

Sacramento Bee

Sluggish growth in area tech industry

By Clint Swett -- Bee Staff Writer

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A barometer measuring the health of the local technology industry showed its slowest growth in two years during the first quarter of 2005, hobbled by anemic performance of publicly traded companies.

The Technology Index, published by the Sacramento Area Regional Technology Alliance, grew by just sixth-tenths of a percent in the quarter to 155.03. That compares with growth of 17.6 percent in the previous quarter and an average of more than 10 percent over the last three quarters.

The index works from a base of 100 set in the second quarter of 2003. It measures the market capitalization of seven publicly traded companies based in the region, plus revenue, employees and equity raised from the 43 private companies on the list.

The index changes slightly each quarter based on which companies qualify to stay on the list. In the first quarter, software developer Helm Solutions Group joined the list while struggling DigitalPath Networks, a Chico Internet company, was removed.

While most of the indicators used in the index showed moderate growth, the gauge was dragged down by a decline in first-quarter market capitalization of the seven public companies that are among the 50 firms on the list. Market capitalization is the cumulative value of companies' publicly held stock.

The market cap fell by 2.1 percent, or \$44.23 million, between the end of the fourth and first quarters.

The drop was particularly marked because stock of the public companies had done well in the fourth quarter, said Oleg Kaganovich, SARTA's chief executive officer.

SureWest Communications, for instance, saw its stock decline by 18.7 percent, or \$5.29 a share, during the first quarter. The Roseville-based company reported its second consecutive quarterly loss and first annual loss since it began reporting its financial results in 1997.

Shares in Thermogenesis Corp. fell \$1.34, or 21.1 percent, during the first quarter of 2005. During that period, the Rancho Cordova biotech company said its quarterly loss widened by 50 percent to \$1.84 million, or 4 cents per share, over the same period a year earlier.

While heavily weighted in the index, market cap didn't reflect the whole story in the first quarter, Kaganovich said.

Total revenue for the 43 private companies in the index was up 3.2 percent to \$516.24 million, and employment in those companies climbed by 109 workers after falling by 34 the quarter before.

Perhaps the strongest gain was in private equity funding for companies. Investors put about \$34.17 million into firms during the quarter, compared with \$18 million in the previous quarter.

Among the recipients was Jadoo Power Systems, a Folsom-based maker of hydrogen fuel-cell batteries, which received \$11 million in venture capital funding in January.

Investor Scott Lenet, a partner with DFJ Frontier in West Sacramento, said venture activity appears solid but not spectacular across the spectrum of companies, from startups to more mature firms with a proven business plan.

Startups are now getting more attention, added Jack Crawford Jr., co-founder and managing director of Capital Valley Ventures, a local investment firm.

A new early stage investment group called Serrano Early Ventures, as well as a crop of retired and wealthy Bay Area executives moving to the area, are providing more seed funding for new businesses, he said.

SARTA: Who they are

Companies listed on the Sacramento Area Regional Technology Alliance's Technology Index are 50 public and private technology and life science firms based in the nine-county Sacramento region, which encompasses Butte, El Dorado, Nevada, Placer, Sacramento, Solano, Sutter, Yolo and Yuba counties.

For the first quarter 2005:

Regional companies in the SARTA Index include: Alliance Computer Technologies Inc., Citrus Heights; Ceronix Inc., Auburn; Large Scale Biology Corp., Vacaville; Lipomics Technologies Inc., West Sacramento; MaxPreps, Cameron Park; Synergex International Corp., Gold River; and Telestream, Nevada City.

Cities with two or more SARTA firms:

Davis: Agraquest Inc., Antibodies Inc., Novozymes Biotech Inc., Veterinary Information Network and Z-World Inc.

El Dorado Hills: Helm Solutions Group Inc., R Systems Inc. and Varatouch Technology.

Folsom: AgreeYa Solutions, EA Consulting Inc., Jadoo Power Systems and Meridian Project Systems Inc.

Rancho Cordova: Comtek Computer Systems Inc., GenCorp Inc., Integres, Mediniatives, Motion Control Engineering Inc., Removable Media Solutions Inc., ThermoGenesis Corp., Volcano Therapeutics Inc. and WebRaiser Technologies Inc.

Rocklin: Hands On Video Relay Services Inc., International DisplayWorks Inc., VantageMed Corp. and Mionix Corp.

Roseville: AbsoluteHire, Affinity Global Solutions, CustomerLink Systems Inc., Sierra Logic and SureWest Communications.

Sacramento: Administrative Systems Inc., Anuvu Inc., C&S Valuation Technologies, Delegata, Digital Music Works International, Hansen Information Technologies, Herakles Data, JiWire Inc., KeyEye Communications, RagingWire Enterprise Solutions, Squaretree Software Inc., Unify Corp. and Universal ATM Network.