



## Hot Growth Companies

### The 100 best small companies

It's no small feat to spot a great business opportunity in today's fast-changing economy. Building a sustainable enterprise from that insight is even tougher. It requires speed, flexibility, innovation, and at least a little luck to thrive in the face of relentless competition. This year's annual Hot Growth list of America's fastest-growing small companies reveals an impressive lineup that has mastered that high-stakes game.

..."Small businesses have been a source of stability to a very troubled economy, and more recently a key source of growth," says Mark Zandi, chief economist of consulting firm Economy.com Inc. Just as important, the group has been an incubator of new ideas, some of which will undoubtedly change our world.

By the numbers, they're an impressive bunch. Average annual sales growth over the past three years for the group hit 26.9%, while average earnings growth was an even stronger 79.3%. By comparison, the S&P industrials posted sales and earnings growth of 4.5% and 0.5%, respectively, over the same period. Even more heartening, the average return on capital for our Hot Growth 100, a good measure of how well management is deploying its assets, was 17%, vs. 4.4% for the S&P industrials.

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**TO WIN A POSITION IN THIS TABLE**, a company must excel in three ways. The selection process begins by ranking companies according to their three-year results in sales growth, earnings growth, and return on invested capital. The ranks in the table are calculated from these numbers. A company's composite rank is the sum of 0.5 times its rank in return on total capital plus 0.25 times its sales- and profit-growth ranks.

**COMPANIES WERE DRAWN** from Standard & Poor's Compustat database of more than 10,000 publicly traded corporations. To qualify, a company must have annual sales of more than \$50 million and less than \$1.5 billion, a current market value greater than \$25 million, a current stock price of at

least \$5, and be actively traded. Banks, insurers, real estate firms, and utilities are excluded. So are companies with declines in current financial results or in stock price, as well as companies where other developments raise questions about future performance.

**SALES AND EARNINGS** are the latest figures available through the most recent 12 months. Earnings include net income from continuing operations before gains or losses from extraordinary items.

**INCREASES IN SALES AND PROFITS** are calculated using the least-squares method. If results for the earliest year are negative or not available, the average is for two years.

**RETURN ON CAPITAL** is earnings expressed as a percent of debt and equity. For ranking purposes, the maximum allowable annual return on invested capital is 100%. If companies have made substantial accounting restatements, long-term returns may be averaged for two years instead of three years.

**TIME PERIODS VARY** according to the month of a company's fiscal yearend. Profitability and growth are calculated based on the most recently available data.

**STOCK PRICE DATA** are as of May 5, 2004.

A ● indicates that a company also appeared in last year's rankings (BW—June 9, 2003).

COMPANY (STOCK SYMBOL)	CURRENT RESULTS		THREE-YEAR AVERAGES			INVESTMENT DATA			
	SALES \$ MIL.	EARNINGS \$ MIL.	INCREASE (%) SALES	PROFITS	RETURN ON CAPITAL	STOCK PRICE		P-E RATIO	MARKET VALUE \$ MIL.
						HIGH - LOW	RECENT		
<b>1 PetMed Express (PETS)</b> Pompano Beach, Fla. 954 979-5995 Online, phone, and mail-order retailer of pills for pets	<b>87.4</b>	6.2	<b>102.2</b>	173.9	<b>51.5</b>	13 - 3	<b>11</b>	37	<b>212</b>
<b>2 Universal Technical Institute (UTI)</b> Phoenix 623 445-9500 It trains car technicians	<b>210.2</b>	23.2	<b>29.1</b>	1242.9	<b>68.5</b>	48 - 24	<b>46</b>	53	<b>1280</b>
<b>3 University of Phoenix Online (UOPX)</b> Phoenix 800 366-9699 Higher education in virtual classrooms	<b>664.2</b>	145.4	<b>73.7</b>	86.6	<b>35.3</b>	94 - 41	<b>87</b>	71	<b>1383</b>
<b>4 Multimedia Games (MGAM)</b> Austin, Tex. 512 334-7500 It's laid a bet on electronic gambling	<b>427.4</b>	32.0	<b>61.7</b>	137.0	<b>28.7</b>	27 - 10	<b>23</b>	21	<b>635</b>
<b>5 Aeropostale (ARO)</b> New York 646 485-5398 ● Clothing stores for fashionable teens	<b>734.9</b>	54.3	<b>53.7</b>	88.2	<b>28.2</b>	25 - 11	<b>24</b>	26	<b>1330</b>
<b>6 Headwaters (HDWR)</b> South Jordan, Utah 801 984-9400 Services for the energy industry; turning coal sludge into synth fuel	<b>433.9</b>	50.5	<b>140.5</b>	43.1	<b>29.8</b>	30 - 13	<b>23</b>	14	<b>746</b>
<b>7 Corinthian Colleges (COCO)</b> Santa Ana, Calif. 714 427-3000 ● For-profit provider of career-oriented education	<b>726.1</b>	80.6	<b>44.1</b>	61.2	<b>24.4</b>	36 - 22	<b>31</b>	36	<b>2816</b>
<b>8 Chico's FAS (CHS)</b> Fort Myers, Fla. 239 277-6200 ● Retailer of women's fashions and accessories	<b>768.5</b>	100.2	<b>43.3</b>	52.9	<b>27.4</b>	48 - 19	<b>44</b>	38	<b>3827</b>
<b>9 USANA Health Sciences (USNA)</b> Salt Lake City 801 954-7100 (Nutritional supplements, foods, and body-care products)	<b>220.9</b>	<b>23.5</b>	<b>17.5</b>	<b>107.5</b>	<b>32.3</b>	<b>39 - 14</b>	<b>27</b>	<b>24</b>	<b>525</b>
<b>10 Coach (COH)</b> New York 212 594-1850 ● Designer and manufacturer of leather goods and accessories	<b>1214.5</b>	225.9	<b>19.9</b>	53.7	<b>35.1</b>	45 - 21	<b>44</b>	37	<b>8177</b>
<b>11 MTC Technologies (MTCT)</b> Dayton 937 252-9199 Info tech services for the U.S. government and commercial clients	<b>212.5</b>	13.9	<b>34.7</b>	27.1	<b>32.5</b>	33 - 18	<b>27</b>	26	<b>352</b>
<b>12 Eon Labs (ELAB)</b> Laurelton, N.Y. 718 276-8600 ● Manufactures generic drugs	<b>362.9</b>	87.3	<b>40.9</b>	92.9	<b>15.9</b>	74 - 27	<b>69</b>	36	<b>3074</b>
<b>13 Cognizant Technology Solutions (CTSH)</b> Teaneck, N.J. 201 801-0233 ● Business outsourcing and consulting for tech needs	<b>413.5</b>	67.0	<b>38.0</b>	48.8	<b>18.5</b>	57 - 18	<b>45</b>	47	<b>2887</b>
<b>14 Central European Distribution (CEDC)</b> Sarasota, Fla. 941 330-1558 ● Importers of beer, wine, and spirits in Poland	<b>429.1</b>	15.1	<b>50.0</b>	155.3	<b>15.0</b>	42 - 18	<b>32</b>	22	<b>345</b>
<b>15 K-Swiss (KSWI)</b> Westlake Village, Calif. 818 706-5100 The athletic shoemaker also sells clothes and accessories	<b>465.4</b>	58.7	<b>24.5</b>	35.3	<b>22.3</b>	28 - 14	<b>19</b>	13	<b>687</b>
<b>16 Bio-Reference Laboratories (BRLI)</b> Elmwood Park, N.J. 201 791-2600 Its Northeast labs do clinical tests and diagnosis	<b>114.2</b>	7.0	<b>18.1</b>	271.7	<b>17.2</b>	23 - 5	<b>14</b>	26	<b>162</b>
<b>17 Hot Topic (HOTT)</b> City of Industry, Calif. 626 839-4681 ● These stores carry the fashion and music trends of teens and tweens	<b>572.0</b>	48.0	<b>30.7</b>	26.7	<b>21.2</b>	32 - 15	<b>23</b>	24	<b>1102</b>
<b>18 Bradley Pharmaceuticals (BDY)</b> Fairfield, N.J. 973 882-1505 Dermatology, respiratory, gastroenterology, and nutritional products	<b>84.8</b>	20.2	<b>58.6</b>	115.8	<b>13.5</b>	33 - 15	<b>27</b>	19	<b>419</b>