

**SPECIAL
REPORT:**

**2016
"Profit
Catalyst"
Watch List**

Prepared By: Linda McDonough, CFA

Dear Investor,

I believe the pages that follow will play a very important role in your investing success in 2016.

If I had to guess, almost all of the companies listed below have never been considered as candidates for your portfolio.

For the most part, these aren't the kind of companies gracing the cover of the Wall Street Journal or receiving air time on CNBC.

In fact, many top Wall Street banks don't even allocate their research resources towards covering them.

And that presents an amazing opportunity for us.

Because each of the stocks below has passed my initial screens for a "profit catalyst" trade.

That means, they could have what it takes to double in value 6 – 12 months from now due to very specific situations inside the company.

TO BE CLEAR: the companies on this list are not currently recommendations. I am in the middle of a more thorough vetting process that will help me narrow down the best of this group, and I'll be updating our notification list as my research develops.

For now, please read the brief description of each opportunity below. And stay tuned for additional updates.

To a prosperous 2016,

Linda McDonough, CFA



Hibbett Sports (HIBB)

Hibbett's, who operates 1,000 athletic stores in the U.S., raked in some great margin improvements in its recent quarter. An expansion of footwear assortment was the driver. The stock traded 10 times its average volume on 11/20 and raced up 16%. While this fundamental shift could prove to be what we need to recommend it, I need to do more thorough valuation work to make sure the current price is acceptable for us.



OSI Systems (OSIS)

OSI sells electronic systems for security screening. In mid-November I saw a meaningful spike in price due to an order from the French government for its baggage screening system. The chart looks great but I need to investigate whether this is a sign of sustainable improvements or a one-time event.



Abercrombie and Fitch (ANF)

The Abercrombie chart is signaling some fantastic things to me. It moved up on gigantic volume, trading up after a long drought. I also love following teen retailer makeover stories. Chucking out obnoxious management, cleaning up the stores and the risqué bags and advertisements are all moving the numbers in the right direction. The biggest concern is the stock's price. It might be too expensive for us, but I'm not sure yet until I dive into my model a bit further.



Cabela's (CAB)

The sport, fishing and hunting retailer with 71 stores in North America tripped my technical trading volume trigger about a month ago. While the volume spike was enough to get our attention I need to dig further into the news and underlying business to see if it's for us.



SolarEdge Technologies (SEDG)

SolarEdge makes inverters and optimizers for solar panels. This hardware is the brains in a solar panel, improving the efficiency of energy production of each panel. It has been trashed with the whole solar sector since mid-summer. Fears of a declining tax credit and overextended solar operators have sent the group spinning. Yet SolarEdge's numbers reflect none of that, which makes me curious. I need to get a better understanding of just how profitable this company can be before moving forward on the recommendation.



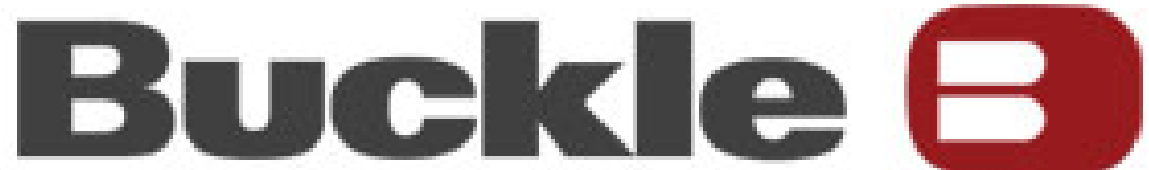
Sally Beauty Health (SBH)

Sally Beauty is a retail and commercial distributor of beauty supplies. The volume spike looked passable to us. It traded twice its average volume, just above the low end of our acceptable volume surge. Sally Beauty's turnaround plan seems to be getting some traction. Profit from its retail stores is improving due to product resets but profit from sales to salons is still declining.



Dycom Industries (DY)

Dycom Industries, Inc. provides specialty contracting services in the United States and Canada regarding engineering, construction, maintenance, and installation services when fiber and telecom cables are being laid down. What a beautiful chart! Dycom ran up to the top of our watch list when it traded five times its average volume in late 2015. I need to research their *potentially* problematic contract accounting methods and get more comfortable with earnings growth potential.



The Buckle (BKE)

When I saw The Buckle jump earlier this year I got excited. This teen retailer has jump-started profits in the past with the addition of high end denim and graphic tees. Here's what I need to find out, was the boost to the stock simply because the numbers were not as bad as investors feared, or was there an underlying shift to the business that could double the stock from here.



Copart (CPRT)

This auctioneer of salvage vehicles and parts raced upward on earnings this past November. The spike in volume for this junkyard dog was exactly what tips us off to most Catalyst stocks. Plus, a decline in shares outstanding, which should continue due to a recently announced buyback program should ensure higher earnings per share in the future. But is there a "fundamental shift" in this business? I should get management on the phone and talk through this.



Beacon Roofing Supply, Inc.

Beacon Roofing Supply (BECN)

This distributor of roofing and building materials looks like it could be the perfect "catalyst stock". A second spike in volume in the past 6 months, the first followed by a steady creep upward in price. We are wary of recommending stocks trading near all time highs, particularly when they are cyclical. Beacon's news that regional acquisitions were improving margins seems particularly interesting.



Chef's Warehouse (CHEF)

Chef's Warehouse, a distributor of specialty foods to restaurants, schools, bakeries and catering firms, poked briefly above our \$500 million minimum market cap threshold on good news last month. The volume spike, almost five times its average volume, inspired me to take a closer look.



Photronics (PLAB)

Photronics makes sophisticated masks used in the production of semiconductor wafers. Its business had long been dogged by cut throat pricing when chips became more commoditized. A spike in volume in December made me take a second look. This supplier of photo masks seemed to be doing something right, I need to learn more.



American Woodmark (AMWD)

This cabinetry maker has been on a roll. A resurgence in high-end housing has kept demand chugging along. The company had been reporting impressive sales and earnings growth for several quarters so I'm spending some time digging to see if anything meaningful is afoot.

francesca's®

Francesca's (FRAN)

Francesca's operates almost 600 retail boutiques selling accessories and clothing to young women. The company beat estimates and increased expectations for the holiday quarter based on stronger sales. However, if we cannot identify the new catalyst on this stock, we cannot recommend it.



Computer Programs and Systems (CPSI)

CPSI looks intriguing. The provider of healthcare software systems to rural hospitals had suffered a sick period for the past twelve months. A recent spike in trading volume could possibly signify a change in fortunes. The company has made a lot of acquisitions in the past, and I need a better understanding of their strategy before recommending.



Berry Plastics Group (BERY)

The manufacturer of plastic consumer packaging recently announced the acquisition of AVINTIV, who makes healthcare packaging products. It will surely give it exposure to a new set of customers. I need to dig into the core business and see if this will be the catalyst that doubles this stock.



Arris Group (ARRS)

Arris makes set-top boxes and networking equipment to broadband and digital broadcast providers. An early December spike in Arris' volume was because the company had received U.S. regulatory approval to proceed with its acquisition of British set-top box maker Pace. Here's the big question: is this stock cheap enough to assuage our fears from declining spending by cable providers?



Silver Springs Networks (SSNI)

Silver Springs develops systems that let utility meters transmit data on energy usage. What's not to love about this perfect play on the Internet of Things? Indications that deal flow is robust sent the stock up on big volume last month. Could we find enough good news to justify the expensive valuation? I've been burned by stories like this in the past, so I need to get comfortable this stock is worth every penny we pay.

The logo for The Children's Place, featuring the text "THE CHILDREN'S PLACE" in white, serif, all-caps font centered on a solid blue rectangular background.

THE CHILDREN'S
PLACE

The Children's Place (PLCE)

This mall based retailer of clothing for children, has roughly 1,000 U.S. stores and 90 international. It jumped 10% on big volume in December. The announcement of a large share repurchase, equal to almost one quarter of the company's market cap, drove the stock up. I'm taking a closer look.



Jack In the Box (JACK)

Although this quick service restaurant company (owner of Jack in the Box and Qdoba restaurants) showed up on our trading volume screen I haven't yet found the story behind it. The company's earnings reported in mid-November were decent but not great. It could be that the stock is bid up in anticipation of presentations at investor conferences.



Casey's General Stores (CASY)

Casey's General Stores who operates 1,800 convenience stores in the Mid-West has grown sales considerably by adding fresh foods, pizza and microbrew beers to its stores. In early December volume spiked to almost triple its average level. Extending hours and adding pizza delivery has boosted numbers but I need to dig into the numbers and see if that's enough to make this stock double from here.



Orbotech (ORBK)

Orbotech sells tools that help manufacture and test printed circuit boards (PCBs), liquid crystal displays (LCDs), and semiconductor devices. The stock jumped on news of a new product line extension in early November. I'm working to analyze whether the additional profits generated from this line will justify buying the stock.

The logo for Vera Bradley is written in a highly stylized, cursive script. The letters are fluid and interconnected, with a prominent flourish on the 'y' in 'Bradley' that extends downwards and to the right.

Vera Bradley (VRA)

Can a leopard change its spots? Vera Bradley, the purveyor of handbags, is pulling itself out of a sales slump by replacing its floral cotton quilted bags with sleeker, microfiber styles. The company sells product through 2,700 doors in the U.S. comprised of company owned stores, department stores and gift boutiques. There's a chance these new sleek bags can turn around a long trend of declining sales.



AeroVironment (AVAV)

This manufacturer of unmanned aircraft systems, aka drones, has improved profits dramatically due to sales of higher margin products.

Increased interest from government agencies for more sophisticated products should boost earnings higher.



Krispy Kreme (KKD)

Krispy Kreme sells its famous donuts at 1,000 shops worldwide, through company owned and franchised locations. Almost three quarters of those shops are outside of the U.S. where the bulk of its expansion will continue. Trading volume tripled its average shares when the company reported third quarter earnings.

Upcoming Event

JANUARY 5th

Please join me for a special online presentation January 5th, 2016.

In this presentation I'll walk through my "profit catalyst" strategy in more detail, and provide an update on progress whittling down this watch list toward my final trade recommendations.

More details are available by visiting the 2016 Strategy Center at the link below.

www2.investingdaily.com/strategy-center/