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Swing Set: Pandemic Brings Volatility To Revenue Reports For LA's Largest Private Companies

By HOWARD FINE *Staff Reporter*

The largest privately held companies in Los Angeles County experienced revenue volatility last year as they grappled with the Covid-19 pandemic to varying degrees of success.

Roughly 40 of the 150 largest private companies in Los Angeles County reported double-digit percentage revenue gains in 2020 compared with the pre-pandemic year of 2019, according to Business Journal reporting. Another 32 companies saw double-digit percentage drops in revenue last year.

Overall, these huge gains and losses canceled each other out. The group's cumulative revenue was $126 billion last year, virtually unchanged from 2019.

To underscore this, 62 companies had revenue gains, while 61 companies had drops in revenue.

Only about half of the companies surveyed reported revenue for both 2020 and 2019. Revenues for the rest were estimated from industry sources.

Among those that did report, three-quarters posted revenue gains in 2020 compared with 2019, indicating some bias in that companies with positive revenue growth were more likely to report revenue.

As a result, the cumulative growth rate in revenue among the reporting companies was nearly 5%.

With $17 billion in revenue, Trader Joe's is the largest privately held company in L.A.

Still, L.A.'s largest private companies fared considerably better on the revenue front than the county's 119 largest public companies, which reported an 11% collective drop in revenue between 2019 and 2020.

The increased volatility in private company revenue was no surprise to Lloyd Greif, founder and chief executive of downtown-based Greif & Co., which specializes in mergers and acquisitions among, and obtaining financing for, middle-market private companies.

"The pandemic has been a selective killer among private companies, which has led to a year of extreme swings in revenue, both up and down," Greif said. "There have been many more of these extreme swings than we saw pre-pandemic."

He noted that, in general, the pandemic hit the brick-and-mortar retail, hospitality, sports & entertainment and restaurant sectors the hardest. But, he said, "For companies in high technology, ecommerce or online collaborative work, it's been a blessing that has sped up transformations that were already working in their favor."

Yet even within some of these sectors, there has been wide variation, Greif noted. On this year's list, restaurant chains such as Beverly Hills-based Wolfgang Puck Cos. and Pasadena-based Blaze Pizza saw double-digit percentage drops in revenue.

The top gainer in terms of revenue percentage was Bell-based Individual FoodService, which counts restaurant chains among its largest customers. The key to Individual FoodService's 128% revenue gain was the trend toward takeout meals during the pandemic — meals that required packaging from Individual Foodservice.

Stability on top

Trader Joe's Co. Inc. retained the top spot on the Business Journal's list, with $17 billion in revenue, followed by Capital Group Cos., which again took the No. 2 spot with $8 billion in revenue.

Harbor Freight Tools USA Inc. again ranked No. 3 with $6.5 billion, while MGA Entertainment Inc. and Wonderful Co. rounded out the top five, with $6 billion and $5 billion in revenue, respectively.

The construction contractor sector was one of the few where almost all the companies on the list provided revenues. Most forms of construction were deemed essential early on during the Covid pandemic and allowed to continue while much of the rest of the economy shut down.

Nonetheless, the 11 contractors that reported revenues for this year's list hewed to the common theme of divergence in fortunes. Five had double-digit percentage increases, led by Long Beach-based W.A. Rasic Construction Co. Inc. at 48%. And three saw revenues drop by double-digit percentages, led by Turelk Inc., also of Long Beach, at -23%.

Private company exodus

Fourteen companies from last year's list fell off this year, seven of them because they relocated their headquarters outside the county.

Among this group was Hillstone Restaurant Group Inc., parent company of the Houston's restaurant chain, which moved to Phoenix from Beverly Hills; and customer service outsourcing company TaskUs Inc., which relocated to New Braunfels, Texas, earlier this year from Santa Monica and promptly filed paperwork to go public.

Surprisingly, given the recent IPO and SPAC booms, only two of the 14 exiting companies from last year's list became publicly traded entities: Santa Monica-based Beachbody Co. Group, which went public through a SPAC deal at the end of June, and Westlake Village-based Dole plc, which went public at the end of July for the third time in the fruit company's 170-year history.

Several companies fell off due to acquisitions. For example, travel agency company Altour was acquired by Travel Leaders Group Holdings, which consolidated Altour to its New York headquarters.

And one company, Beverly Grove-based Decurion Corp., parent of the Pacific and ArcLight theater chains, shut down its theaters in April, then filed for Chapter 7 liquidation status in June.