

The top stocks to survive the crisis

THE global crisis has reshaped the financial landscape. It has battered a lot of companies — some of which will never recover.

It has also made investment decisions more important than before.

A new edition of a popular book attempts to scientifically identify the Australian stocks that have best weathered the GFC.

Top Stocks 2010, by Martin Roth, claims to have identified companies of exceptionally high quality that make solid profits year after year, have moderate levels of debt and pay regular dividends to shareholders.

Roth says Australia has been lucky when it comes to the resilience of its companies.

"It is wonderful that Australia has so many fine companies," he said.

"When I was preparing this latest edition, I wondered whether there would be enough stocks that met the criteria for inclusion in the book.

"But in the end there were 92 — down from 100 the previous year."

He said debt levels were one of the keys to selecting successful stocks.

"The companies that have struggled through the GFC have all had problems with debt and this is still an issue because of rising interest rates," he said.

"You also need decent levels

TOP 10 PERFORMING SHARES

YEAR-ON-YEAR REVENUES GROWTH %

Incitec Pivot	112.5
Coal & Allied Industries	93.4
Gloucester Coal	92.3
Macarthur Coal	73.8
Austin Engineering	68.4
Felix Resources	66.0
Woodside Petroleum	49.6
Technology One	41.2
New Hope Corporation	41.0
TFS Corporation	41.0

YEAR-ON-YEAR EARNINGS-PER-SHARE GROWTH %

Coal & Allied Industries	632.1
Gloucester Coal	246.1
Incitec Pivot	197.8
Energy Resources of Aus.	191.5
Felix Resources	181.5
Salmat	140.5
Macarthur Coal	116.7
Woodside Petroleum	69.9
OrotonGroup	61.9
Campbell Brothers	47.1

RETURN ON EQUITY %

Coal & Allied Industries	70.4
OrotonGroup	68.5
Monadelphous Group	66.2
Gloucester Coal	61.0
Navitas	51.4

of profitability and good strong market share.

"What we'll see in the next few years is a differential between strong companies and weak companies — with the

Reject Shop	50.3
JB Hi-Fi	48.0
Count Financial	45.4
Mortgage Choice	44.2
Felix Resources	42.7

YEAR-ON-YEAR DIVIDEND GROWTH %

Coal & Allied Industries	2740.0
Fleetwood Corporation	164.0
Incitec Pivot	128.5
OrotonGroup	75.0
JB Hi-Fi	69.2
CSL	52.2
Energy Resources of Aus.	40.0
Super Cheap Auto Group	38.5
Servcorp	33.3
Navitas	31.2

FIVE-YEAR SHARE-PRICE RETURN %

Monadelphous Group	57.2
Felix Resources	54.3
WorleyParsons	53.2
Reject Shop	47.5
JB Hi-Fi	45.5
Austin Engineering	42.7
Mitchell Com. Group	42.0
TFS Corporation	39.6
New Hope Corporation	39.5
Energy Resources of Aus.	36.3

stronger ones flourishing and the weaker being absorbed."

All companies in this 16th edition of the book must have been publicly listed for at least five years and must have been

in profit and paying a dividend each year for five straight years.

Many of the companies in the book are stronger now than they were a year or so ago.

Of the 92 companies listed, 48 saw profits rise in their latest reporting period despite the sharp economic downturn.

Thirty-seven achieved double-digit profit gains and 37 companies raised their dividend in their latest reporting period.

And 15 of the included companies have never appeared in *Top Stocks* before.

Some small companies in *Top Stocks* for the first time that show promise include:

ASG Group — a Perth-based provider of IT services.

Austin Engineering — a leader in the fabrication of products such as excavator buckets and water tanks for the resources sector.

JB Hi-Fi — a well-known retailer that has become one of the leading beneficiaries of the continuing strength of consumer demand for computers and consumer electronics.

TFS Corporation — also based in Perth, is achieving significant success with its sandalwood plantations.

Others are The Reject Shop, Super Cheap Auto Group and Navitas, a Perth company providing educational services.

Top Stocks, by Martin Roth, John Wiley publishers, RRP \$29.95