



# Shadow Stock Rookies: Firms That Are New to the 1998 Listing

By John Bajkowski

This year's search for new Shadow Stocks unearthed 105 companies. Our annual screen for new Shadow Stocks looks for non-financial companies with a market capitalization (share price times number of outstanding shares) between \$20 million and \$100 million, institutional ownership at 15% or less, positive earnings for the last two fiscal years, and five years of data.

The initial screen for Shadow Stocks is only a starting point for further screening and analysis. The listings on the following pages present a financial profile of stocks new to the Shadow Stock list. The complete list of Shadow Stocks along with their phone numbers can be found in the article starting on page 11. We have also prepared an Excel spreadsheet that contains detailed financials for all 333 stocks. This file can be retrieved from our Web site ([www.aaii.com](http://www.aaii.com)) through the Download Library under Files from AAI.

## Examining the Figures

The companies are sorted in ascending order by the current price-earnings ratio. It is computed by dividing the stock price by the firm's earnings per share over the most recent 12 months. The price-earnings ratio, also referred to as the earnings multiple, provides a quick feel for the market's valuation of a firm. Stocks trading with high price-earnings ratios are generally trading with high expectations of future earnings growth. However, temporary drops in earnings may also produce high price-earnings ratios. Misonix's price-earnings ratio of 662.5 reflects its low earnings per share of one cent.

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*A complete explanation of the Shadow Stock series, along with a list of all Shadow Stocks, appears on page 11 of this issue; new members receive explanations in the new member packet.*

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When examining a firm's price-earnings ratio, some insight can be gained by comparing it against benchmarks. Useful measures include the price-earnings ratio for the market, for the industry, and the company's own historical levels. The market's multiple can be found in many financial papers such as the Wall Street Journal and Barron's. Industry multiples are a little more difficult to come by but can be found in publications such as Value Line Investment Survey. The *AAII Journal* also publishes a number of industry statistics quarterly through the Industry Watch column (see page 34). The table also lists the price-earnings ratio one year ago to provide a quick indication of the change in the stock's valuation since last year.

Earnings per share growth is one of the main benchmarks for measuring company performance. The growth rates for this group range from -40.9% for CCAIR to 88.0% for Elantec Semiconductor. Growth rates at these extreme levels are not typically meaningful; for example, high rates may occur because earnings in the base year used in the calculation were at an extremely low level. Beyond overall growth rates, investors should look at year-to-year trends. Overall growth rates can mask the variability and risk of the underlying figures.

The ratio of the price-earnings ratio to the growth rate for earnings compares the valuation of the price-earnings ratio to the growth rate. When a firm's price-earnings ratio is high relative to historical earnings growth, its price reflects high expectations relative to what the firm has been able to produce in earnings historically. However, when this ratio is low, an investor is able to purchase historical growth at a reasonable price. As a general rule of thumb, firms with ratios near 1.0 may be considered fairly valued, those with ratios less than 0.5 may be undervalued, and those with ratios above 1.5 may be overvalued. Benthos' 0.5 ratio of price-earnings to earnings growth may mean that the stock is undervalued. In contrast, DeWolfe's ratio of 4.0 may indicate an overvalued stock.

We use market capitalization to measure company size

## The New Shadow Stocks

Company (Exchange: Ticker)	P/E Ratio		EPS Last 12 Mos. (\$)	5 Yr. EPS Growth Rate (%)	P/E to EPS Growth (X)	Sales		Relative Strength Rank		Description
	Current (X)	Yr. Ago (X)				Last 12 Mos. (\$ Mill)	Growth Rate (%)	52-Week (%)	13-Week (%)	
Unimar Indonesian Units (A: UMR)	0.9	na	2.14	12.3	na	228.8	4.0	7	3	Oil & gas exploration partnership
Saxton Incorporated (M: SXTN)	5.3	na	1.30	na	na	67.8	na	na	34	Real estate in Las Vegas area
Cal-Maine Foods, Inc. (M: CALM)	6.1	na	1.00	54.2	0.1	290.6	4.5	21	45	Eggs and egg products
Panhandle Royalty Co. (M: PANRA)	7.3	14.5	4.00	45.9	0.2	7.2	19.1	50	74	Mineral interests; oil & gas develop
Pubco Corp. (M: PUBO)	7.5	5.7	1.38	22.3	0.3	50.1	-15.1	68	53	Holding co. for computer & construct prods
MER Telemanagement Sol. (M: MTSLF)	7.6	na	0.43	na	na	8.6	na	na	8	Telecommunications mgmt solutions
Biacore International AB (M: BCORY)	8.5	44.0	1.00	19.6	0.4	59.4	51.7	5	18	Advanced scientific instruments
Dataram Corp. (A: DTM)	8.7	13.9	1.05	6.6	1.3	72.6	11.4	41	64	Computer add-in memory prods
Escalade, Inc. (M: ESCA)	9.1	8.8	1.56	70.4	0.1	88.3	1.0	86	91	Sporting goods; office & graphic arts prods
P & F Industries (M: PFINA)	9.2	6.1	0.79	19.9	0.5	45.9	6.2	92	71	Baseboard heating equip
Petroleum Development (M: PETD)	9.5	16.8	0.55	31.1	0.3	68.8	22.7	58	10	Oil & natural gas mineral rights
ITEX Corp. (M: ITEX)	9.8	11.5	0.50	na	na	29.2	na	56	51	Operates in commercial barter industry
American Biltrite Inc. (A: ABL)	10.0	22.7	2.41	13.4	0.7	426.7	22.2	42	64	Pressure-sensitive papers & films
Quipp, Inc. (M: QUIP)	10.1	7.8	1.63	64.1	0.2	26.1	10.7	87	55	Material handling equip for newspaper indus
EDO Corp. (N: EDO)	10.4	15.5	0.84	54.6	0.2	93.1	-8.3	54	37	Proprietary advanced electronic products
PLM International, Inc. (A: PLIM)	10.6	10.9	0.53	5.9	1.8	50.8	-6.7	82	57	Transport & indus'l equip leasing
KRUG International (A: KRG)	11.1	16.6	0.55	5.9	1.9	119.8	2.4	56	76	Life sciences; housewares; leisure marine
Disc Graphics, Inc. (M: DSGR)	11.5	9.0	0.39	4.7	2.4	46.8	23.2	94	65	Paperboard packaging
BF Enterprises, Inc. (M: BFEN)	12.0	15.8	0.69	67.7	0.2	5.3	25.1	62	59	Develops real estate
IPI Inc. (M: INST)	12.0	10.5	0.35	na	na	10.2	na	62	80	Business printing center franchiser
Datapoint Corp. (N: DPT)	12.3	0.9	0.28	17.3	0.7	142.2	-11.1	99	59	Communication products
Star Multi Care Services (M: SMCS)	12.5	na	0.44	na	na	53.4	na	29	65	Temporary health care personnel
World of Science (M: WOSI)	12.5	na	0.35	na	na	49.5	na	na	24	Specialty retailer of science & nature prods
Axsys Technologies, Inc. (M: AXYS)	12.8	na	1.44	15.6	0.8	111.1	2.8	83	5	Precision optical & position'g compon
Swing-N-Slide Corp. (A: SWG)	12.9	11.6	0.31	-21.1	na	76.8	4.7	55	36	Wooden swing set and climbing unit kits
Trans-Industries, Inc. (M: TRNI)	13.1	8.6	0.80	26.8	0.5	34.9	4.8	97	87	Lighting & info display for mass transit
Nanometrics Inc. (M: NANO)	13.2	7.5	0.62	58.0	0.2	34.4	11.0	90	28	Microscope-based measure & inspect
Aramex International Ltd. (M: ARMXF)	13.3	na	1.13	12.2	1.1	95.9	24.9	na	65	Express delivery in Mideast
CORE Materials Corp. (A: CME)	13.7	na	0.27	na	na	60.3	na	87	79	Composite reinforced plastic parts
Pure World, Inc. (M: PURW)	13.7	na	0.41	-12.9	na	12.7	45.6	97	30	Botanical products
Track 'n Trail (M: TKTL)	13.7	na	0.65	18.8	0.7	105.3	11.6	na	na	Casual, outdoor & adventure footwear
Monarch Casino & Resort (M: MCRI)	14.5	66.7	0.38	26.9	0.5	58.6	27.4	98	36	Atlantis Casino Resort in Reno
Thermo Sentron, Inc. (A: TSR)	14.5	25.0	0.64	28.5	0.5	74.5	2.9	18	13	Precision weighing & inspection equip
Northstar Computer Forms (M: NSCF)	14.6	17.2	1.63	10.4	1.4	45.9	12.3	98	98	Custom business forms
Hi-Tech Pharmacal Co. (M: HITK)	14.8	64.6	0.32	-9.7	na	21.7	22.3	56	31	Pharmaceuticals, nutritional preparations
Benthos, Inc. (M: BTHS)	14.9	22.9	1.10	31.4	0.5	15.9	4.9	50	40	equip for underwater explor'n
Prophet 21, Inc. (M: PXXI)	15.2	19.0	0.69	32.0	0.5	37.4	10.7	87	25	On-line business mgmt systems
Applied Cellular Tech. (M: ACTC)	15.5	35.0	0.29	na	na	84.3	na	26	5	Software develop and services
DeWolfe Companies (A: DWL)	15.6	12.5	0.40	3.9	4.0	103.0	29.8	52	74	Home ownership service
Lakeland Industries, Inc. (M: LAKE)	15.7	8.3	0.54	35.5	0.4	45.0	10.1	99	84	Disposable, limited-use garments
Shuffle Master, Inc. (M: SHFL)	15.9	27.7	0.44	41.0	0.4	27.9	na	23	26	Auto card shuffling sys & table games
Ultradata Systems, Inc. (M: ULTR)	16.0	61.4	0.36	na	na	14.9	na	27	21	Hand-held data retrieval devices
Chase Corp. (A: CCF)	16.4	14.3	0.84	23.7	0.7	41.0	12.2	77	84	Protective coatings and tapes
Daw Technologies (M: DAWK)	16.5	12.0	0.11	na	na	77.2	na	17	26	Manufac'g environments for semicond indus
Exactech, Inc. (M: EXAC)	16.5	22.5	0.31	27.5	0.6	16.3	41.9	15	30	Orthopedic implant devices
Skymall, Inc. (M: SKYM)	16.7	na	0.30	18.6	0.9	53.0	51.9	11	21	In-flight catalog company
Span-America Medical (M: SPAN)	16.7	17.7	0.42	-19.7	na	33.2	1.5	82	74	Polyurethane foam prods & pack'g prods
Featherlite Mfg., Inc. (M: FTHR)	17.5	na	0.45	na	na	129.2	na	59	39	Specialty trailers & motorcoaches
Providence & Worcester RR (A: PWX)	17.5	112.5	1.05	1.5	11.7	23.0	3.6	96	95	Interstate railroad freight carrier

**LIST CONTINUES ON FOLLOWING PAGES**

Exchange Key: N = New York Stock Exchange  
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na = not available

Statistics are based on figures as of December 31, 1997.  
Data Source: AAI's Stock Investor/Market Guide, Inc.

## The New Shadow Stocks

Company (Exchange: Ticker)	P/E Ratio		EPS Last 12 Mos. (\$)	5 Yr. EPS Growth Rate (%)	P/E to EPS Growth (X)	Sales		Relative Strength Rank		Description
	Current (X)	Yr. Ago (X)				Last 12 Mos. (\$ Mill)	Growth Rate (%)	52-Week (%)	13-Week (%)	
Interlott Technologies (A: ILI)	17.8	13.7	0.45	16.1	1.1	19.5	59.5	47	21	Instant lottery vending machines
Barbers, Hairstyling (M: BBHF)	17.9	20.3	0.44	na	na	20.8	na	40	69	Sells hair salon franchises
Dixon Ticonderoga Co. (A: DXT)	18.1	na	0.83	24.9	0.7	112.6	6.2	92	83	Writing & art products
D&K Healthcare Resources (M: DKWD)	18.2	na	0.46	-3.0	na	552.2	-3.0	95	74	Wholesale pharmaceuticals
Nat'l Technical Systems (M: NTSC)	18.4	11.8	0.35	43.1	0.4	53.9	2.8	99	19	Diversified technical services
American Resources of DE (M: GASS)	18.8	na	0.14	na	na	39.4	na	26	44	Develops oil & gas properties
Alta Gold Co. (M: ALTA)	19.2	25.2	0.07	-18.2	na	13.1	6.7	6	5	Explores mines & produces gold
Interlink Electronics (M: LINK)	19.3	85.7	0.23	15.3	1.3	17.9	34.2	23	5	Products incorporating force sensor resistors
U.S. Physical Therapy (M: USPH)	20.0	25.0	0.60	32.2	0.6	37.2	115.1	54	91	Outpatient phys'l & occup'l therapy clinics
Symetrics Industries, Inc. (M: SYMT)	20.1	10.6	0.74	43.4	0.5	23.5	33.4	89	100	Electronic & telephone systems
IMPCO Technologies, Inc. (M: IMCO)	20.4	13.1	0.53	21.8	0.9	66.6	19.7	57	51	Equip for internal combustion engines
Cognitronics Corp. (A: CGN)	20.9	12.5	0.92	0.7	29.9	27.1	3.5	100	82	Voice processing systems
Artesian Resources Corp. (M: ARTNA)	21.1	13.6	0.89	31.5	0.7	21.8	3.4	49	57	Water service in Delaware
ThrustMaster, Inc. (M: TMSR)	21.1	27.4	0.60	na	na	39.0	na	86	19	Interactive control devices for computer games
Versar, Inc. (A: VSR)	21.2	14.6	0.23	24.2	0.9	54.0	0.2	79	45	Environmental engineering and consulting
Xeta Corp. (M: XETA)	21.5	11.1	0.81	37.2	0.6	16.6	20.8	96	45	Telecomm sys & serv to lodging indus
Reading Entertainment (M: RDGE)	21.6	21.8	0.59	22.6	1.0	35.3	29.9	56	64	Foreign movie theaters; U.S. art exhibits
Mity-Lite, Inc. (M: MITY)	22.5	17.9	0.90	34.9	0.6	22.7	26.4	75	59	Folding tables and stacking chairs
Air Methods Corp. (M: AIRM)	23.2	62.5	0.14	15.2	1.5	34.2	19.0	56	17	Airmed emergency transport
Webco Industries, Inc. (A: WEB)	23.3	11.9	0.30	3.6	6.5	120.8	11.0	63	34	Carbon & stainless steel tubing & pipe
Medical Action Inds. (M: MDCI)	23.4	14.8	0.16	14.9	1.6	50.4	11.2	95	79	Disposable surgical-related prods
ScanSource, Inc. (M: SCSC)	24.4	26.5	0.82	na	na	109.5	na	61	88	Bar code scanners & labeling devices
ORBIT/FR, Inc. (M: ORFR)	24.6	na	0.68	na	na	20.7	na	na	16	Test & measure sys for wireless commun
Royal Gold, Inc. (M: RGLD)	25.0	89.2	0.19	41.7	0.6	7.5	141.4	5	5	Gold properties & gold royalty interests
JMAR Industries, Inc. (M: JMAR)	25.3	na	0.10	15.3	1.7	21.7	35.3	41	12	Precision measure & manufacture systems
Metrotrans Corp. (M: MTRN)	25.6	14.9	0.44	na	na	78.5	na	25	42	Shuttle & mid-size touring buses
HealthCor Holdings (M: HCOR)	25.8	13.0	0.15	34.5	0.7	137.9	34.3	7	31	Home health care services
United-Guardian, Inc. (A: UG)	26.6	19.4	0.16	1.9	14.0	8.9	9.9	96	39	Pharmaceuticals, medical devices
ASI Solutions, Inc. (M: ASIS)	26.9	na	0.33	47.0	0.6	23.4	34.3	na	51	Human resources outsourcing
American Science & Engin. (A: ASE)	28.4	43.5	0.49	43.1	0.7	31.3	10.2	37	71	X-ray inspection sys for security
Environment One Corp. (M: EONE)	28.4	20.8	0.37	15.7	1.8	23.4	10.8	88	71	Environment-related products
Servotronics, Inc. (A: SVT)	29.8	19.6	0.31	-5.1	na	15.4	-0.8	85	71	Advanced tech prods & consumer prods
Miami Computer Supply (M: MCSC)	29.9	18.9	0.48	44.4	0.7	90.7	26.5	79	76	Computer & office automation supplies
Judge Group, Inc. (M: JUDG)	30.5	na	0.16	67.0	0.5	98.4	29.8	na	18	Information tech & engineering services
Chad Therapeutics (A: CTU)	30.6	25.7	0.29	52.2	0.6	20.9	52.3	15	47	Respiratory care devices
Mobile Mini, Inc. (M: MINI)	30.6	39.1	0.19	na	na	45.1	na	90	87	Portable steel storage containers
Big Dog Holdings, Inc. (M: BDOG)	31.3	na	0.18	na	na	99.6	na	na	2	Activewear and accessories
Integrated Systems Cons. (M: ISCG)	31.8	35.3	0.35	na	na	39.2	na	21	50	Information processing consultant
Team America Corp. (M: TMAM)	36.2	na	0.29	28.1	1.3	119.8	25.3	34	74	Human resource mgmt services
Schmitt Industries, Inc. (M: SMIT)	37.0	4.5	0.25	na	na	11.4	na	33	45	Auto balancing devices for rotating equip
CCAIR, Inc. (M: CCAR)	37.5	181.3	0.08	-40.9	na	67.8	5.2	77	23	Regional air carrier
SMC Corp. (M: SMCC)	37.5	8.8	0.22	na	na	203.7	na	40	93	Class A motorcoaches
Steven Madden, Ltd. (M: SHOO)	37.8	25.6	0.20	28.5	1.3	59.8	124.7	73	47	Fashion footwear for women
Advanced Comm. Systems (M: ACSC)	38.8	na	0.24	18.9	2.1	52.3	43.1	na	31	Comm'cations & info tech
Lifeway Foods, Inc. (M: LWAY)	42.5	26.8	0.20	26.2	1.6	5.7	17.2	97	99	Kefir drink; drinkable yogurt; farmer's cheese
Forum Retirement Partners (A: FRL)	43.8	35.0	0.12	15.1	2.9	69.3	4.7	73	88	Develops retirement communities
Riddell Sports Inc. (M: RIDL)	45.5	35.6	0.11	-4.1	na	122.9	15.3	41	53	Football helmets & collectible products
Magicworks Entertainment (A: MJK)	45.8	na	0.03	na	na	67.6	na	12	20	Promotes live entertainment
Star Gas Partners, L.P. (M: SGASZ)	57.6	45.0	0.38	17.6	3.3	135.2	1.7	35	59	Retail distrib of propane & supplies

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	Current (X)	Yr. Ago (X)				Last 12 Mos. (\$ Mill)	Growth Rate (%)	52-Week (%)	13-Week (%)	
Elantec Semiconductor (M: ELNT)	68.8	8.8	0.09	88.0	0.8	34.6	19.7	70	73	Analog integrated circuits
Paul-Son Gaming Corp. (M: PSON)	76.3	33.3	0.19	24.0	3.2	24.4	19.8	91	13	Casino table gaming equip
Isramco, Inc. (M: ISRL)	81.3	na	0.01	38.0	2.1	3.5	32.0	81	47	Oil & gas properties in Israel
ALPNET, Inc. (M: AILP)	206.3	39.9	0.01	0.0	na	38.7	6.9	57	40	Language translate & publish to int'l trade
Chesapeake Biological Lab (M: CBLI)	281.3	26.1	0.02	na	na	7.4	30.5	91	51	Specialty medical devices
Cabletel Communications (A: TTV)	350.0	68.8	0.01	na	na	44.9	na	15	42	Distributors comm'cations equip
Misonix, Inc. (M: MSON)	662.5	24.8	0.01	na	na	19.8	na	58	3	Ultrasonic equip for science
<b>Median of New Shadow Stocks</b>	<b>18.2</b>	<b>18.4</b>	<b>—</b>	<b>22.3</b>	<b>0.7</b>	<b>45.1</b>	<b>12.2</b>	<b>58.0</b>	<b>47.0</b>	
<b>Median of All Shadow Stocks</b>	<b>17.8</b>	<b>16.5</b>	<b>—</b>	<b>18.6</b>	<b>0.8</b>	<b>56.0</b>	<b>14.0</b>	<b>55.0</b>	<b>47.0</b>	
<b>Median of All Companies</b>	<b>19.9</b>	<b>18.3</b>	<b>—</b>	<b>13.0</b>	<b>0.9</b>	<b>87.2</b>	<b>11.4</b>	<b>50.0</b>	<b>50.0</b>	

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when identifying Shadow Stocks. The total level of sales provides an alternative measure that does not rely on market valuation to judge a firm's size. But keep in mind that sales levels vary by industry, so it's best to compare firms within the same sector.

The sales growth rate is often used to confirm the strength of growth in earnings per share. Sales are less susceptible to accounting choices than reported earnings and often point to a change in overall company trends before it becomes apparent in earnings. Revenue growth directly impacts the bottom line and the effect will be magnified if costs can be contained.

Beyond examining the overall sales growth rate, it is important to look at year-to-year numbers to see the consistency of the growth—the greater the variability, the greater the risk. The five-year revenue growth rates for the new Shadow Stocks range from a -15.1% to a positive 141.4%. As with earnings growth, very high sales growth is not sustainable.

The relative strength ranks indicate how a company's stock price has performed relative to all other stocks. A rank of 50%

indicates that the stock's performance was better than 50% of all stocks, while a rank of 75% indicates performance better than 75% of all stocks. Relative strength ranks are provided for both a short-term and long-term period. Investors seeking stocks showing price momentum often look for stocks with strong and improving relative strength ranks. A high 52-week rank coupled with a low 13-week rank points to a company losing its price strength steam.

Paul-Son Gaming has a high 52-week relative strength rank of 91%, indicating that it has outperformed 91% of all stocks over the last 52 weeks. Its price has nearly doubled from its close of \$8.00 at the end of 1996 to \$14.50 for 1997. However, its relative strength rank of 13% over the last 13 weeks indicates weak performance over the last quarter of 1997—well off its \$26.50 peak in October. In contrast, Escalade's relative strength is strong for both the 13-week and 52-week periods (91% and 86%, respectively).

The list of new Shadow Stocks is a diverse group of companies. The profiles presented here illustrate some useful preliminary screens in the stock selection process.



### Definitions of Screens and Terms

**Price-Earnings Ratio—Current:** Market price per share divided by the most recent 12 months' earnings per share.

**Price-Earnings Ratio—Yr. Ago:** Firm's price-earnings ratio one year ago. Provides a measure of comparison for judging current price-earnings ratio.

**Earnings per Share Last 12 Months:** Net income after all expenses and preferred stock dividends divided by the average shares outstanding during the year.

**EPS Growth Rate:** Annual growth in earnings per share over the last five fiscal years.

**P/E to EPS Growth:** The price-earnings ratio of a stock divided by its annual

earnings per share growth rate over the last five years. Market valuation relative to historical earnings growth. A ratio below 1.0 is reason for further analysis.

**Sales—Last 12 Months:** Net sales in millions of dollars for the last 12 months.

**Sales—Growth Rate:** Annual growth in sales over the last five fiscal years.

**Relative Strength Rank (52-Week and 13-Week):** The price performance of a stock relative to the performance of all stocks expressed as a percentile rank. The higher the rank, the better the relative performance.