Top Public Cos. Total $134B on 18.7% Gain in Market Cap

ECONOMY: Allergan No. 1 again; Western Digital adds $9.6B

■ By MARK MUELLER

Orange County’s largest publicly traded companies combined for a cool $20 billion boost to their market valuations over the past year, thanks to strong gains by Allergan Inc. and Western Digital Corp., the largest representatives of the local healthcare and technology sectors.
The 100 largest public companies based here account for $134 billion in market value overall, according to the Busi-

Pyott’s Place: Not Big Pharma

CEO: Cash-Pay Lines, Less Bureaucracy Set Allergan Apart

■ By VITA REED

Call Allergan Inc., the biggest publicly traded company in Orange County. Just don’t call it “Big Pharma.” That’s the word from David Pyott, the longtime chief executive of the Irvine-based maker of Botox and other drugs, which checks in at the top of this week’s list of OC-based public companies, with a recent market value of about $37 billion (see related stories throughout issue, list on page 10).

“I do not like the label of ‘Big Pharma’ at all,” Pyott said last week. “Specialty pharma does describe us better—that is the right label.” Big Pharma is a sector of the healthcare industry that includes big names such as Merck & Co., Johnson & Johnson, Pfizer Inc., Eli Lilly and Co. and GlaxoSmithKline PLC.

Allergan has seen annual sales grow from the equivalent of $700 million when Pyott arrived in the corner office in 1998 to $6.3 billion last year, when it spent more than $1 billion on research and development.

Ingram Micro’s Step to Next Level

Located Behind the Scenes

CIO Charged With Marrying Tech Backbone, New Business Lines

■ By CHRIS CASACCIA

Ingram Micro Inc.’s push into higher-margin business lines, namely mobility and the cloud, were spearheaded by Chief Executive Alain Monie, who took over the top post more than two years ago.
The ultimate success of the ongoing shift lies in synchronizing technology infrastructure that crosses 36 countries and five continents with the distribution giant’s sprawl -ing workforce that supports that network—a responsibility that falls squarely on the shoulders of new Chief Information Officer Ernie Park.

“We have an opportunity to really leverage what we have built and take it to the next level,” Park said during

It isn’t what you do, but how you do it.

— John Wooden
Quiksilver

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**Optimism improved when participants were asked about their own industries. More than 70% of respondents said they expect “significant or some” growth in their respective business sectors, up from 66% three months ago. Nearly 8% projected some decreases, slightly down from last quarter, while 22% expect business activity to remain stable.**

**Employment Outlook**

Early this year, the labor market had changed over the past three months, leading more firms to report that they “intend to hold on to their employees” and fewer to plan job cuts. More than half of the respondents—55%—said they will make no changes in their labor forces, up from 49% last quarter. About 5% said they expect to reduce their workforces, down from 12%. Those planning to hire are counted for 40% of the survey pool, up slightly quarter-over-quarter. Local executives have tempered their expectations for quarterly revenues, for the next three months. A smaller proportion of respondents—66% versus 70%—said they project increases in revenue, and a larger percentage—10% versus 7%—said they expect declines.

**Primal Elements**

“It’s kind of a crazy period right now for businesses overall,” said Scott Freeman, president of Primal Elements Inc., a Huntington Beach-based maker of soaps and personal-care products. “We’re seeing some growth, but not a lot of growth, but probably because we see things pick up and drop again. There are too many variables going around right now. Consumers are timid.”

**Concerns**

The survey also asked executives to iden-
tify the second largest concern in their enter-
prises. The state of the overall economy remained the largest focus, at 48%, up from 42%. Government regulations were the second concern, at 40%

Credit availability and labor costs have be-
come less significant concerns for local businesses. Those who were worried about access to credit fell to 10% in April, down from 15% in March. Figures for labor costs fell from 5% to 1%.

International competition, on the other hand, surfaced as a bigger concern, with 6% of respondents indicating it as their primary worry, versus 2% for the first quarter.

**California vs. U.S.**

The survey asked local executives to com-
pare the pace of economic improvements in California with that of the U.S.

A larger share of respondents—38% versus 32%—said California’s economic recovery will lag the national economy. About 41% said the state will grow faster, down from 50%.

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**Quiksilver**

- **Headquarters:** Huntington Beach
- **Business:** Apparel maker, retailer
- **Founded:** 1969
- **Ticker Symbol:** ZOK (NYSE)
- **Fiscal 2013 revenue:** $1.82 billion
- **Recent earnings:** $15.4 million for January quarter
- **Market value:** About $1.3 billion
- **Notes:** See this week’s list of publicly traded companies based in OC (see page 10)

Quiksilver has some 23-year run in Quiksilver stock ended. For the period ended May 13, the company reported adjusted EBITDA of $118 million for fiscal 2013, down from $141 million a year earlier.

Mooney’s initial steps have gotten strong reviews from investors, who have sent the company’s stock up about 36% since January 2013, when he assumed the chief executive duties from founder Bob McKnight, who helped to the role of executive chairman.

The run-up helped the company to the No.14 spot on this week’s list of the largest publicly traded companies based in Orange County, with a market value of $1.27 billion (see related stories throughout issue; list starts on page 10). It ranked No. 19 last year.

There’s still a way to go.

Net revenue for the year ended Oct. 31 was off about 6% in constant currency to $1.81 billion. The company swung to an adjusted loss of $58 million, compared to a $100 million profit in the year-ago period.

Mooney’s next act will focus on respond-
ing to the shifts in the action sports indus-
try and certain opportunities left unexplored in the broader market via specialty product for retailers, along with new lines.

There are plans for a lower-priced line out of DC Shoes in the $45 to $55 retail price range, a segment the brand has been absent from.

**Buz**

What’s gotten a lot of buzz is the rollout of a strategy to deliver unique product to Quiksilver’s multistore retail customers. It’s known in the industry as specific makeup, or SMU. The thinking behind SMU is to give individual retailers unique product for a competitive advantage in the shopping mall. It’s to see as a way for Quiksilver and others in the action-sports segment to offset the effects of a shrinking base of core or specialty surf and skate shops.

“Increasingly, the moderator, either mall-based teen retailers in North America—the PacSun, Tilly’s and Zumiez of the world— all of which are very good retailers, along with the bigger-box retailers in Europe, like Decathlon or Sports Direct, what they are really looking for is fashion-price, right-price product on a very fast turn cycle,” Mooney said in a call with Wall Street analysts last month. “As an organization, we haven’t really been set up to service that channel the way it needs to be serviced in today’s kind of faster-pace, faster-moving environment. We’ve been out of energy into that in the last six months.”

Mooney was unavailable to comment for this story, but spoke to a larger group.

“It’s a page out of the Nike Inc. playbook for Mooney, who was with the Beaverton, Ore.-based brand when its SMU division was created.

It’s working for Nike, with its Nike SB skateboarding and its Costa Mesa-based Hurley International LLC. The result over several years has helped it penetrate the ac-
tion sports industry and take up shelf space previously allocated to industry brands.

**Pacific Sunwear**

It also helps to be on trend, which might be why Nike’s brands accounted for 10% of net sales for Anaheim-based retail chain Pacific Sunwear of California Inc. during its fiscal year ended in February, the retailer said in a filing with the Securities and Ex-
change Commission.

No other brand accounted for more than 10% of Pacific Sunwear’s sales in 2013.

“…I think increasingly, the larger retailers aren’t really interested in what our line is,” Mooney said during the call. “What they’re interested in is what their line is. Each of those retailers are increasingly looking for custom-design lines that appeal to both their unique customers as they see it and certainly their business objectives.”

Mooney sees success in brands that offer not only function for athletes but fashion for the broader consumer market.

“For us, Quiksilver is how to do that without delivering a ding to the brand.”

That’s a dilemma for a lot of companies and businesses, especially for Scott Howe and Jeff Harbaugh, president of industry con-
sultant Jeff Harbaugh & Associates.

“There is a certain group of people who are loyal to Quiksilver, and they’ve gotten older. They’re going to age out, and you have to replace them with younger people. As you get into broader distribution, which every-
body is trying to do, it may be that the new consumer on your brand, but they don’t know your story. That can be a problem.”

Mooney appears confident the company can straddle both market groups.

“It’s possible to walk and chew gum at the same time,” Mooney said, “because I think, if you look at brands like Nike in our world [and] brands like Vans in our world, I think they’re very connected to the music and arts community, which is something’s strangely not within our DNA. It has not been as strong a focus for us in the last decade. In some ways, this is deja vu all over again for these brands. We’re just going back to what we did when we first started… we were both functional and fashionable at the same time.”

Case in Point: A company doesn’t need hundreds of athletes to tell its story, according to Mooney.

Quiksilver has more than 400 athletes under contract.

“To say that we have too many is a kind of massive understatement, so we’re getting athletes closer to what we believe is the right number,” he said.

Trimming sponsorships and some of the events the company’s involved in has al-
lowed it to increase the amount the company spends on more traditional forms of marketing, such as print ads, from $10 mil-
lion to $52 million. The company’s overall annual marketing budget is about $100 mil-
ion.

The additional funding is expected to be seen as early as this month with efforts to promote the new AQ 47 Quiksilver perfor-
ance boardshort collection among other new products in a push not seen out of the com-
p any since Skis Rossignol, the ski brand the company started in 1964.

And nothing says surf or Quiksilver better than boardshorts, Roth’s said.

“It’s a surf brand. There’s only a few things you can do, to tell you the truth. And our goal is to create a brand and speak to its DNA, and I would say those things would be board-
shorts, surfboards and wetsuits. So it ex-
actly what they should be doing. I think it’s going to be important for the Quiksilver brand.”