



EUROPE'S HOT 100

Year in, year out, they pile on double-digit sales growth. And never fail to make a profit. They're Europe's elite.

They're alert, entrepreneurially-driven and determined to make it happen for their shareholders.

It's the *European Business HOT 100*, the seriously accurate ranking of Europe's fast-track profiteers. While *BusinessWeek's* Top 100 in October allowed members of Brussels-based Europe's Entrepreneurs for Growth "to nominate themselves for the ranking", our HOT 100 only recognises companies whose performance has been proven.

We employed a top analytical team (see *How We Did It* on page 63) to trawl the audited accounts of thousands of stock market-listed companies. And we turned the financial screws on them time and again, demanding more and more, until only 109 remained – only five of which were in *BusinessWeek's* ranking.

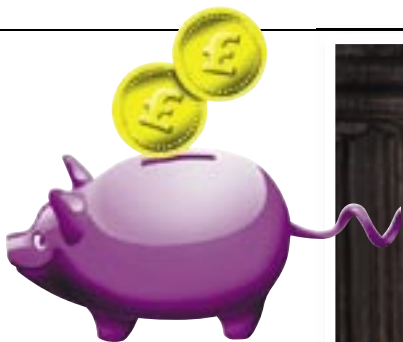
Europe's big three economies account for two thirds of our top 100. Britain's 33 reflects the UK's economic strength over three years. The dogged determination of 21 French entrepreneurs made them grow and profit – while all but 7 Germans were done down by their sluggish economy. But how did the Greeks outnumber the Italians?

Truly amazing results come from the New Europeans. Poland's sportswear designer LPP (33% average sales growth over three years) entered at No 18, while Hungary's Budapest Elektromos powers in at 33.

What it really takes to get into *European Business HOT 100* is management sparkle. As Ireland's top 10 entrant, bookie Paddy Power, explains: "We do things that are fun. The office buzzes with people who have crazy ideas. We'll offer odds on almost anything. Customers love it."

"That's the difference between us and the big boys in betting. It would take our competitors a year and a day to agree to do such things."

For the full list of **Hot 100** companies and how they were chosen, turn to page 63



A passion to be the best



RETURN ON CAPITAL EMPLOYED
76%

TELECOM PLUS BRITAIN

The founder of Telecom plus says it is his passion and entrepreneurial ambition that has helped drive the company to the top of this year's survey.

The unorthodox business has been locked in a David and Goliath battle for market share. It relies on customers' word of mouth to promote its discounted telephone, internet, gas and electricity services.

Chief exec Charles Wigoder, 44, (above) believes "businesses that are run with inspiration and imagination are invariably more exciting and successful places to be."

He is a seasoned telecoms executive who also has worked as a securities analyst and chartered accountant. He is a sharp-minded businessman who is not afraid to speak his mind.

"What differentiates me from my competitors is my personal involvement in Telecom plus – Telecom plus is my passion," he says.

"My success as an entrepreneur will be judged by the size and profitability of the business I build and I find it enormously satisfying to compete successfully against large multinational companies with far greater financial resources than ourselves."

He also has talents outside the corporate world. This year he won a major international bridge tournament in Las Vegas competing against the world's top players.

In just over five years, his business has amassed nearly 200,000 domestic and small-business customers, 15,000 of whom sign up new customers in return for a residual income and cheaper utilities.

Trading as Utility Warehouse, Telecom plus is a "virtual" retailer, so has no shops – just a call centre and 180 staff to provide back-up.

Low overheads allow Wigoder to offer cut-throat rates, driving average sales growth of 39% over the past three years. "The secret of our success has been our unique business model," he says. "We also have the ability to move quickly to take advantage of opportunities."

In contrast, competitors are lumbered with bureaucratic management and costly infrastructure, he says.

"We are the only entrepreneurial-focused business in a market which is dominated by former state-owned monopoly suppliers."

Unlike his peers, his remuneration comes largely from dividend cheques – another powerful incentive to perform.

However, his aggressive approach to marketing led him to fall foul of regulators three times for misleading advertising.

Wigoder wants to gain further market share in the UK. So far it only has 1% of a multi-million pound potential.

Telecom plus is one of five UK retailers that dominate the top of the list.

Second in the rankings is the UK's biggest tiles and wood flooring retailer Topps Tiles.

Buoyed by the housing boom, the retailer wants to rapidly expand its chain of more than 200 stores.

Third is games manufacturer and seller Games Workshop, which has found a niche in fantasy games and is enjoying strong profits from its global network of hobbyist stores.

Fourth is sofa retailer ScS Upholstery, whose 60-plus stores are aimed firmly at the mid-market.

It is also benefiting from the property boom and is experiencing robust leather furniture sales.

Fifth is the fashion label Ted Baker, which continues its expansion into new regions and products.

Cheap booze of the gods

2003 PROFITS
€ MILLIONS
50

HELLENIC DUTY FREE GREECE

In 1998, Athens-based Hellenic Duty Free shops won a 50-year exclusive license to operate

duty-free stores in Greece.

A year later, the European Commission decided to abolish duty-free shopping for travellers within the EU. The decision hit Hellenic's earnings hard.

However, the group has continued to expand and upgrade its network of about 60 stores at airports and ports as well as a chain of "duty-paid" stores that are achieving robust growth.

This has led to average sales growth of 17% over the past three years and a return on capital employed of 39%. Hellenic produced double-digit sales and profits growth in 2004.

It is looking at expanding into the broader Balkans and eastern Mediterranean and recently made a foray into duty-free petrol.

In June, it appointed Dimitris Kyriacopoulos, formerly at Procter & Gamble and Warner Lambert, as deputy managing director to help drive growth.

How we did it

To be in contention for a place in the *European Business* Hot 100, companies had to meet the toughest possible criteria.

First, we had to know that their figures stand up to scrutiny. So we chose only quoted European companies.

They had to have size: we wrote out any that didn't have annual sales of at least €80m, and capped them at €999m.

We needed to know they'd been around for a while. They had to have filed audited accounts for at least four years. From those, we calculated their annual sales increases.

But they have real staying power: only those that achieved 10% per annum sales

increases in their last three years were allowed to stay in.

The final hurdle was to remain profitable throughout this period. Our analytical team judged them on the basis of return on capital employed (ROCE), calculated from pre-tax profits over capital employed. We then ranked them on the latest year. Out of the thousands surveyed, just 109 emerged. Nine just failed to make it to the Hot 100.

We'll be looking at them again in 2005. What an incentive to try just that little bit harder.



OUR TOP TEAM

The Hot 100 has been prepared by Barron and Smithers using data taken from the Thomson Extel Financial Database.

B&S, established for over 25 years by colleagues at the London Business School, specialises in financial analysis, data modelling, software and training. The team comprises Mike Barron, a

distinguished British accounting academic, who provides financial training for major international management consultants and banks; Jeremy Smithers, who has over 40 years' IT experience, and is associate director of the London Share Price Database; and Amanda Barron, a chartered accountant. www.BarronandSmithers.com

RANK	COMPANY	COUNTRY	ROCE% (see above)	3 YR AVG ROCE%	SALES (€m)	3YR AVG SALES GRTH%	COMPANY DESCRIPTION
1	Telecom plus	UK	75.72	53.53	118.1	39	Bulk-buys cheap call-time and sells to phone users.
2	Topps Tiles	UK	67.22	52.57	223.9	32	Britain's biggest tile and wood-floor supplier with 200-plus stores.
3	Games Workshop Group	UK	53.54	55.82	221	14	Makes model soldiers, systems and kit for tabletop war games.
4	ScS Upholstery	UK	47.32	57.6	171.5	33	Mid-market sofa and armchair retailer, dealing in leather and fabric.
5	Ted Baker	UK	46.44	46.55	127.7	19	High-street fashion chain specialising in casualwear for twenty-somethings.
6	Illiad SA	France	39.47	45.56	293.1	92	High-flow ADSL connections, supplying internet, telephone and TV services.
7	Hellenic Duty Free Shops	Greece	38.93	32.44	231.2	17	Operates 56 duty-free shops at airports, ports and border posts.
8	McCarthy & Stone	UK	37.62	31.85	378.6	17	Redevelops brownfield sites into private retirement homes.
9	Clas Ohison	Sweden	36.68	38.44	281.7	22	Sells DIY products by mail-order, internet and shops in Scandinavia.
10	Paddy Power	Ireland	36.58	34.39	913.6	36	Ireland's biggest bookmaker. Operates via internet, phone and 150 shops.
11	Ben Bailey	UK	34.98	32.52	90.5	20	Family-run Yorkshire builders, specialising in residential housing.
12	DNO AS	Norway	33.80	23.31	249.4	48	Oil and gas producer operating in Norway, Middle East and Africa.
13	Majestic Wines	UK	33.48	28.36	214	15	Wine merchant operating via internet and shops throughout the UK.
14	Straumann Holding	Switzerland	33.44	34.53	225.6	23	Supplier of implant dentistry and dental tissue regeneration equipment.
15	Folli-Follie	Greece	33.41	26.09	160.6	36	Greek-designed, mid-priced jewellery and watches.
16	Rodriguez Group	France	29.95	34.48	303.5	38	Designs, sells, fits out and repairs yachts. Manages rentals and crews.
17	Paladin Resources	UK	28.47	30.02	386.7	82	British oil and gas producer. Assets in North Sea and worldwide.
18	LPP SA	Poland	26.75	29.32	84.9	33	Designs and distributes casual sports-style clothing and promotional wear.
19	Camaieu	France	26.75	24.5	363.6	12	Designs and distributes ready-made women's clothing in stores across Europe.
20	Holidaybreak	UK	25.34	24.25	381.7	13	Founded in 1973 as Eurocamp, now includes long-haul destinations.