

LONG ISLAND'S PUBLIC COMPANIES

Newsday's
annual report

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The universe of public companies on Long Island has shrunk drastically since the economic crisis hit, as dozens of local corporations have been sold, relocated or driven out of business.

Arrow Electronics Inc. left for Colorado last year. Vitamin maker NBTY Inc. was purchased in 2010 for \$3.8 billion by The Carlyle Group, a private equity giant. And American Home Mortgage Investment Corp. folded in 2007 as the housing bubble burst.

About two dozen once-local corporations have moved their headquarters elsewhere, folded or have been acquired since the economy began faltering in late 2007. A decade ago, there were more than 80 public companies based on Long Island and traded on major exchanges. By the end of last year, that number had dwindled to 54.

A Newsday analysis has found the drop in the number of public companies has broad implications, leaving fewer local jobs and concentrating profits in the hands of a few large corporations. Smaller businesses here have struggled to turn a profit. Bigger ones have seen their net income soar, in some cases by following the national post-recession trend of shedding workers and streamlining operations to maximize the bottom line. They are doing more with less.

"Companies are pushing their employees to work 120 percent," said Howard Silverblatt, a senior index analyst for Standard & Poor's, which com-

plied the data for the analysis.

Compared with Long Island's largest 54 corporations of 2006, those here today have an average of 27 percent fewer employees. Their average sales are 22 percent lower, and their average stock market value is down 21 percent. Average profits, meanwhile, are up 68 percent.

Larger companies do better

Those rising profits, however, belonged almost entirely to a handful of the largest companies. Newsday's analysis compared figures from companies' 2011 or, in a few cases, 2012 annual reports with data the newspaper published five years ago, which was based on the most recent four quarters of earnings ended November 2006 through January 2007. It does not account for revisions to earnings made in subsequent filings.

■ Islandia software maker CA Technologies' net income soared 880 percent, to \$951 million, between 2006 and 2012.

■ Bethpage-based Cablevision, the parent of Newsday, swung from a \$126.5-million loss in 2006 to a \$292-million profit in 2011.

■ Henry Schein, the Melville-based medical equipment supplier, said profits jumped 124 percent, to \$367.7 million.

■ Pall Corp., the Port Washington maker of high-tech filtration devices, reported profits rose 88 percent, to \$315.5 million.

■ Plainview-based Veeco Instruments Inc., which makes equipment used to produce LED lighting for flat-panel TVs and other products, reported a 758 percent profit increase, to

\$128 million.

Most companies were far less fortunate. Take away the top five earners above, and the average 2011 profits for the remaining 49 public companies actually shrank by 41 percent compared with 2006.

"Smaller companies have had a much harder time in the last few years," said Martin Melkonian, an adjunct associate professor of economics at Hofstra University.

Big companies have natural advantages during tough times, economists said. They have more options to restructure and streamline themselves. Banks are more likely to loan them money. They can afford technology to increase production. And in many cases they have a better ability to reach new customers in global markets, economists said.

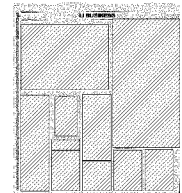
CA Technologies, for instance, has expanded in Asia and Latin America. Henry Schein operates in 24 countries and moved into the Chinese market in 2010. Veeco Instruments pushed into China, Korea and Taiwan.

The local trend of large companies finding ways to thrive despite the sagging economy mirrors a national trend. The companies listed on the Standard & Poor's 500 index of blue-chip stocks reported their highest-ever combined earnings in 2011. Many have done so by cutting costs, paying down debt and stockpiling cash, emerging from the recession leaner and more efficient.

Skittish about hiring

Despite higher profits, companies remain skittish about hiring, economists said. They are waiting for resolution on key economic issues, including the presidential election, the European debt crisis and the "fiscal cliff" — billions in automatic tax increases and spending cuts that will take effect early next year if Washington fails to reach a deal on government spending.

Yet, even if those issues are resolved, economists fear increasing global competition will prompt further streamlin-



ing, leaving companies unlikely to beef up hiring even as profits rise.

"Unfortunately, the phenomenon may permanently reduce the demand for labor in this economy," said Pearl Kamer, an economist for the Long Island Association, the region's largest business group.

CA Technologies, which sells mainframe software to large corporations, is among the Long Island companies that have reorganized and trimmed their workforces. It has shed 15 percent, or roughly 2,400 workers globally since 2006. And the company realigned its business teams to better mirror the way it delivers products.

At the same time, CA spent more than \$2 billion to acquire more than 20 companies, in part to expand its cloud computing business, which allows huge amounts of data to be stored remotely and accessed over the Internet. It also has poured \$600 million a year into research and development.

"We have effectively integrated our acquisitions, and we are now investing in them to accelerate growth," chief executive Bill McCracken said during a 2011 call with analysts.

Veeco Instruments reduced its staff by 28 percent, or about 360 people, largely by selling a unit in 2010 that made machines used for making scientific measurements. It sharpened its focus, doubling its research and development spending on its fastest-growing product line between 2007 and 2011. And the company outsourced most manufacturing, allowing it to keep pace as demand for its machines boomed in 2009.

"Over the last few years we've launched tremendous improvements in productivity and yield, and we expect to do the same over the next three years," chief executive John R. Peeler said during a call with analysts in April.

Profits without layoffs

Other local companies have managed to grow profits without cutting staff. Cablevision increased its full-time workforce by 11 percent since 2006, to 15,451, in part by buying Newsday and Bresnan Communications, a cable company that provides service in four western states. Henry Schein has added roughly 3,600 employees, increasing its ranks by 32 percent.

It is clear that the decline in public companies based on Long Island has led to job losses here. But it is difficult to pinpoint how many.

In some cases the jobs disappeared with the companies. For instance, when American Home Mortgage folded it laid off 1,500 people. In other cases, the jobs are still here. Arrow, for example, continues to employ about 550 people at offices in Melville and Hauppauge despite moving its headquarters last year to a Denver suburb.

Jobs are not the only measure of fallout when a local company is bought or moves away, said Kamer. Corporations based elsewhere are less likely to encourage their executives to volunteer at Long Island nonprofits, patronize local consulting firms or donate to charities here, she said.

"We have fewer big companies now to do those things," she said. "And that will have consequences."

LARGEST LI PUBLIC COMPANIES

	Company/ Community	Annual sales	Annual profits	Industry
1	Henry Schein Inc., Melville	\$8.5B	\$368M	Health Care Distributors
2	Cablevision Systems Corp., Bethpage	\$6.7B	\$292M	Cable & Satellite
3	CA Technologies Inc., Islandia	\$4.8B	\$951M	Systems Software
4	Systemax Inc., Port Washington	\$3.7B	\$54M	Computer & Electronics Retail
◀ 5	Pall Corp., Port Washington	\$2.7B	\$316M	Industrial Machinery
6	Broadridge Financial Solutions Inc., Lake Success	\$2.2B	\$170M	Data Processing & Outsourced Services
7	MSC Industrial Direct Co. Inc., Melville	\$2B	\$219M	Trading Companies & Distributors
8	The Hain Celestial Group Inc., Melville	\$1.1B	\$55M	Packaged Foods & Meats
9	Kimco Realty Corp., New Hyde Park	\$1.1B	\$169M	Retail REITs
10	Veeco Instruments Inc., Plainview	\$979M	\$128M	Semiconductor Equipment

Source: S&P Capital IQ

On Oct. 1, Pall Corp. reported its financial figures for 2012, saying it earned \$2.7 billion in sales and \$319 million in net income. Broadridge Financial reported its 2012 figures on Aug. 9, saying it earned \$2.3 billion in revenue and \$123.6 million in net income.



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