Public Companies Pass $200B on Allergan Effect

Drugmaker’s Sale Brings Much of Big Lift; Edwards, Broadcom Chip In; HCP Moves In

By JANE YU

Orange County’s 100 biggest public companies combine for more than $207 billion in market capitalization, a gain of 62% from a year earlier.

The total comes from this week’s Business Journal list, the centerpiece of the special issue that highlights the top publicly traded companies with headquarters here, ranked by market capitalization.

The jump in market cap came in large part on strong gains by Irvine-based druggmaker Allergan Inc., whose market value nearly doubled during a monthlong run-up that ended last month with a $72.5 billion sale to Actavis PLC.

This year’s list includes 45 companies that had increases in their market caps and 40 that had decreases. It also has a number of companies that recently went public and some that grew to land in the top 100 for the first time.

The annual list includes figures such as revenue, net income and number of local employees, which don’t affect the rankings.

Allergan has been the perennial leader of the list in recent years, and it ranked No. 1 again after nearly doubling its market cap from $37 billion a year earlier. The drugmaker’s effect on the list is substantial: Its market cap accounted for about 35% of the list’s total, and the year-over-year increase of $45.5 billion made up 45% of the list’s overall increase.

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Broadcom’s Small Lineup

Looks for Young Comers in ‘Internet of Things’ to Complement Roster of Global Brands

By CHRIS CASACCIA

Broadcom Corp. is out to complement its position as the leading supplier of connectivity chips to the world’s largest consumer electronics brands with a customer base made up of hot startups and emerging companies in the Internet of Things market.

The strategic shift has helped the Irvine-based company amass a mix of smaller customers that range from makers of portable breathalyzers and wireless grilling thermometers to manufacturers of mini drones and smart guitars.

“We’re going to enable more and more of that,” Broadcom Chief Executive Scott McGregor told the Business Journal. “We’re really just helping to create an overall innovation wave that I don’t think we’ve seen in awhile.”

The new lot is a far cry from the roster of big-name companies—Samsung, Apple and Sony, among others—that helped Broadcom grow steadily for years on communication chips. That segment of the market played a key role in its record sales of $8.42 billion in fiscal year 2014.

Irvine Company Eyes Another Spectrum Tower

REAL ESTATE: Plans indicate office on par with project now in works

By MARK MUELLER

The Irvine Company is considering doubling down on its high-rise office development plans in the Irvine Spectrum.

The Newport Beach-based real estate owner and developer has filed plans with the city to build another tower next to its Spectrum shopping center, this time in the 400 block of Spectrum Center Drive.

The proposed tower would run 20 stories and 450,000 square feet, according to city documents.

Bixby Envisions New Ride for Kawasaki HQ

REAL ESTATE: Plans biggest makeover yet after $44.3M buy

By MARK MUELLER

The purchase of Kawasaki Motors Corp. USA’s Irvine headquarters is the keystone in a redevelopment plan by Bixby Land Co. that could top $70 million when the costs for a takeover of the existing building and an adjacent parcel of land are considered.

Bixby last week closed on the 262,463-square-foot-of-home of Kawasaki’s Irvine office.

CSUF Survey: OC Execs Remain Bullish for Q2

ECONOMY: Revenue, job growth seen; view on earnings stable

By JANE YU

Local company executives continued a recent run of optimism about the economy and their own business prospects going into the second quarter, according to the latest index published by California State University-Fullerton’s Mihaylo College of Business and Economics.

The index is based on a survey of 49 local executives that was conducted in the last week of March.

The latest reading showed a slight gain to 92, up from 91.5 in the first quarter and 88.1 a year earlier. It was the third straight quarter the index
Growth, Change
The majority of this quarter’s respondents—73%—said they expect “significant or some growth” in their own industries. This compares with 65% three months earlier. About 16% expect little or no growth in their industries, down from 31%. About 6%, up from 4%, said their sectors will likely slow down.

Jerry Holdner, vice president of market research for Newport Beach-based Voit Real Estate Services, said he’s expecting a solid quarter for the commercial real estate market. “As we enter into the second quarter of 2015, we are still seeing strong demand for commercial real estate,” he said. “With the ports back up and running, we should see a stronger-than-usual second quarter in Southern California.”

Holdner tracks commercial real estate statistics, such as property availability, absorption rates, and lease and sale prices. Voit is among the fastest-growing private commercial real estate companies, with about $49 million in revenue for the year through June 2014, a two-year growth rate of 24%, which landed the company at No. 65 on the Business Journal’s latest list of the fastest-growing midsize companies. Voit has about 110 local employees.

Factors
Holdner said factors such as “a decrease in the amount of vacant and available space on the market, even with new product being delivered,” plus positive absorption and higher occupancy costs, are expected to continue to help the market improve.

The survey asked executives about their hiring plans, and results show some firms that had been hesitant to make changes to their workforces early in the year have started planning hires.

About 22%—down from 25% at the start of the year—said they intend to increase headcount this quarter. The proportion of firms that plan on making no changes dropped from 53% to 46%.

Sales expectations have dampened, with 71% indicating they expect growth this quarter, down from 78% in the first quarter. About 4% said they expect weaker sales, a change of sentiment from January, when no survey participant anticipated lower sales. Profit expectations largely stayed the same. About 63% of respondents said they project higher earnings in the next three months, unchanged from last quarter. A third said they expect no change, up slightly from 31%, and 4% expect lower earnings, down from 6%.

A small percentage of firms are planning increased investments in inventory or equipment this quarter—31% versus 36%. About 8%, up from 4%, said they plan on reducing inventories.

‘Most Significant’
The survey also asked what executives consider “the most significant factor” affecting business. More than a third responded that government regulations were a top concern, about the same proportion as a quarter earlier. About 27% said the overall economy was their biggest concern, down from 35% last quarter. Labor costs and taxes followed at 10% each.

Expectations about California’s economic growth improved. Half of the respondents, up slightly from 47% last quarter, said they think the state will outpace the U.S. economy’s growth. “This is the first time since the recession started that almost a majority feel that California’s growth will be faster than that of the U.S. economy,” the report said.

About 23% of the survey pool said California is likely to lag the nationwide pace of growth, down from 31%.