

## • Index Points to Improvements in Medium-Sized Company Profits

*Posted by Conor Dougherty*

An index that tracks a broad swath of medium-sized companies shows that that business profits are rising with the improving economy.

The index is distributed by **Fifth Small Business Index**

**Street Finance Corp.**, a publicly traded lender, and tracks a collection of 30 or so companies that it either lends to or owns a stake in.

Companies include everything from **Best Vinyl**, a Utah-based vinyl fence installer, to **Boot Barn**, a California-based boot retailer and **Filet of Chicken**, a Georgia chicken processor.

Fifth's Street index was at 782 in October, the third consecutive monthly increase, and up from 781 and 778 the previous two months. The

index showed precipitous decline from its July 2008 peak of 1,021 through July of last year, as consumers retrenched and businesses cut back production.

The index tracks the companies Ebitda, a painful acronym that stands for earnings before interest, taxes, depreciation and amortization. Ebitda tracks cash going in and out of a company, and thus can be a useful measure of how the underlying business is performing.

The measure is often misused by companies seeking to put a positive spin on their deteriorating finances, but Fifth Street's index tends to be a stricter measure of Ebitda because it uses the figure to monitor the financial covenants of companies in the index (meaning they can call a company's loan if the Ebitda measure falls below a certain number).

There was carnage in virtually every industry tracked in the index, though health care, which tends to resist recessions, was relatively stable, according to Leonard Tannenbaum, Fifth Street's chief executive.

The recent improvement "says to use that small company health has stabilized," says Mr. Tannenbaum.

