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200 Best Small Companies

These little giants are among the toughest competitors in today's corporate America. | By Cecily Fluke and Lesley Kump

EVERY YEAR WE'RE MORE PARTICULAR ABOUT MEMBERSHIP in this elite list. To qualify, candidates have to show a consistent pattern of positive growth during a five-year period, as well as over the last 12 months. With statistical help from William O'Neil & Co. in Los Angeles, we selected companies with sales in the \$5 million to \$750 million range ("small" by FORBES standards), net profit margins greater than 5% and share prices above \$5 as of Oct. 1. We excluded financial institutions because the fate of their assets is more dependent on the markets than on management; utilities, which are regulated by the government; and REITs, since they're required to pay out 95% of their taxable income.

That still leaves us with a diversified list of vibrant players. In the top 10, for example, you'll find 9 different industries. Dominating the list are 31 medical products outfits, 16 computer software and equipment manufacturers and 7 oil-and-gas companies—hardly a surprise.

There are 57 newcomers to the list. Among them: DJ Orthopedics (rank 88), which provides nonsurgical products (from knee braces to bone-stimulation devices); its five-

year earnings growth of 176% was second best among the 200. FLIR Systems (rank 59) is in the very hot field of night-vision products and thermography; bouncing back from a few difficult years, it recently won a \$6.3 million contract to provide imaging cameras to the U.S. Air Force.

Some 200 Best standbys—like military-equipment supplier Engineered Support Systems and Corinthian Colleges—have grown too large for the list. But other onetime stalwarts, like Krispy Kreme, have been expelled. The doughnutmaker is the subject of an ongoing SEC investigation into same-storesales accounting and bizarre earnings guidance.

A few members showed spectacular growth over the last year. RC2, (rank 43), a maker of collectibles and toys (think John Deere tractors and Nascar racers), jumped 130 places on our list thanks largely to a five-year EPS growth rate of 69%. Net income at Resources Connection (rank 19) leaped ahead 94% last year as it spread its consulting services abroad. **F**

Additional research provided by Kurt Badenhause, Abigail Lavin and Lacey Rose.

RANK	COMPANY (consecutive years on list) business	RETURN ON EQUITY	GROWTH		DEBT/CAPITAL ¹	SALES	NET INCOME	RECENT PRICE	EPS	P/E	MARKET VALUE ²
		5-year average %	SALES 5-year average %	EPS 5-year average %	(%)	latest 12 mos (\$mil)	latest 12 mos (\$mil)	(\$)	2005 est (\$)	2005 est	(\$mil)
Q4 '03											
16	Usana Health Sciences manufactures & markets skin care & nutritional products	39	10	34	0	241	26.5	35.59	1.80	20	664

Stock prices as of Oct 1. ■ Not on last year's list. Recent trend up versus five-year average. Recent trend down versus five-year average.
¹Long-term debt divided by total capital. ²Includes all share classes. ³Purchase by Cooper Cos. (ranked 28) pending. NA: Not available or not applicable.
 Sources: William O'Neil & Co.; FT Interactive Data, Reuters Fundamentals and Thomson First Call via FactSet Research Systems.

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