

Performance of the Best Small Companies Updated

It's been a while since I checked in on how the [Forbes Best 100 Small Companies](#) are performing.

This is a list that I keep pounding the table on every year. If you haven't gotten into the habit of looking at the companies on this list, start now.

You'll find amazing companies to invest in.

You could start with the A's in the SEC database and work your way towards Z, but I have yet to come across anyone that has successfully done it.

Why?

Because by the time you get to B, you're already burned out and probably sick of investing.

Buffett's advice in theory is excellent.

But you can't ask a man to run a marathon from day one.

Before you can even think about tackling every company from A-Z, there are steps, processes and small victories you need to accomplish before you can take on the monster.

That's why the Forbes Best 100 Small Companies list and other [stock ideas sites](#) I've shared are wonderful places to get ideas and training yourself getting into the habit of going through lots of companies.

If you're fairly new to old school value, here's a rundown of what the Forbes stocks are.

Here's [what I wrote back in Oct 2013](#) when the 2013 list came out.

Forbes Stock Picking Methodology

The methodology used to pick the stocks that make the list is quite simple.

- annual revenue between \$5 million and \$1 billion
- stock price no lower than \$5 a share
- excluded financial institutions, REITs, utilities and limited partnerships
- rankings are based on earnings growth, sales growth and return on equity in the past 12 months and over five years
- dropped thinly traded names and those with fuzzy accounting or major legal troubles
- factored in stock performance versus each company's peer group during the last year as of Oct. 1
- financial data is pulled from Reuters
- fundamentals via FactSet



The reason I always tell people that this is a good list to start with is because the people at Forbes did a lot of work

for you.

Ranking stocks based on sales, ROE etc is easy.

But look at points 5 and 6.

dropped thinly traded names and those with fuzzy accounting or major legal troubles

factored in stock performance versus each company's peer group during the last year as of Oct. 1

They just saved you over 20 hours of work right there.

Performance of the Best Small Stocks

Although I keep repeating "small stocks", all of these companies are liquid and large enough for regular investors to buy.

There are plenty of stocks in the billion dollar market cap range.

The small company on the list is RF Industries (RFIL) at \$41m market cap. But then again, I laid out a plan on [how you buy illiquid stocks](#).

Getting back to the stats, out of 100 stocks, 57 are showing positive returns and 43 are negative.

That's a 57% winning percentage.

Not bad.

Here's a look at the top and bottom 10.

%old school value [Checking in on the 2013 Forbes Best Small Companies](#)

No.	Tickers	Company	Industry	Country	Earnings Date	Price @ Oct 2013	Price @ Jun 8th	Change
8	SLCA	U.S. Silica Holdings, Inc.	Industrial Metals & Minerals	USA	29-Apr-14	\$ 31.05	\$ 53.37	71.9%
1	QCOR	Questcor Pharmaceutical	Biotechnology	USA	28-Apr-14	\$ 58.08	\$ 88.16	51.8%
44	MNTX	Manitex International, Inc.	Diversified Machinery	USA	8-May-14	\$ 11.29	\$ 17.00	50.6%
50	CLCT	Collectors Universe Inc.	Business Services	USA	7-May-14	\$ 14.12	\$ 21.05	49.1%
88	DFRG	Del Frisco's Restaurant Group	Restaurants	USA	14-Jul-14	\$ 18.92	\$ 27.24	44.0%
49	MYGN	Myriad Genetics Inc.	Research Services	USA	6-May-14	\$ 24.78	\$ 35.31	42.5%
19	SYNA	Synaptics Inc.	Application Software	USA	24-Apr-14	\$ 47.90	\$ 67.74	41.4%
76	MEAS	Measurement Specialties, Inc.	Scientific & Technical Instruments	USA	3-Jun-14	\$ 53.70	\$ 74.73	39.2%
70	ATRO	Astronics Corporation	Aerospace/Defense Products & Services	USA	7-May-14	\$ 42.87	\$ 59.62	39.1%
27	GMED	Globus Medical, Inc.	Medical Appliances & Equipment	USA	29-Apr-14	\$ 17.61	\$ 24.13	37.0%

The Top 10 Performers | [Click to Enlarge](#)

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Checking in on the 2013 Forbes Best Small Companies

No.	Tickers	Company	Industry	Country	Earnings Date	Price @ Oct 2013	Price @ Jun 8th	Change
10	BNNY	Annie's, Inc.	Food - Major Diversified	USA	29-May-14	\$ 50.26	\$ 28.10	-44.1%
80	LQDT	Liquidity Services, Inc.	Catalog & Mail Order Houses	USA	8-May-14	\$ 26.96	\$ 15.13	-43.9%
22	CVLT	CommVault Systems, Inc	Application Software	USA	25-Apr-14	\$ 85.52	\$ 48.65	-43.1%
60	PEGA	Pegasystems Inc.	Business Software & Services	USA	6-May-14	\$ 38.29	\$ 21.79	-43.1%
58	NSR	NeuStar, Inc.	Diversified Communication Ser	USA	16-Apr-14	\$ 45.92	\$ 26.67	-41.9%
23	EGHT	8x8 Inc.	Communication Equipment	USA	21-May-14	\$ 10.47	\$ 6.97	-33.4%
38	GEOS	Geospace Technologies	Scientific & Technical Instrume	USA	7-May-14	\$ 80.98	\$ 54.54	-32.7%
46	RFIL	RF Industries Ltd.	Diversified Electronics	USA	12-Sep-13	\$ 7.40	\$ 5.06	-31.6%
51	BBSI	Barrett Business Services	Staffing & Outsourcing Services	USA	29-Apr-14	\$ 69.58	\$ 48.17	-30.8%
37	DTLK	Datalink Corp.	Data Storage Devices	USA	6-May-14	\$ 13.43	\$ 9.71	-27.7%

Bottom 10 Performers | Click to Enlarge

The main takeaway I see from the top 10 and bottom 10 is that the rankings really don't matter.

Only 2 of the top 10 are ranked higher than 10.

And none of the stocks in the bottom 10 are lower than rank 90.

Just goes to show that you need to do the work in filtering out the good and the bad.

Keep in mind that these results are based on only 9 months of performance. But seeing how the list is refreshed each year, if the majority of stocks are winning by October, then it's another successful year for this stock list.

Download the Updated Stock List

You can download the spreadsheet with the full list of 100 stocks with fundamental data that I pulled using the [old school value analyzer](#).

If you are on email, [come to the blog](#) to download the spreadsheet.

3 of the Best Small Stocks to Check Out

There are some stocks I previously wrote about here and there. I'm waiting for the right price to get in.

I won't go over all the details again as the commentary links are provided below.

Bio-Reference Labs (BRLI)

[Link to notes](#)

A clinical testing lab company. Very steady and proven.

Price jumped up the other week as I kept waiting for a better entry point. Looks like I have more waiting to do.

Quick glance at the valuation ratios shows that it's around fair value at the moment.

IPG Photonics Corporation (IPGP)

[Link to article](#)

Fiber laser maker and best in class. They pioneered fiber lasers and it's up to the competition to catch up.

Strong insider ownership with excellent fundamentals.

Slightly more expensive than BRLI at the moment. In my [top 10 stock valuation ratios](#) list, I included a Price to Intrinsic Value ratio.

The idea is to compare the cheap stocks with one another to determine the cheapest to buy. If I apply the concept between IPGP and BRLI, BRLI wins.

Synaptics (SYNA)

[Link to article](#)

Makes the touch pads and touch screens on laptops, phones and other applications.

This was one of the cheapest growing and profitable tech stocks but it didn't hit my margin of safety price.

As more devices and applications require touch interfaces, SYNA is going to continue growing. Fundamentals and valuation are reasonable for a tech stock. Remember that the stock is up 41% since I originally posted it so the valuation was better back then.

But I still want a better price.

Disclosure: None

About Jae Jun

Jae Jun is the founder of Old School Value. He is on a mission to provide practical and actionable value investing tools, tutorials and educational material to help empower the individual investor. Keep in touch with Jae via any of the methods linked below.

Fundamental Ratios	2012	2013	TTM
P/E	18.63	20.39	21.97
P/E (cash adjusted)	18.03	19.99	21.61
EV/EBITDA	8.39	9.46	9.88
EV/EBIT	8.72	9.86	10.36
P/S	1.19	1.31	1.20
P/BV	3.46	3.44	3.20
P/Tang BV	3.98	4.24	3.94
P/CF	14.03	14.33	15.01
P/OwnerEarnings	16.84	12.66	10.69
FCF/S	7.0%	10.3%	11.2%
FCF Yield	5.9%	7.9%	9.4%
Magic Earnings Yield	11.5%	10.1%	9.7%
ROE	18.6%	16.9%	14.6%
ROA	13.5%	10.9%	9.4%
ROIC	20.6%	17.3%	15.3%
CROIC	19.0%	23.2%	25.2%
Current Ratio	3.11	2.20	2.20
Total Debt/Equity Ratio	0.04	0.03	0.04
Inventory Turnover	27.46	23.11	18.93

BRLI Valuation Ratios | Source: Old School Value

Fundamental Ratios	2012	2013	TTM
P/E	22.88	24.94	21.45
P/E (cash adjusted)	20.23	22.06	18.48
EV/EBITDA	12.49	13.69	11.56
EV/EBIT	14.04	15.64	13.20
P/S	5.90	5.99	5.13
P/BV	4.47	4.19	3.61
P/Tang BV	4.53	4.23	3.65
P/CF	15.36	16.72	14.96
P/OwnerEarnings	19.43	14.73	15.52
FCF/S	30.4%	40.7%	33.1%
FCF Yield	5.1%	6.8%	6.4%
Magic Earnings Yield	7.1%	6.4%	7.6%
ROE	19.5%	16.8%	16.8%
ROA	16.2%	14.7%	14.7%
ROIC	19.5%	16.7%	16.6%
CROIC	22.4%	27.9%	22.9%
Current Ratio	5.30	7.86	7.99
Total Debt/Equity Ratio	0.02	0.02	0.02
Inventory Turnover	2.01	1.97	1.90

IPGP Valuation Ratios | Source: Old School Value

Fundamental Ratios	2012	2013	TTM
P/E	17.60	13.54	40.33
P/E (cash adjusted)	11.97	9.95	33.86
EV/EBITDA	8.34	8.86	9.44
EV/EBIT	9.63	9.82	14.40
P/S	1.74	2.02	2.83
P/BV	2.40	2.57	3.88
P/Tang BV	2.61	2.74	5.05
P/CF	13.66	8.56	13.99
P/OwnerEarnings	11.53	10.19	15.42
FCF/S	15.1%	19.8%	18.3%
FCF Yield	8.7%	9.8%	6.5%
Magic Earnings Yield	10.4%	10.2%	6.9%
ROE	13.6%	19.0%	9.2%
ROA	10.0%	14.3%	6.4%
ROIC	13.4%	18.6%	14.7%
CROIC	20.7%	25.1%	25.2%
Current Ratio	4.23	3.75	3.32
Total Debt/Equity Ratio	0.01	0.00	0.00
Inventory Turnover	9.67	8.28	6.43

SYNA Valuation Ratios | Source: Old School Value