

## Top local companies can't escape tsunami

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The nation's economic ailments sapped the financial vitality of the biggest public companies in the East Bay and the Bay Area in 2008, causing red ink to infect the finances of more companies. β That grim assessment arises from this newspaper's annual survey of the largest public companies in the nine-county Bay Area and the East Bay. β "This is an extremely serious downturn by any measure," said Jeffrey Michael, director of the Stockton-based Business Forecasting Center at University of the Pacific. "This is the most severe recession since World War II."

In 2008, 25 of the 50 largest public companies in the Alameda County-Contra Costa County-Solano County region lost money, according to this newspaper's East Bay 50 list for 2008. That's up from 42 percent, or 21 out of 50, that failed to reach the break-even mark in 2007.

"The downturn has become pervasive through every part of the economy," Michael said. "There really isn't a safe haven at all."

A similar erosion emerged in the Bay Area.

During 2008, 38.5 percent, or 77 of the 200 largest

public companies in the Bay Area lost money. That's a big jump from the 27.5 percent, or 55 out of 200, that lost money during 2007.

"With this economy, you would expect revenues to slow and profits to fall," said Jon Haveman, an economist and partner with Beacon Economics.

Revenues continued to rise in the Bay Area for the 200 biggest public companies during 2008 compared with 2007.

However, the rate of the increase for revenues in 2008 slowed markedly compared with the revenue gain during 2007, according to an analysis of the sales trends.

In 2008, the average revenue for the 200 largest Bay Area companies was \$5.18 billion. That was 8 percent higher than 2007.

But in 2007, the average revenue of \$4.79 billion for the Bay Area 200 was 10 percent higher than the 2006 average of \$4.36 billion.

Profits shriveled in the Bay Area, the survey showed.

During 2008, the average profit for the Bay Area 200 was \$284 million. That was down 30 percent from the \$405 million profit average for 2007.

"The economy is getting weaker and the weakness will extend into all of 2009," Haveman said. "We don't expect any improvement until sometime in 2010."

The largest company in the Bay Area and the East Bay was Chevron Corp. The energy giant has consistently perched atop the standings following its purchases of Texaco and Unocal.

San Ramon-based Chevron generated \$255.11

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billion in revenues in 2008, up 25 percent from 2007. Chevron's profits totaled \$23.93 billion in 2008, up 28 percent from 2007.

The top 10 in the Bay Area were rounded out by Hewlett-Packard Co., McKesson Corp., Wells Fargo & Co., Safeway Inc., Cisco Systems Inc., Intel Corp., Apple Inc., Oracle Corp. and Google Inc. Including Chevron, those same companies comprised the top 10 in the Bay Area during 2007.

The big change from 2007 to 2008 involved Santa Clara-based Intel Corp., the legendary semiconductor stalwart.

Intel was the only company among the 10 largest public companies whose sales fell. That, in part, helped San Jose-based communications and networking titan Cisco Systems Inc. leapfrog Intel and take over the No. 6 spot.

Chevron Corp. was the profit king for the Bay Area and East Bay.

The second most profitable company in the Bay Area was Hewlett-Packard, with \$8.05 billion in profits. In the East Bay, Pleasanton-based Safeway was No. 2 in profits, with \$965 million.

The biggest money loser in the Bay Area was Cupertino-based Symantec Corp., which lost \$6.29 billion during 2008. In the East Bay, Walnut Creek-based PMI Group suffered the most red ink, losing \$928.5 million.

Last year brought the exit of some East Bay icons.

Hayward-based Mervyn's, a privately owned retailer, closed all of its stores and became a symbol of the cataclysm that has engulfed the economy.

A more orderly and dignified acquisition ushered

another retail giant, Longs Drug Stores Corp., off the East Bay's corporate stage.

Walnut Creek-based Longs sold itself for \$2.84 billion last October to CVS Caremark Corp. CVS now has its first Northern California presence.

Despite these departures, several up-and-comers appeared in the East Bay, measured by strong revenue gains. The two companies whose revenues increased the most are both in cutting-edge industries.

Fremont-based 3Par Inc. was 2008's champ of East Bay revenue gains. 3Par, which makes devices to store digital data, powered to a revenue gain of 160 percent.

Union City-based Questcor Pharmaceuticals Inc. was next best and charged to a 91 percent revenue gain.

Several firms moved headquarters into the East Bay for the first time. Among the new arrivals in the East Bay Top 50: Fremont-based Opnext Inc., Hayward-based Ultra Clean Holdings, Alameda-based Celera Corp., Fremont-based iGate Corp., and Richmond-based Transcept Pharmaceuticals Inc.

And 2008 also brought brand-new inductees to the East Bay's billion-dollar club. Two Pleasanton-based companies joined the ranks of publicly held firms with \$1 billion or more in revenue.

Polycom Inc., riding a surge of sales for its video conferencing and telepresence technology, powered to \$1.07 billion in revenue during 2008, up 15 percent from the year before.

Cooper Cos. Inc., a maker of contact lenses and other eye-care products, also had \$1.07 billion in revenues, which were up 9.6 percent from the year

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before.

Despite the economic slump and the departure of Longs, the East Bay during 2008 had 15 billion-dollar companies, up from 14 in 2007. The number of billion-dollar public corporations in the Bay Area was unchanged in 2008 compared with the year before: 78.

"The East Bay has always been resilient," said Bruce Kern, executive director of the East Bay Economic Development Alliance. "The East Bay and the Bay Area are the seed bed of innovative companies. And they will remain that way."

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