice this company also had a 98% average annual earnings-per-share growth rate? As of late 2006, Priceline had booked 2.8 million airline tickets, 18.7 million hotel room nights, and 7.5 million car rental days.

This first 15-week classic cup with handle chart base was also created during a three-month correction in the S&P 500, which is how most classic bases are formed. Were you tracking charts every week during the market correction so you were on the job when the S&P 500 had its follow-through day the end of that June?

the very best stocks that include the vital fundamentals and chart patterns, plus rules for the dissection of key general market indexes and finally rules that tell you to stay in and not be shaken out until crucial proven sell rules tell you it's time to sell.

Don't ever let yourself be discouraged and give up. These rules can be learned and if you are serious and work to better prepare yourself you can learn the necessary steps. Remember every new cycle is led by new innovative companies.

You've seen many in the past but probably didn't know how to fully capitalize on them. You will see many more in the future so don't lose your confidence. It's all up to

\$120. Priceline then soared from \$120 to \$774 for a new 545% advance.

If you're curious, you can calculate what a 545% advance on top of a 250% increase adds up to.

- Vital facts known at the \$35 buy:
- Stock was up 5% on 9/22/2006 on volume 960% above average
- Annual earnings growth +98%
- Return on equity 20%
- Management owns 36%
- Last quarter EPS +34%
- After tax margin 7.5%
- 3 qtrs. rising fund ownership
- Jeff Vinik owned 1.1 million shares
- Goldman Sachs as investment banker
- Relative Price Strength 90

-10%	+34%	+53%	+107%	+126%	+102%	+119%	+66%	+77%	+40%	EPS % Chg
Mar 06	Jun 06	Sep 06	Dec 06	Mar 07	Jun 07	Sep 07	Dec 07	Mar 08	Jun 08	Date

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McDonald's in the early 1950s created the new "self-service fast-food revolution" with 15-cent hamburgers and 8-cent french fries ready almost instantly for takeout.

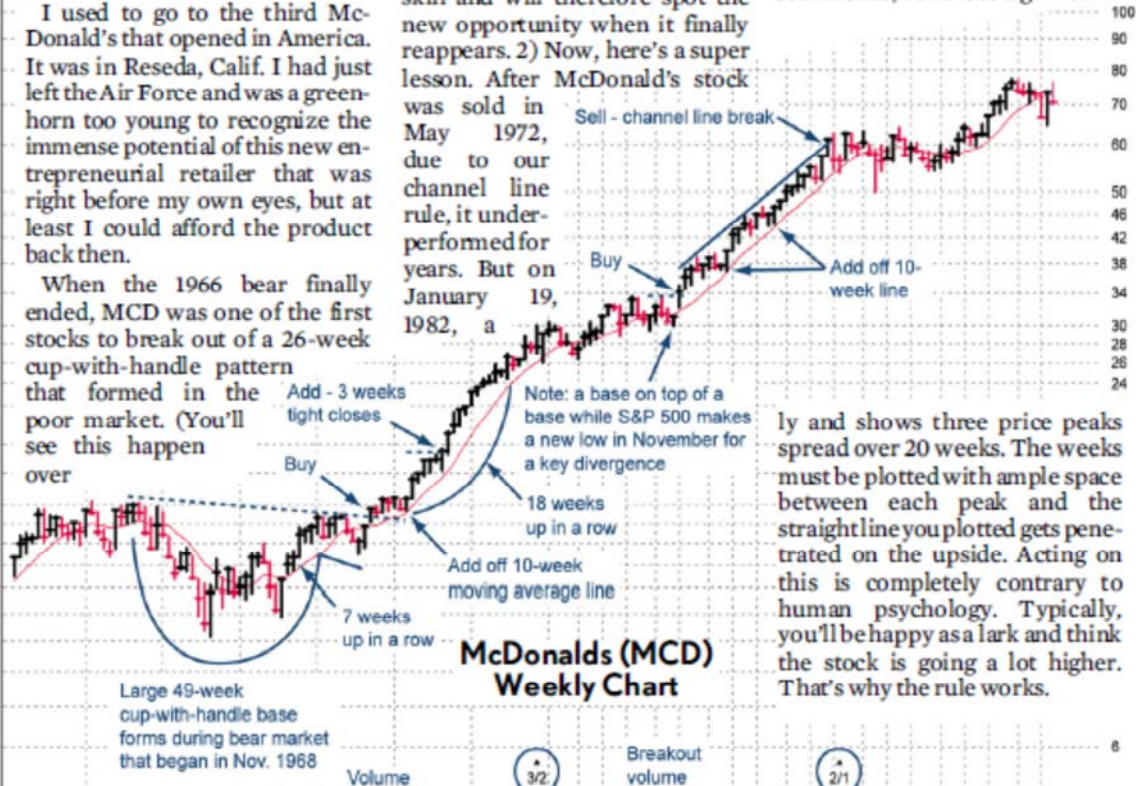
I used to go to the third McDonald's that opened in America. It was in Reseda, Calif. I had just left the Air Force and was a greenhorn too young to recognize the immense potential of this new entrepreneurial retailer that was right before my own eyes, but at least I could afford the product back then.

When the 1966 bear finally ended, MCD was one of the first stocks to break out of a 26-week cup-with-handle pattern that formed in the poor market. (You'll see this happen over

high doesn't mean it can't build, after a sharp general market correction, a sound new pattern creating another opportunity. The good chartist stays on the job every week, increases his or her skill and will therefore spot the new opportunity when it finally reappears. 2) Now, here's a super lesson. After McDonald's stock was sold in May 1972, due to our channel line rule, it underperformed for years. But on January 19, 1982, a

patterns with skill (which you can do) and always combine charts with outstanding fundamentals, sales, earnings, and return on equity, etc., the market will tell you when it's time to take action. If you just go by your personal opinion about all the news events, you'll probably make more mistakes.

Our channel line rule is to sell a stock after it emerges from a sound base, advances significant-



McDonalds (MCD) Weekly Chart

Date	EPS % Chg
Dec 69	+29%
Mar 70	+31%
Jun 70	+28%
Sep 70	+33%
Dec 70	+11%
Mar 71	+22%
Jun 71	+25%
Sep 71	+36%
Dec 71	+90%
Mar 72	+55%
Jun 72	+35%
Sep 72	+37%
Dec 72	

and over in each new bull market.) It soared 500% in only 34 months in the 1967-68 bull market.

Later, MCD formed a new, but longer, cup-with-handle pattern in the 1970 bear. It advanced from a split-adjusted \$15 to more than \$60 in just 18 months, once the bear turned up into a new bull market. You can see this on the annotated chart with this story.

The example has a few lessons: 1) Just because a unique new company moves up in price and seems

new base formed and MCD increased an incredible 35 times until a top in 1999. Surely you must either have known about MCD during that time or used their product. Did you ever think about buying the stock? Four years after the 1999 top, MCD roared up again and tripled, creating a 100-fold move from 1981! There isn't room on this page to show a 35-fold move, but in a future week, we'll show you that period on a monthly chart.

If you learn to read classic chart

Here are MCD key facts known to investors in November 1970:

- 16 qtrs. steady earnings growth
- Annual EPS growth rate 27%
- Last 3 qtrs. EPS +31%, +28%, +33%
- Annual Sales growth rate 31%
- Top growth funds then owned MCD: Magellan, Security Equity, Invest, Colonial Equity
- 49-week cup-with-handle base
- Breakout daily volume up 176%
- #1 in field, lowest prices
- Nearly everyone buys hamburgers
- Bull market began 2 qtrs. ago

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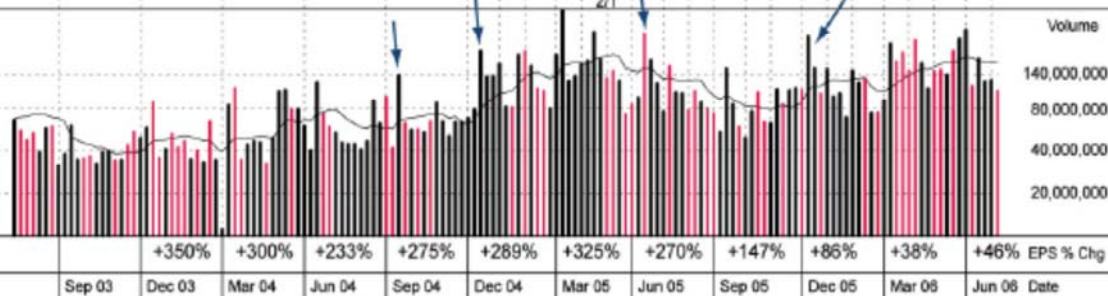
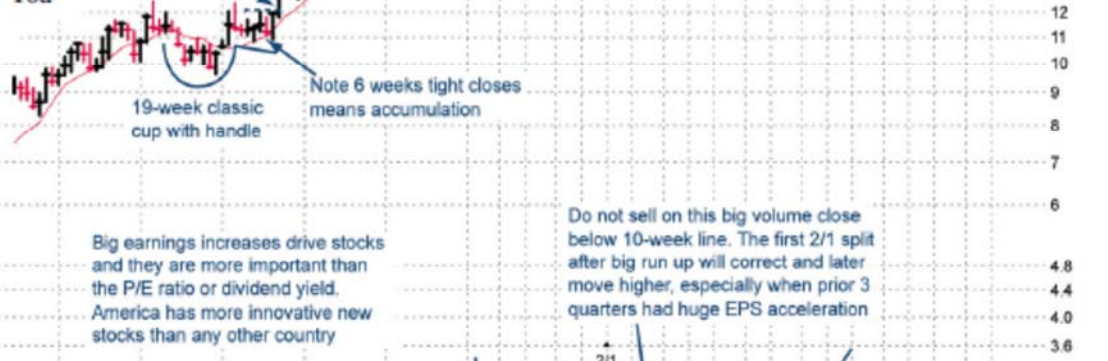
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It's always better to follow history-proven rules of when it's best to buy or sell. You will make fewer bad mistakes than you will when you just go by personal opinions or how you feel psychologically or listening to tips. Also note how when true big leaders correct, they tend to stop at the top area of the previous sound base or get professional support around their 10-week moving average line.

The real key is the outstanding new leaders need unique new products that are dramatically different and better than their competitors. Both sales and earnings should be up significantly as they gain share of market and institutional buyers. You

PCs, the Internet, cell phones and now Apple's iPads.

Apple was always an innovator, but never fully capitalized on its products. That all changed after Steve Jobs returned to the company



	+350%	+300%	+233%	+275%	+289%	+325%	+270%	+147%	+86%	+38%	+46%	EPS % Chg
Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05	Sep 05	Dec 05	Mar 06	Jun 06	Date

could in time become financially independent if you really study and work at how to find and own the free enterprise system's very best companies.

Each of the last 27 new market cycles was led by either new inventions or innovative new businesses. From covered wagons to the steamboat, to railroads then cars, the airplane, jet airliners and spaceships. From pen and ink to the telegraph, light bulb, telephone, typewriter, camera, the radio, TV, credit cards, discount stores, semiconductors, the "pill," lifesaving drugs and medical operations, mainframe computers to

and unleashed a stream of new technological advancements in music, mobile phones and tablets.

You are free to buy and prosper from each cycle's new innovative companies.

Pay attention to where you, your kids and friends shop and what you buy. If these innovators have stock, check them out carefully. Learn how to invest more wisely. Protect yourself with more knowledge and skill. You may surprise yourself if you're determined to benefit from this country's never-ending creation of future new market-leading companies.

Key data publicly known at time

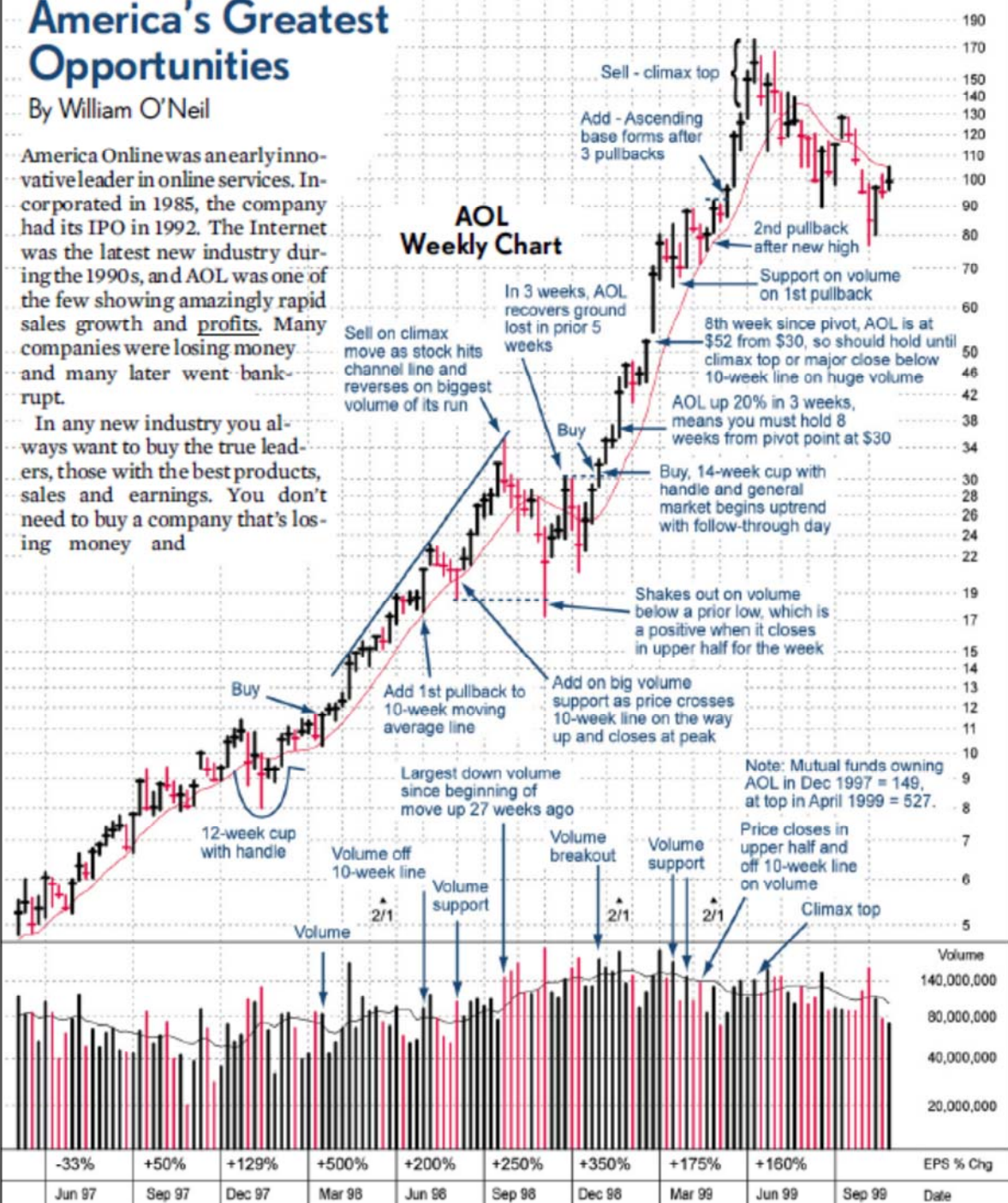
- of first Apple buy:
- Stock is a turnaround: Last 2 quarters EPS +300%, +433%
 - Quarterly sales accelerate from -1%, to +8%, +19%, +36%
 - Up/Down volume 1.4, a new high
 - R&D 7.6% of sales
 - No debt
 - Management owns 4% of stock
 - Next year EPS estimate +130%
 - Sponsorship, 3 top Fidelity funds took new positions of over 2 million shares each
 - Last quarter 14% above EPS estimates
 - P/E ratio 72

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America Online was an early innovative leader in online services. Incorporated in 1985, the company had its IPO in 1992. The Internet was the latest new industry during the 1990s, and AOL was one of the few showing amazingly rapid sales growth and profits. Many companies were losing money and many later went bankrupt.

In any new industry you always want to buy the true leaders, those with the best products, sales and earnings. You don't need to buy a company that's losing money and



hopes to make it in the future. Knowing is always better than hoping. AOL zoomed from a split-adjusted \$12 to \$175 in just 15 months.

Your job is not just to be right, but also make significant money when you are right. It's critical to have and follow proven rules at every stage of a stock's move, so you don't have to go by how you feel or your personal opinions.

Notice how we're buying only off of specific price and volume patterns and only stocks with big

increases in sales and earnings, plus sponsorship.

Note also, after initially buying as a stock emerges from specific patterns, you have rules to hold until certain defined things happen before you sell. This removes a lot of personal emotions from your decisions.

The more proven rules and principles you know and follow, the more your overall results should improve. Anyone should be able to learn how to follow sound rules — if you are motivated and deter-

mined. Investing isn't always easy, but the big opportunities are there every cycle.

Here are the vital fundamentals available to everyone in January 1998:

- Last 3 years sales \$394 million, \$1.1 billion, \$1.7 billion
- Last quarter EPS +50%
- Last quarter sales +49%
- Beta 0.76 Alpha 5.76
- Number of funds owning AOL up each of last 3 quarters
- Fidelity, Alger and Zweig all owned AOL

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Qualcomm^{QCOM} is a San Diego telecommunications company. Much of the digital wireless phone system uses Qualcomm's own code division multiple access technology, called CDMA. Note that the stock formed three chart bases: The first two were faulty (improper bases that failed), but the third was a classic cup with handle.

The first base had three bottoms. Sound bases that work almost always have only one or two bottom areas, and a double bottom should see the second bottom undercut the first.

The second bad base had the same defect with even more time spent in the low part of the base, which is a weak sign. But 24 weeks later, after a general market shakeout, a cup with handle forms. The stock then advanced from 7 to 200 in only 52 weeks. It ballooned more than 2,700%!

volatile tech stock and the S&P 500 had a sharp decline over 15%.

Apple five years later formed a shorter, 19-week classic cup with handle that corrected only 23% since the S&P 500 had a much smaller decline. Market corrections form new bases and new leaders so you don't want to miss market turnarounds.

America relentlessly creates new innovative, entrepreneurial superwinners every cycle. Once you spot them, you must always



If you lived in San Diego, you should have known about it. The San Diego Union-Tribune published five stories on the company before the perfect cup with handle formed. If you had learned how to read chart patterns, you could have spotted the pattern regardless of where you lived.

There are small cups usually seven weeks or more, midsize cups and big cups. But the shape is the same and you can learn to recognize it. Qualcomm was a 24-week cup. Top to bottom measured 42% because it was a more

use a checklist to make sure the stock has strong earnings and sales. That's essential.

Once bought, when do you sell? Let the stock tell you. Once you think you possibly have a big winner because it's one of your best performers, you could hold until your stock either closes the week on huge volume and materially below its 10-week moving average, or has a climax top.

Key facts publicly known at time of first buy point:

- Last 3 years EPS \$0.30, \$1.28, and \$1.70, averaging 79%

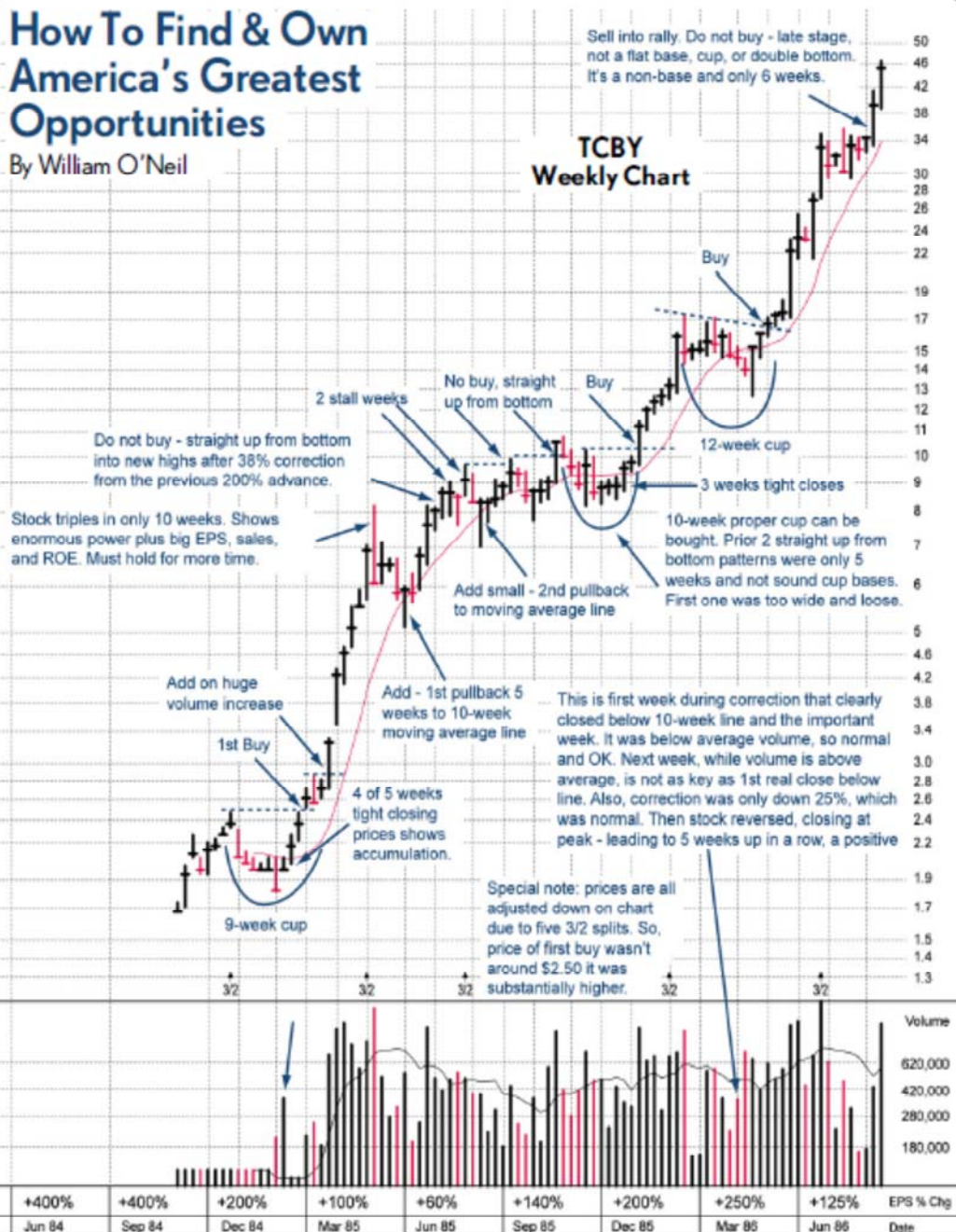
annual EPS growth

- Last quarter earnings +29%
- Last 3 years annual sales growth +99%
- Last quarter sales +54%
- Relative Price Strength 81 and Accumulation/Distribution A
- % of sales used for R&D: 10.4%
- Cash flow was 2 times EPS and no debt
- Next year annual estimates +50%
- Jeff Vinik, a sound hedge fund manager, bought 300,000 shares as a new buy
- Management owned 13%

How To Find & Own America's Greatest Opportunities

By William O'Neil

TCBY Weekly Chart



TCBY Enterprises incorporated in 1984. By late 1985, they had 102 brand-new This Can't Be Yogurt dessert stores in 25 states. In 1986, they operated 17 and franchised 225 yogurt dessert stores in 34 states under the TCBY yogurt name. TCBY served flavors of yogurt containing all natural ingredients. It was an instant and fast-growing hit.

If you liked ice cream, you had to like their innovative frozen des-

serts. If you bought their product, did you also consider buying their stock? Why not? All the vital facts were there at the beginning.

The chart price structure was right, the volume data were right, the general market was in an uptrend and the economy was strong due to Reagan's across-the-board tax cuts.

Here were the vital facts known at the time of TCBY's first buy point:

- Last 3 quarters of earnings

average up 333%

- 3 quarters of sales averaged up 263%
- Return on Equity 33%
- Pretax profit margins 26%
- Next year's EPS est up 110%
- P/E Ratio 17 grew to 98 at its peak.

From its first buy point, TCBY increased more than 1,700% in just 19 months.

Real skill at reading charts plus looking for great fundamentals can have huge payoffs.

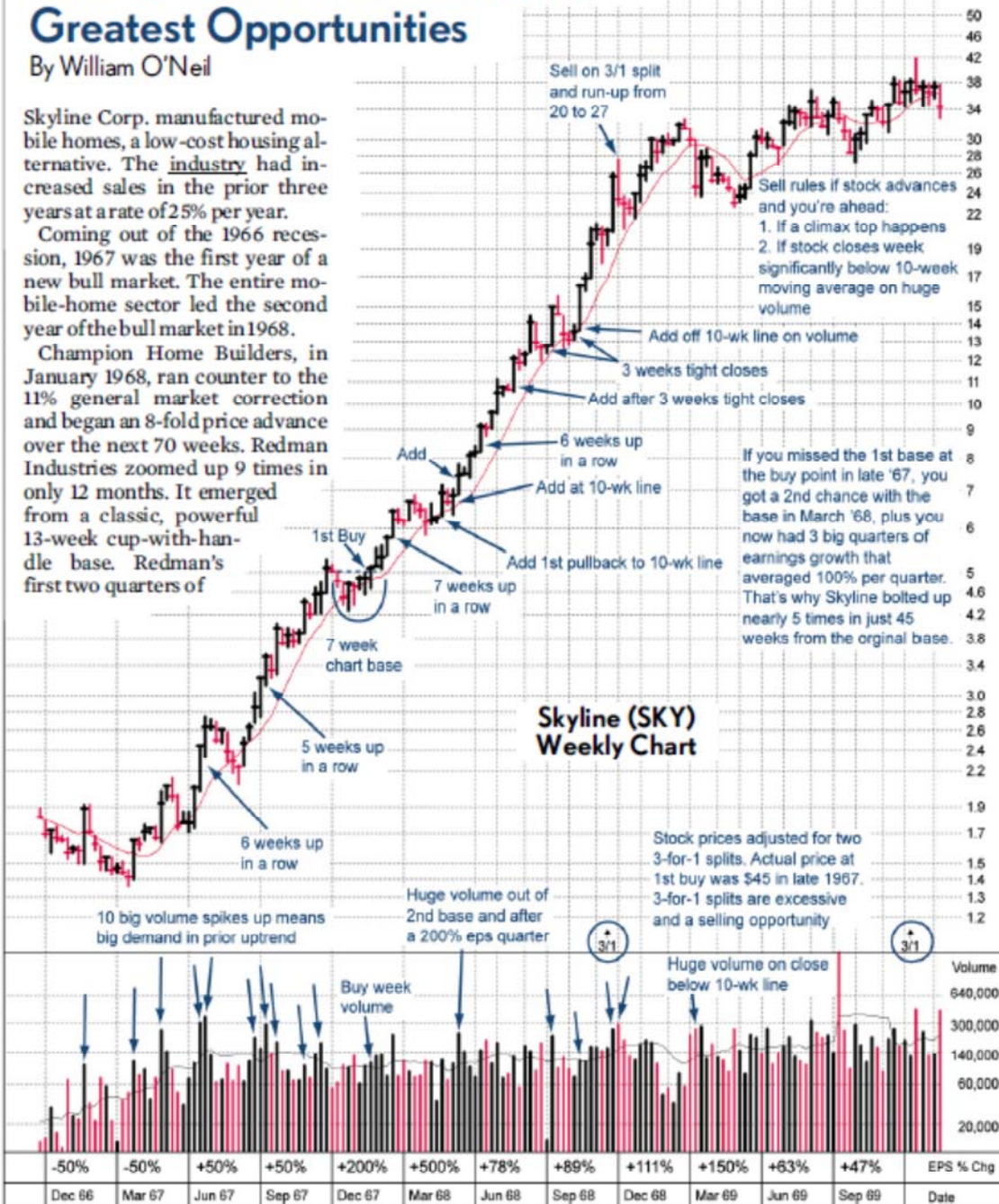
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Skyline Corp. manufactured mobile homes, a low-cost housing alternative. The industry had increased sales in the prior three years at a rate of 25% per year.

Coming out of the 1966 recession, 1967 was the first year of a new bull market. The entire mobile-home sector led the second year of the bull market in 1968.

Champion Home Builders, in January 1968, ran counter to the 11% general market correction and began an 8-fold price advance over the next 70 weeks. Redman Industries zoomed up 9 times in only 12 months. It emerged from a classic, powerful 13-week cup-with-handle base. Redman's first two quarters of



earnings turnaround were up 200% and 800%. We'll cover Redman in detail for you a few weeks from now.

Being in a cyclical industry, Skyline's earnings turned up 50% two quarters in a row back to its previous peak. Note the 10 huge above-average volume spikes during big price up weeks, showing a powerful prior uptrend to the base in December 1967.

The lesson here for you to learn is that every single new bull market for the last 100 years has had 10 to 20 or more new innovative

dynamic market leaders.

You can learn how to spot the best future leaders if you save each example I'll mark up each Wednesday for you. Why is that? Because the names will be new, but the big numbers in earnings, sales and price and volume patterns repeat themselves over and over again. You will learn exactly what you need to look for.

Why not have some fun, learn a new skill and capitalize on the great opportunities that America creates every cycle?

Key facts on Skyline available at the time for everyone in late 1967:

- Industry sales had grown 25% per year in prior 3 years
- Current EPS up 50% last 2 quarters
- Huge accelerating weekly volume demand in prior uptrend for 4 quarters
- Price always got support at its 10-week moving average line on the way up
- Weekly chart services were available to help you spot basic patterns

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Do you like to see movies? Do kids like movies? Sure. A few years ago, I did a study of themes in the market that occurred in nearly every cycle. One of the five recurring themes was the leisure and entertainment industry.

For example, in the late '50s, Diner's Club created America's first credit card, Brunswick's new automatic pin-spotter set off a bowling boom, and Polaroid's new "picture-in-a-minute" cameras gave people instant photos.

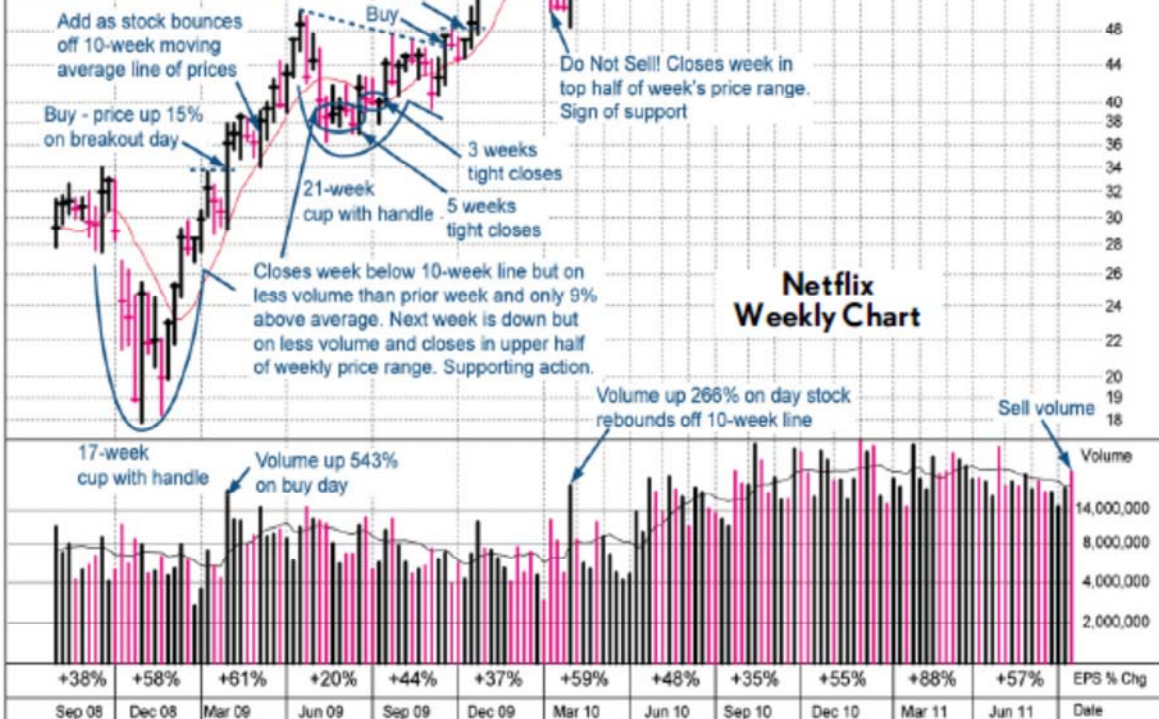
Then in the '60s came all the color TV stocks, Disney, Winnebago's motor homes, and McDonald's fast food in the 70s. This Can't Be Yogurt and International Game Technology's computerized casino gaming were new innovations of the '80s and '90s

never stopped to think and buy these stocks that increased in price 3, 10, 50 or 100 times.

And this was just one industry sector in America! There are dozens of other sectors. They too had exciting new leaders pop up in new market cycles.

Every Wednesday, I'll cover in detail how you can learn to recognize the many future out-

Sell after long run up to new highs and drops 2 wks straight down to 10-week line, then goes straight back up to new high ground in 2 weeks.



for consumers.

More recently we've seen Apple's iPods, iTunes, iPhones and iPads, Priceline's "name your own price" for vacation travels, and Hansen Natural (now Monster Beverage).

These new innovative leisure companies all had stock available that soared from 300% to as high, in some cases, as a mind-boggling 10,000%.

People old enough to have lived during some of these periods will remember many of these companies and will have used many of their products ... and yet they

standing big leaders that in the past may have been right under your nose, but you never capitalized on them.

We'll use fundamental rules, charts and historical precedents to guide you to, perhaps in time, financial independence ... if you work at it and not let yourself become discouraged.

The more you learn the facts of past innovative leaders the more you'll be able to recognize the next crop of winners. They will be there, so never give up ... if you want to succeed. Here are the vital fundamentals at the time of

the first Netflix purchase:

- 4 years Earnings Per Share
\$0.33 \$0.82 \$1.01 \$1.44
- 2008 Cash Flow \$5.67
- Return on Equity 23%
- Pretax Margin 10.5%
- Last 3 Quarters EPS
+36% +38% +58%
- Last 3 Quarters Sales
+11% +16% +19%
- 3 straight quarters with higher number of fund owners
- 7 announced buybacks of stock in last 7 quarters
- Relative Price Strength at new high 8 weeks prior to breakout

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We live in the greatest country in the world. How did it evolve? The U.S. system, that's how. It's your freedom of speech, religion and press.

You are free to own property and keep arms. Every citizen over 18 is free to vote in elections every two and four years, and replace weak or failed leaders. You are free to work, learn, create, innovate and invent because of our way of life. We are a nation of innovators because of these freedoms.

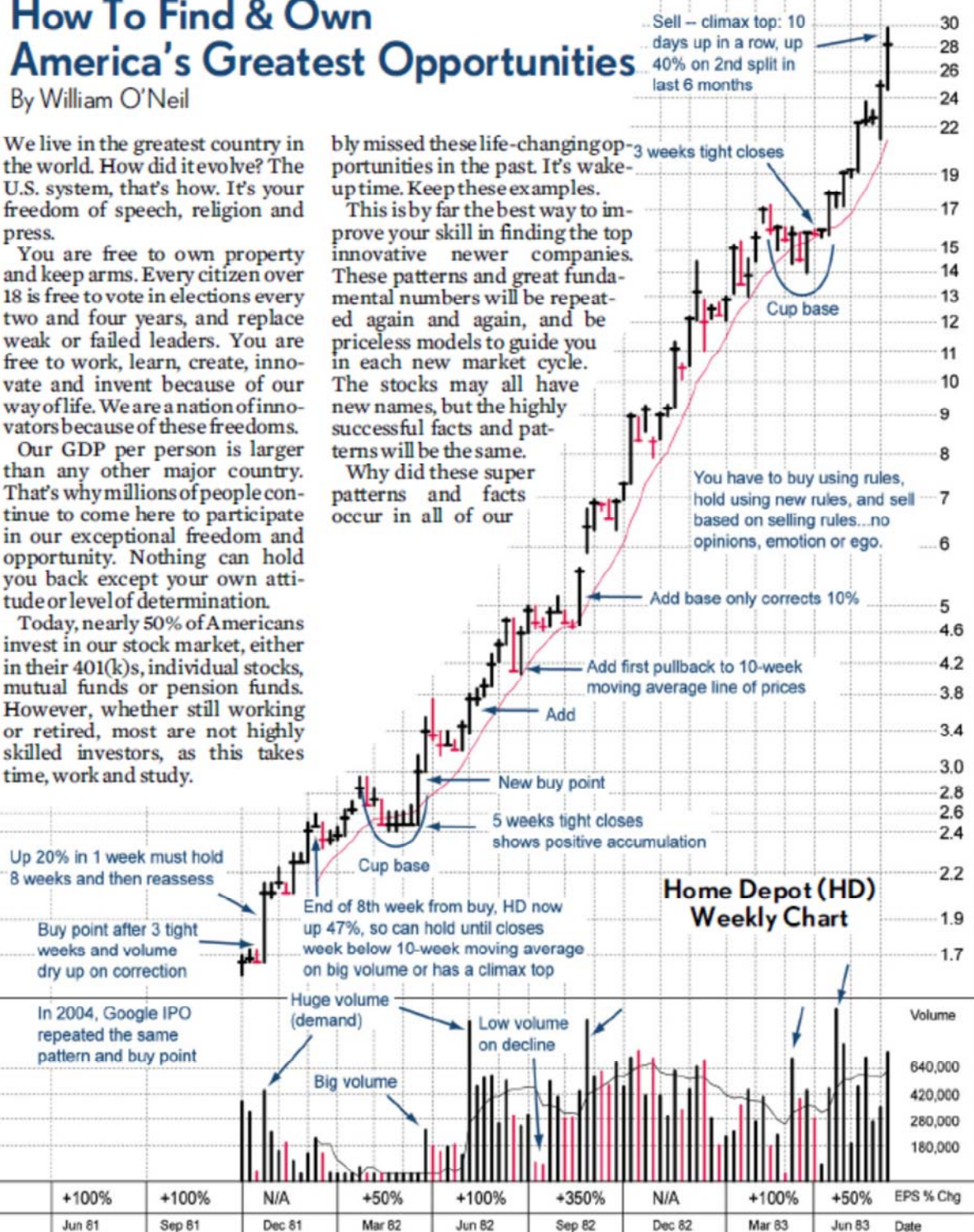
Our GDP per person is larger than any other major country. That's why millions of people continue to come here to participate in our exceptional freedom and opportunity. Nothing can hold you back except your own attitude or level of determination.

Today, nearly 50% of Americans invest in our stock market, either in their 401(k)s, individual stocks, mutual funds or pension funds. However, whether still working or retired, most are not highly skilled investors, as this takes time, work and study.

ably missed these life-changing opportunities in the past. It's wake-up time. Keep these examples.

This is by far the best way to improve your skill in finding the top innovative newer companies. These patterns and great fundamental numbers will be repeated again and again, and be priceless models to guide you in each new market cycle. The stocks may all have new names, but the highly successful facts and patterns will be the same.

Why did these super patterns and facts occur in all of our



In every new market cycle for more than 100 years, innovative companies continue to leap on to the scene and become outstanding new leaders. So you must learn how to, early on, recognize and capitalize on our never-ending parade of amazing opportunities.

Each Wednesday, I'll cover in detail one of these remarkable entrepreneurial stocks whose price soared 5, 10, 20, 50 or 100 times in the recent past so you can learn the key factors to look for in future new leaders.

Also, you'll learn why you proba-

last 27 market cycles?

With all the changes and problems in the world, three things do not change, especially in the U.S.

- 1) The law of supply and demand.
- 2) Human nature.
- 3) The drive and unrelenting initiative of our innovators.

Here is my first example of two creative entrepreneurs: Bernie Marcus and Arthur Blank had just been fired from a hardware chain so they decided to start a new type hardware store named Home Depot.

In 1981, in the middle of a bear

market, they had a public offering of Home Depot stock.

Here are the vital fundamentals available to everyone at that time:

- Last Qtr EPS +500%
- Avg Sales Last 5 Qtrs +180%
- After Tax Profit Margin 4%
- Return on Equity 28%
- Next Yr EPS Est over 100%
- P/E Ratio 36

Home Depot soared 1,600% from the buy point to its climax top sell point in 1 year and 8 months.

In the future, you should always check out any great new company where you like to shop.