

Special Report



The 100 Best Mid-Cap Stocks in America

By Brian Zajac, Electronically reprinted from September 25, 2008

Forbes' fourth annual listing of the best mid-cap companies in America comprises 100 companies showing a unique combination of growth, financial stability and promising forecasts for the coming years. Our definition of mid-cap corporations: public companies with a market value between \$1.5 and \$5.5 billion.

One reason for paying attention to mid-cap stocks is that while they may have more growth potential than big companies, they also, theoretically, have less risk than smaller ones. During the market's current slide, the S&P 500 suffered a 21% price decline over the past 12 months, compared with a 12% drop for the S&P MidCap 400. Over this stretch, the S&P SmallCap 600 stocks proved to be more resilient than their larger counterparts, as they suffered just a 10% loss. But our select group of mid-cap stocks from 2007 held up better than all three indexes.

To compile our list, we started with over 1,000 publicly traded stocks that met our market value requirement. Our computer screens dropped companies with revenues less than \$500 million or a stock price less than \$5. We eliminated companies that did not show increases in sales, earnings and return on equity over the latest 12-month periods. Our preliminary round of screens also disqualified compa-

nies with annualized long-term consensus-earnings forecasts under 10% from Thomson IBES.

More than 150 mid-cap companies passed our initial screens. We then gave those companies individual rankings for latest 12-month and five-year growth in sales, earnings and return on equity, and we added another ranking for estimated earnings growth over the next three to five years. Our next step was to give this pool of companies a composite ranking on all those metrics, with long-term results receiving extra weight in our scoring.

In order to arrive at our final list of 100 top-notch mid-cap companies, we reviewed reports from security analysts, company press releases and other information. We eliminated companies that have significant legal liabilities or other problems that might hamper future growth. For all candidate companies we reviewed Accounting and Governance Risk ratings and other scores from Audit Integrity, a research company based in New York and Los Angeles that analyzes accounting methods and corporate governance practices.

Topping this year's list of the best mid-cap stocks in America: **Quicksilver Resources** (nyse: KWK). The Fort Worth, Texas, oil and gas developer and

producer shows five-year annualized-sales growth of 39% and earnings-per-share growth of 85%. Of the 100 stocks on this year's list, apparel retailer **Aeropostale** (nyse: ARO), ranked No. 5, shows the best stock performance over the past year: a gain of 68%.

In light of our rigid selection process—and the problems in the economy—it is not surprising that we had significant turnover from our previous mid-cap list. Only 37 of the best mid-cap stocks from last year met the requirements for returning in 2008. It is worth noting that 11 carryovers from last year have also appeared in each of the four years that we have ranked mid-cap stocks. One of the stalwarts is **Idexx Laboratories** (nasdaq: IDXX), which makes diagnostic products and provides lab services primarily to veterinarians and the food- and water-testing markets. Headquartered in Westbrook, Maine, Idexx has moved up in ranking each year; it occupies the 20th position on our current list.

This year's list of the 100 best mid-caps represents 16 industries, with the capital-goods sector showing the most entries: 23. Technology is next with 17 companies, and health care places third with 11. You can browse through our 100 best mid-cap stocks in America by sector, rank or company name.

Rankings: Mid-Cap Stocks*

Rank *	Company	Industry
1	Quicksilver Resources	Energy
2	Denbury Resources	Energy
3	Superior Energy Svcs	Energy
4	FLIR Systems	Capital Goods
5	Aeropostale	Retail

* This is only a portion of the rankings. Not the full list

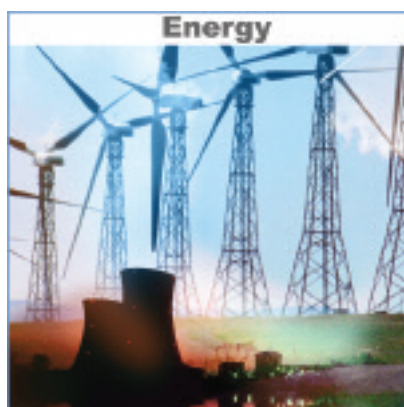
Sources: Audit Integrity; FT Interactive Data, Reuters Fundamentals and Thomson IBES via FactSet Research Systems



Courtesy of Superior Energy Svcs

#3 Superior Energy Svcs

(nyse: SPN)
oilfield equipment, Svcs
Industry: Energy



PRICE	\$33.66
2009 EST. P/E	7
EST. EPS GROWTH ¹	18%
S LATEST 12 MONTHS	\$1,712 MIL
A	
L	
E 5-YEAR GROWTH ²	29%
S	
5-YEAR EPS GROWTH ²	67%

Prices as of Sept 18.

¹Annualized; projected over the next three-to-five years. ²Annualized.

Sources: Audit Integrity; FT Interactive Data, Reuters Fundamentals and Thomson IBES via FactSet Research Systems

Highlighting added for emphasis.

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