

ON THE MONEY / By Mark Calvey

Investment banks dig for gold in small-cap fields

Investors who spot new opportunities early can do quite well if promising companies make it big.

Often these promising companies can chalk up double-digit gains in profit — and still be in the shadows.

Shortly after moving from South Florida to Los Angeles in 1989, I recall having dinner with a Hollywood senior executive about the business of renting videotapes.

“What’s Blockbuster Entertainment?” was his first question. The company is now struggling with new competitors and new technology, but at the time was a solid growth company.

The same goes for another promising growth company of the early ‘90s: America Online Inc. Again, it was producing strong growth in revenue and share price even as shareholders explained the power of online communication.

Bay Area investment banks are in the business of helping their institutional clients spot such growth opportunities early. In the spirit of finding tomorrow’s big winners, Merriman Curhan Ford recently shared its 2008 Small Cap Leaders list. The San Francisco investment bank compiled a list of 14 companies addressing huge markets that currently have a market caps of less than \$350 million — sometimes much

less — but have the potential to eventually be worth more than \$1 billion.

The firm’s list includes Cash Systems; Casual Male Retail; Composite Tech; EXFO Electro Optical Engineering; Idera Pharmaceuticals ; Maxwell Technologies; Microtune; NaviSite; Neurobiological Technologies; Nova Biosource Fuels; Numerex; TheStreet.com; TurboChef Technologies; and Xtent.



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Cash Systems has a patent-protected ability for casino customers to access cash directly from credit and debit cards as well as checking accounts without going over the speed bump of visiting the casino’s ATM or cashier.

Nova Biosource Fuels is expected to have the first of several large-scale biodiesel facilities come online this year.

“The company enjoys first-mover advantage in the non-crop-based market for biodiesel fuel based on its proprietary technology to process low-cost waste streams into biofuel,” writes MCF analyst Brion Tanous.

In the online arena, MCF takes a liking to TheStreet.com, which is expected to create

new web sites and redesign its main site. “It is positioned to expand its presence in the online advertising market,” said MCF analyst Richard Fetyko.

MCF also sees TurboChef Technologies cooking. The company makes speed-cook equipment for a recognizable list of corporate clients and is now moving into the home market. Its clients include Subway, Starbucks and Dunkin Brands. MCF analyst Robert Straus sees a ramp-up in installations for Safeway and 7-Eleven this year.

While searching to find growth companies early, Merriman Curhan Ford’s parent company, MCF Corp., is following in the footsteps of many of its fast-growing clients by listing its shares on the Nasdaq this week, trading under the ticker MERR. The company previously traded under the ticker MEM on the American Stock Exchange, which is being acquired by NYSE Euronext.

“A Nasdaq listing is a great step forward for us,” said Jon Merriman, CEO of MCF Corp. “We expect that listing our stock on Nasdaq will increase the liquidity in our shares and raise the profile of our company.”

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