

# Hot Shots

## 200 Up & Comers

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**S**HARE PRICES OF THIS YEAR'S LIST OF 200 ENTREPRENEURIAL COMPANIES ARE UP AN AVERAGE OF 58% OVER THE PAST 12 MONTHS, compared with 36% for the Russell 2000 Index. Hot Shots, indeed. During that same period, earnings per share increased 19%, and return on equity rose 15%, with scant leverage. Our tables offer a snapshot of a company's recent performance. Instead of a number for revenue and EPS growth over the last 12 months, we've provided arrows to signify when those latest results are over 10% higher or lower than the five-year growth numbers. Don't see an arrow next to the number? This means growth over the past year was between 0% and 10% greater or less than in the earlier period.

Sixty-eight companies fell off the list this year, 34 are first-timers and 34 have rejoined after being dropped. Such are the vicissitudes of small caps.

Our Hot Shots mirror larger trends in America. With health care a swelling component of the GDP, for instance, it's no surprise to find 50 medical-related companies on our list—from drug development and managed-care services to surgical equipment. Among them: Synovis Life Technologies, debuting on our list (rank 19). Revenues are up 54% over the last 12 months, thanks to its Peri-Strips, used to reinforce staple lines in gastric bypass surgery.

Many Hot Shots have exploited the war on terrorism in various ways. CPI Aerostructures (rank 10), which makes subassemblies for military aircraft, is a newcomer to the list. So is Fargo Electronics (rank 51), which develops desktop systems that make identification cards for government agencies, schools, hospitals and sports arenas.

Our tough selection process starts with a screen from Los Angeles-based William O'Neil & Co.'s database of more than 3,500 companies whose latest 12-month sales were \$5 million to \$600 million. To cull solidly profitable candidates, we tossed out those with a net margin (excluding nonrecurring and extraordinary items) or five-year average ROE below 5%. Liquidity was also a must: Shares had to be trading above \$5 by the end of September. Out, too, went banks, utilities, real estate investment trusts and limited partnerships whose financial structures are too different from most operating companies.

From there we dove into the footnotes of financial statements for at least the past two years, excluding any outfit that went public after Jan. 1, 2001. We poked to find examples of major litigation that could adversely affect a company's finances or of significant management shuffles. For the final ranking, equal weight was given to growth in sales, earnings and ROE for the past five years and the latest 12 months. For additional information, features and performance data, visit our Web site at [www.forbes.com/hotshots](http://www.forbes.com/hotshots). **F**

RANK	COMPANY (consecutive years on list) business	RETURN ON EQUITY	GROWTH		DEBT/CASH FLOW <sup>1</sup>	SALES	NET INCOME	RECENT PRICE	EPS	P/E	MARKET VALUE <sup>2</sup>
		5-year average %	Sales 5-year average %	EPS 5-year average %							
'03 '02											
94 34	<b>Matthews International (4)</b> makes graphic systems & bronze memorial products	22	18	16	1.7	455	43.4	26.25	1.56	17	846

Stock prices as of Sept. 25. ■ Not on last year's list. ↑ Recent trend up versus five-year average. ↓ Recent trend down versus five-year average. <sup>1</sup>Long-term debt divided by operating cash flow. <sup>2</sup>Includes all share classes. NA: Not available or not applicable.

Sources: William O'Neil & Co.; FT Interactive Data, Reuters Fundamentals and Thomson First Call via FactSet Research Systems.