

AMERICA'S BEST SMALL COMPANIES



The last five years have been a traumatic one for American businesses, which lived through the Great Recession that kicked off at the end of 2007. Companies have dealt with sluggish GDP growth and rising unemployment. But the most nimble companies have thrived during this time, and they span all sectors of the economy from aerospace to auto parts to retail. The companies that met the challenge qualified for Forbes' 35th annual list of America's Best Small Companies.

Our **top 100** highlights public companies with sales under \$1 billion. They are ranked based on return on equity, sales growth and earnings growth over the past year, as well as the past five years. We also factored in stock performance versus each company's peer group during the last 12 months

Eleven health care companies made the cut, led by No. 1 ranked Questcor Pharmaceuticals. The company's main drug, Acthar, accounted for most of its \$621 million in sales. The drug came to market in 1952 and today is FDA-approved for 19 conditions, including multiple sclerosis, infantile spasms and rheumatic disorders.

Questcor, headquartered in Anaheim Hills, Calif., ranked first in 2011, as well, and continues to generate remarkable growth. Sales were up 81% in the latest 12-months and 51% annually over the past five years. The company has increased its size (by sales) eight-fold since 2009. It was also the top-performing stock on our list, up 219% in the 12 months ending Oct. 1.

Questcor is putting its money to work with clinical trials in the works for Acthar relating to Lupus and Idiopathic Membranous Nephropathy in the works. The company is also planning an international expansion for the first time. Analysts expect EPS to hit \$5.50 next year, resulting in a 2014 price-earnings multiple of 10 based on a recent stock price of \$55.

The top-ranked newcomer on the list is No. 3 ranked Proto Labs, which is a technology enabled quick turn manufacturer of custom parts for its customers. "Real Parts, Really Fast" is its slogan. The Maple Plain, Minn.-based firm went public in April, 2012—making it eligible for our 100 Best for the first time. Earnings per share are up 51% annually the past five years and sales have jumped 30% per year.

The stocks of last year's best 100 companies rose 32% on average, or three percentage points better than the Russell 2000 small cap index. Top performers included Fleetcor Technologies, Lumber Liquidators and Boston Beer, which all returned at least 125%. The endgame and financial upside for many of these companies is a buyout at the hands of a bigger firm or private equity shop. Five of the 2012 Best Small Companies were acquired, including True Religion Apparel and Ancestry.com. Mortgage software company Ellie Mae went public in 2011, but is already looking for an exit. It ranks No. 34 this year and recently hired Morgan Stanley to sell the company, according to Reuters. The company would not comment on the report.

If not a buyout, the goal for these companies should be to grow off our small companies list. Seven companies, including Buffalo Wild Wings, took the step last year and crossed the \$1 billion-in-sales threshold. They can look to a regular on our list from the early 1990s for inspiration: Cisco Systems made three straight appearances before outgrowing the Forbes list on its way to its current sales of \$49 billion.

You'll find the top 25 companies that made the list of America's best small public companies included in this special report.

1. QUESTCOR PHARMACEUTICALS (QCOR)

PHARMACEUTICALS

SALES: \$621 MILLION

5-YEAR ANNUAL SALES GROWTH: 51%



5-YEAR ANNUAL EPS GROWTH: 41%

5-YEAR AVERAGE RETURN ON EQUITY: 56%

2. GRAND CANYON EDUCATION (LOPE)

HIGHER EDUCATION

SALES: \$558 MILLION

5-YEAR SALES GROWTH: 39%



3. PROTO LABS (PRLB)

CUSTOM PARTS MAKER

SALES: \$143 MILLION

5-YEAR EPS GROWTH: 51%

5-YEAR SALES GROWTH: 30%

5-YEAR AVERAGE RETURN ON EQUITY: 42%



4. INVENSENSE (INVN)

SEMICONDUCTORS

SALES: \$225 MILLION

5-YEAR EPS GROWTH: 205%

5-YEAR SALES GROWTH: 86%

5-YEAR AVERAGE RETURN ON EQUITY: 26%



5. STURM, RUGER & CO. (RGR)

GUNS

SALES: \$595 MILLION

5-YEAR EPS GROWTH: 54%

5-YEAR SALES GROWTH: 24%

5-YEAR AVERAGE RETURN ON EQUITY: 33%

RGR 74.25 +0.24 +0.32%



Nov 16 2013, 10:45PM UTC. Powered by **YCHARTS**

6. EPAM SYSTEMS (EPAM)

INFORMATION TECHNOLOGY

SALES: \$493 MILLION

5-YEAR EPS GROWTH: 39%

5-YEAR SALES GROWTH: 30%

5-YEAR AVERAGE RETURN ON EQUITY: 25%

EPAM 35.78 +0.19 +0.53%



Nov 16 2013, 10:45PM UTC. Powered by **YCHARTS**

7. CIRRUS LOGIC (CRUS)

SEMICONDUCTORS

SALES: \$866 MILLION

5-YEAR EPS GROWTH: 124%

5-YEAR SALES GROWTH: 36%

5-YEAR AVERAGE RETURN ON EQUITY: 26%



8. U.S. SILICA HOLDINGS (SLCA)

INDUSTRIAL MINERALS

SALES: \$487 MILLION

5-YEAR EPS GROWTH: 61%

5-YEAR SALES GROWTH: 14%

5-YEAR AVERAGE RETURN ON EQUITY: 19%



9. FLEETCOR TECHNOLOGIES (FLT)

BUSINESS SERVICES

SALES: \$804 MILLION

5-YEAR EPS GROWTH: 20%

5-YEAR SALES GROWTH: 20%

5-YEAR AVERAGE RETURN ON EQUITY: 22%



10. ANNIE'S (BNNY)

FOOD PRODUCTS

SALES: \$175 MILLION

5-YEAR EPS GROWTH: 204%

5-YEAR SALES GROWTH: 17%

5-YEAR AVERAGE RETURN ON EQUITY: 46%



11. NIC (EGOV)

COMPUTER SERVICES

SALES: \$238 MILLION

5-YEAR EPS GROWTH: 19%

5-YEAR SALES GROWTH: 20%

5-YEAR AVERAGE RETURN ON EQUITY: 29%

EGOV 24.00 +0.02 +0.08%



Nov 16 2013, 10:48PM UTC. Powered by **YCHARTS**

12. AMERICAN PUBLIC EDUCATION (APEI)

ONLINE EDUCATION

SALES: \$328 MILLION

5-YEAR EPS GROWTH: 31%

5-YEAR SALES GROWTH: 35%

5-YEAR AVERAGE RETURN ON EQUITY: 34%

APEI 42.49 +0.39 +0.93%



Nov 16 2013, 10:49PM UTC. Powered by **YCHARTS**

13. BOSTON BEER COMPANY (SAM)

ALCOHOLIC BEVERAGES

SALES: \$637 MILLION

5-YEAR EPS GROWTH: 42%

5-YEAR SALES GROWTH: 11%

5-YEAR AVERAGE RETURN ON EQUITY: 24%



14. CLEARFIELD (CLFD)

COMMUNICATIONS EQUIPMENT

SALES: \$45 MILLION

5-YEAR EPS GROWTH: 42%

5-YEAR SALES GROWTH: 15%

5-YEAR AVERAGE RETURN ON EQUITY: 18%



15. SOLAR WINDS (SWI)

SOFTWARE

SALES: \$296 MILLION

5-YEAR EPS GROWTH: 34%

5-YEAR SALES GROWTH: 33%

5-YEAR AVERAGE RETURN ON EQUITY: 47%



16. MEDIFAST (MED)

WEIGHT-LOSS PROGRAMS

SALES: \$367 MILLION

5-YEAR EPS GROWTH: 43%

5-YEAR SALES GROWTH: 36%

5-YEAR AVERAGE RETURN ON EQUITY: 24%



17. LUMBER LIQUIDATORS (LL)

RETAIL

SALES: \$902 MILLION

5-YEAR SALES GROWTH: 14%

5-YEAR EPS GROWTH: 21%

5-YEAR AVERAGE RETURN ON EQUITY: 18%



18. PORTFOLIO RECOVERY ASSOCIATES (PRAA)

BUSINESS SERVICES

SALES: \$657 MILLION

5-YEAR SALES GROWTH: 22%

5-YEAR EPS GROWTH: 22%

5-YEAR AVERAGE RETURN ON EQUITY: 18%



19. SYNAPTICS (SYNA)

COMPUTER HARDWARE

SALES: \$664 MILLION

5-YEAR EPS GROWTH: 26%

5-YEAR SALES GROWTH: 11%

5-YEAR AVERAGE RETURN ON EQUITY: 22%



20. SYNTEL (SYNT)

INFORMATION TECHNOLOGY

SALES: \$766 MILLION

5-YEAR EPS GROWTH: 20%

5-YEAR SALES GROWTH: 17%

5-YEAR AVERAGE RETURN ON EQUITY: 34%



21. WINMARK (WINA)

RETAIL

SALES: \$55 MILLION

5-YEAR EPS GROWTH: 57%

5-YEAR SALES GROWTH: 11%

5-YEAR AVERAGE RETURN ON EQUITY: 40%



22. COMMVAULT SYSTEMS (CVLT)

SOFTWARE

SALES: \$519 MILLION

5-YEAR EPS GROWTH: 23%

5-YEAR SALES GROWTH: 20%

5-YEAR AVERAGE RETURN ON EQUITY: 14%



23. 8X8 (EGHT)

TELECOM SERVICES

SALES: \$112 MILLION

5-YEAR EPS GROWTH: 272%

5-YEAR SALES GROWTH: 11%

5-YEAR AVERAGE RETURN ON EQUITY: 32%

EGHT 9.48 -0.02 -0.21%



Nov 16 2013, 10:55PM UTC. Powered by **YCHARTS**

24. IPG PHOTONICS (IPGP)

FIBER OPTICS

SALES: \$611 MILLION

5-YEAR EPS GROWTH: 45%

5-YEAR SALES GROWTH: 26%

5-YEAR AVERAGE RETURN ON EQUITY: 19%

IPGP 68.26 +0.24 +0.35%



Nov 16 2013, 10:55PM UTC. Powered by **YCHARTS**

25. FORTINET (FTNT)

SOFTWARE

SALES: \$571 MILLION

5-YEAR EPS GROWTH: 49%

5-YEAR SALES GROWTH: 28%

5-YEAR AVERAGE RETURN ON EQUITY: 37%



Written by Kurt Badenhausen, a senior editor at Forbes. [Click here](#) for more articles from Kurt or follow him on [Twitter](#).

5 Picks From Jim Oberweis

With valuations no longer at bargain-basement levels, earnings growth will be the driver for high returns. For companies under \$1 billion in market cap and with annualized growth rates of 30% or more, the average forward price-to-earnings multiple is now 16.1—a shade above the 15.6 times earnings for the S&P 500. But you're paying for faster growth, and it's actually an unusually small premium to those large-cap stocks. I think there's still room for more fun. Here are my picks from the list of America's Best Small Companies.

8x8 (EGHT) is disrupting the telecom market for small businesses with cloud-based solutions for hosted PBX telephony, unified communications and videoconferencing. I expect revenues to grow 20% in the next year, while improving margins lead to an even stronger 43% earnings growth. The stock currently trades at 35 times my 2014 EPS estimate of 30 cents.

An uncertain economy is good for temporary staffing firm Barrett Business Services (BBSI), which focuses on telecom needs of small and medium-size businesses mostly in the western U.S. As its customers expand, they're more likely to prefer the flexibility of temps and outsource noncore functions like human

resources. The employer mandate of the Affordable Care Act may push many cost-conscious companies to part-time help. Shares trade at 25 times my 2014 earnings estimate of \$2.80, for expected EPS growth of 37%.

InvenSense (INVN) is riding the Samsung boom. Its motion-tracking devices, such as gyroscopes, originally used in game systems like the Nintendo Wii, are now becoming standard in smartphones. InvenSense recently ramped its market-leading six-axis single-chip gyro/accelerometer platform across Android phones, while contending with fierce rivalry and falling prices.

Though the company failed to get a design win in Apple's iPhone 5S and 5C, it has a shot with the new iPad later this year. I expect revenue to grow at 30% in the next 12 months. Shares trade for 23 times my 2014 EPS estimate of 85 cents.

IPG Photonics (IPGP) produces fiber lasers whose high output and energy efficiency is well suited to such industrial applications as materials processing and automotive welding. Nearly seven in ten fiber lasers are made by IPG. China is a big buyer, accounting for about 35% of its sales; as its factories start whirring again, IPG is getting the updraft. Shares trade for 17 times my 2014 estimate of \$3.50, with a 15% growth.

Stamps.com (STMP) provides a service for purchasing and printing postage over the Internet and aims one day to cancel the old Pitney Bowes meters. Its customer list of individuals and small businesses grew 12% last quarter, year over year, and their postage use jumped 60%. Stamps.com has tremendous leverage, as seen by a 600-basis-point operating margin expansion last quarter. I expect the company will increase revenues at a 15% clip and earnings at an even faster rate. Shares trade at 17 times my 2014 EPS estimate of \$2.65.

Jim Oberweis is president of Oberweis Asset Management and editor of the [Oberweis Report](#).