

Forbes

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200 Best Small Companies

The best of the best.

By Jack Gage with Kurt Badenhausen and Maya Roney

Our list of the 200 Best Small Companies in America ferrets out the most robust, fundamentally disciplined public outfits with sales between \$5 million and \$750 million. To qualify, a company must have a share price above \$5 as of Sept. 29, as well as a respectable return on equity and 12-month and 5-year growth figures for sales and net profits. These winners have come through a tough year, contending with suddenly high energy costs and a string, only recently broken, of 17 interest-rate hikes by the Fed. Not surprisingly, most of these 200 scrappy players carry low

debt burdens. Twenty-one companies grew too large for our list this year; roughly 30% of last year's members were not invited back, typically because of declining earnings in recent quarters.

Investors have, by and large, recognized the superior performance of these companies, and so their shares are not cheap, although they tend to do well in bull markets for growth stocks. Recently value, not growth, has been the strong suit on Wall Street. Last year's list has gained 6.5% over the past 12 months, compared with 12.2% for the Russell 2000 Index.

RANK '06 '05	COMPANY (consecutive years on list) business	RETURN ON EQUITY	GROWTH		SALES	NET INCOME	RECENT PRICE	P/E	MARKET VALUE ¹
		5-year average %	SALES 5-year average %	EPS 5-year average %	Latest 12 months (\$mil)	Latest 12 months (\$mil)	(\$)	2007 estimate	(\$mil)
124	Rocky Mountain Chocolate Factory makes & retails gourmet chocolate	22	8	13	29	4	13.57	15	82

■ Not on last year's list. ▲ Recent trend up versus five-year average. ▼ Recent trend down versus five-year average. See additional footnotes on page 226.

DIRECTIONAL INDICATORS We have inserted arrows to the immediate right of some numbers. If an up arrow appears next to a company's five-year average ROE, for example, it means that over the latest four quarters its return on equity was more than 10 percentage points higher than its five-year average. A down arrow means the opposite. The arrows are intended to make it easier for you to flag companies with significant differences between their long-term and short-term results.

