

Strategy and Value

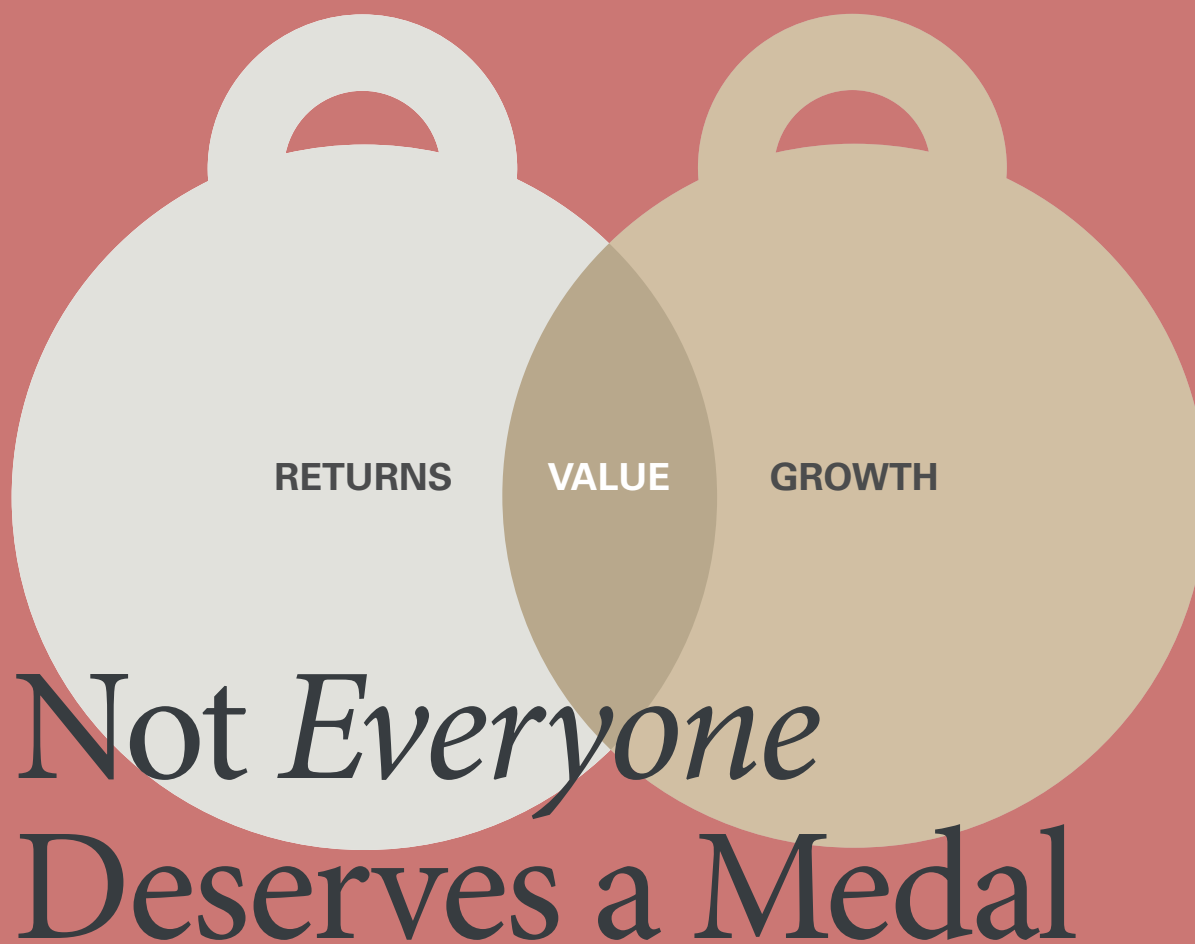
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Graziadio Business Review

June 2012

SCCO International CEO Performance 125

CEO Performance of Northern California's Largest Companies





Who's Really Winning?

Cultural commentators have derided the millennial generation as the "*Everyone gets a medal generation.*"

The criticism is that by providing undifferentiated praise, this generation is not being prepared for the real world where there are winners and losers. In the same way, there seem to be a lot of corporate rankings that hail all companies regardless of performance. Unfortunately, in the real world, the market does separate the winners and losers on a daily basis.

How then should performance be determined? Given that a CEO's primary duty is to allocate capital to its highest and best use, we ranked CEO performance of 125 of Northern California's largest companies according to their ability to earn returns above their investors' required return. For example, if a CEO's company had \$1 billion of capital tied up in working capital and fixed assets and investors require a 10% return, then the company would need to generate \$100 million of profit (e.g., \$1 billion x 10% required return) to fairly compensate its investors. The market bears out this approach by valuing companies 2.5x higher that earn returns above their required return than those that do not.

Accordingly, the two main categories in our ranking are returns based. The first category is based solely on which CEO's company delivered the highest return above its required return while the second category is based on economic profit, which takes into account the profits a company makes over and above its required return on capital. Not surprisingly, Apple was the leader in both of these categories. Apple delivered returns 1,049% above its required return on only \$2.4 billion of capital, resulting in an impressive \$25.4 billion of economic profit (1,049% return above investor requirements x \$2.4 billion of capital). The market rewarded this performance with an exceptional market to book multiple of 77x (compared to an average multiple of approximately 4x for all 125 companies).

Continued on page 4

CEO Performance Scorecard

The Medal Winner

Given that a CEO's primary duty is to put capital to its highest and best use, we ranked CEO performance of 125 of Northern California's largest companies according to their ability to earn returns above investors' required returns. Accordingly, the two main categories in our ranking are returns based. The first category is based solely on which CEO's company delivered the highest return above its required return while the second category is based on economic profit, which takes into account the profits a company makes over and above its required return on capital.



Steve Jobs, CEO of **Apple**, achieved a rare double by leading his company to the top spot in both categories. Apple delivered returns 1,049% above its required return on only \$2.4 billion of capital, resulting in an impressive \$25.4 billion of economic profit (1,049% return above investor requirements x \$2.4 billion of capital). The market also took note and rewarded Apple with a market to book multiple of 77x, which is significantly higher than the average multiple of 4x for the 125 companies in the ranking.

Performance by the Numbers

Companies that exceed their investors' required returns are valued significantly higher than companies that do not. The CEOs of these companies have strategies in place that deliver higher returns and more profitable growth, which is why they really are winners.

85 companies in the ranking earned returns above investor requirements.

Average Profit Margin

10% higher profitability for the 85 companies earning returns above required returns



Average Market to Book Multiple

2.5x higher valuations for the 85 companies earning returns above required returns





Who's Really Winning?

Continued from page 2

To further examine the role of returns, we segmented the 125 companies into two groups and compared their respective performance. Group I consisted of the 85 companies (68%) with returns above their required return while Group II consisted of the 40 companies (32%) with returns below their required return. Group I was the hands-down winner in all categories, outperforming Group II according to market value, return and growth measures.

First, at year-end 2011, the market valued Group I companies demonstrably higher than Group II companies. Group I's average market to book multiple of 5.2x is approximately 2.5x Group II's average market to book multiple of 2.1x. In other words, the market is valuing every \$1 invested in Group 1 at \$2.50 versus only \$1 for Group II.

Clearly, the market doesn't believe that *"everyone deserves a medal!"*

Next, we compared the performance of Group I and Group II over the last five years. During this period, Group I delivered higher returns and grew faster than Group II. The average return on capital for Group I was 26% versus 1% for Group II. Group I grew sales at 10% annually and delivered an average profit margin of 10%, while Group II grew at 16% annually with an average profit margin of 0%.

Going forward, Group I should emphasize growth since growth combined with high returns builds value. Conversely, Group II companies would generate relatively more value by focusing on margin improvement. Many CEOs fall into the trap of thinking that high growth will cure all; however, if margins remain low, then additional growth will only drive down profits, free cash flow and value.

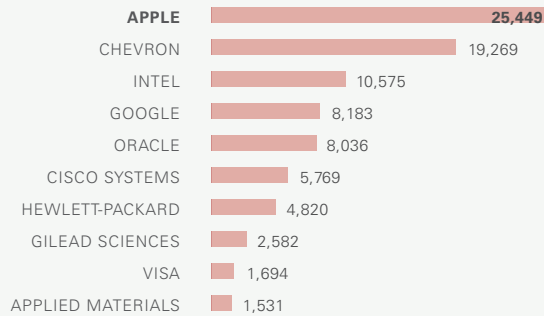
Finally, the strong performance of Group I spanned multiple industries. Group I also delivered higher returns than Group II across the common industries in our ranking. For example, in Medical Equipment, the top performer, Intuitive Surgical (Group I), delivered a 105% return on capital while Accuray (Group II) earned a -48% return on capital. Other industries, such as Semiconductors, Computer Software, Computer Hardware, Communication Equipment and IT Consulting and Services, exhibited similar results.

In summary, returns do matter. Companies that exceed their investors' required returns are valued significantly higher than companies that do not. The CEOs of these companies have strategies in place that deliver higher returns and more profitable growth—which is why they really are winners.

Top and Bottom 10 Value Creators – 2011 Economic Profit

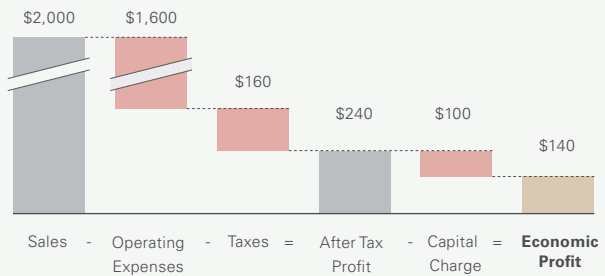
Top 10 Value Creators

\$ MILLIONS



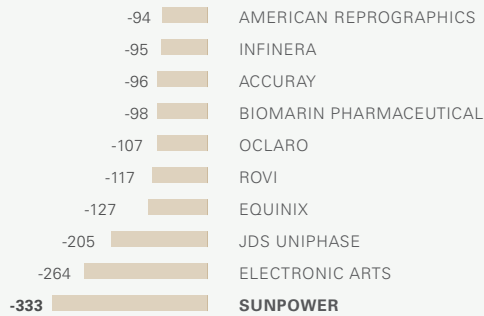
Economic Profit at a Glance

ILLUSTRATIVE



Bottom 10 Value Creators

\$ MILLIONS



Economic Profit is profit after tax and a notional charge for capital invested in the business

Capital Charge is invested capital x cost of capital e.g., \$1,000 x 10% = \$100

Invested Capital = working capital + net assets

Cost of Capital = investors' required return

Top and Bottom Economic Profit

1st PLACE PODIUM

Apple

Under **Steve Jobs'** leadership, **Apple's** innovations captivated users and generated unprecedented demand for its products. In 2011, sales grew \$43 billion (66%) to \$108 billion with a 24% profit margin. To put that into perspective, five years ago Apple's sales were only \$19 billion with a 9% margin. It is no surprise that Apple's \$25 billion economic profit earned it the #1 position in the 2011 ranking. Clearly, the bar has been set high for Tim Cook in his new role.

BENCHED

SunPower Corp

Thomas Werner's SunPower has experienced intense competition in the solar energy industry over the past 5 years and has not fared well. To combat declining market share, SunPower reduced selling prices, which decreased margins and, combined with nearly \$2 billion in capital, caused economic profit to plummet to -\$333 million. In 2011 and early 2012, Sunpower announced a number of actions to improve performance but it won't be easy in this rapidly changing industry.



Who Are the Return Champs?

Northern California's corporate landscape is dominated by technology and software-related companies; however, within these categories lies a diverse set of companies that vary in size and market focus. To recognize performance over this broad company universe, we have chosen to also rank CEOs according to their value spread, the difference between their company's return on capital and their cost of capital.

Although growing economic profit, which combines efficiency and size in one number, should be the long-term maximizing objective, looking at the value spread allows us to standardize for size and compare all CEOs in terms of how well they have employed their investors' capital.

Two companies from entirely different industries, **NetApp** (data storage and software) and **Intuitive Surgical** (medical devices), exemplify this concept particularly well. Their individual performances are instructive on how different strategies and different combinations of profitability and capital investment can result in returns, growth and value.

Northern California's Return All-Stars

ALL-STAR

NetApp

In 2011, **NetApp's Tom Georgens** delivered a value spread of 533% on average capital of \$115 million, which resulted in \$614 million of economic profit. The company generates 10% profit margins and capital turnover of 52x, thanks to its practice of extracting customer advances. In addition to its favorable capital model, NetApp is well positioned to handle the proliferation of big data that its customers will face for the foreseeable future.

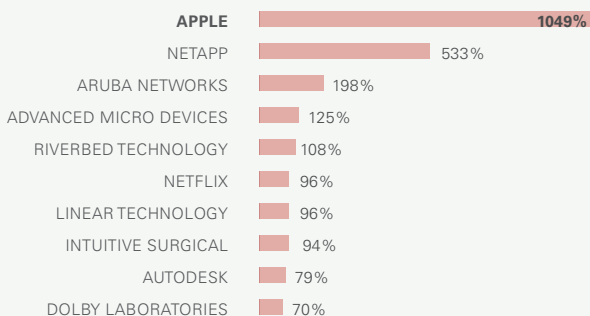
ALL-STAR

Intuitive Surgical

Intuitive Surgical's Gary Guthart earned a spectacular 94% value spread on an average capital base of \$501 million, resulting in \$438 million of economic profit. The company generated a 28% profit margin in 2011 and capital turnover of 3.8x. Intuitive's pioneering development of robotics in the field of minimally invasive surgery allows it to command such premium pricing and it is also driving the company's 25%-plus growth trajectory.

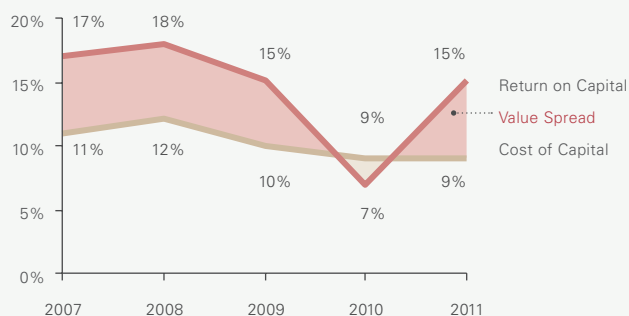
Top and Bottom 10 - 2011 Value Spread

Top 10 Value Spread

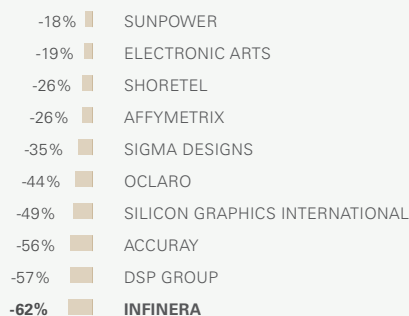


What Is the Value Spread?

ILLUSTRATIVE



Bottom 10 Value Spread



Value Spread = Return on Capital - Cost of Capital

$$\begin{array}{r}
 2011 \text{ Return on capital} \quad 15\% \\
 - 2011 \text{ Cost of capital} \quad 9\% \\
 \hline
 = \text{2011 Value Spread} \quad 6\%
 \end{array}$$

Value is created when a company's return on capital is above its cost of capital and, conversely, value decreases when a company's return on capital is less than its cost of capital.

The average value spread for the 125 companies in this ranking was 13%.

The High High and the Low Low

CHAMP

Apple

In a rare double, **Apple** also tops the value spread and economic profit ranking. Through its intuitive software and design, Apple has established a premium brand that, combined with minimal capital, enabled Apple to earn returns of over 1,000%. Notably in 2011, it generated \$25 billion profit on \$2.4 billion capital (excluding cash and investments). The big question is whether, and for how long, Apple can defend its enviable position and remain #1.

DEFEATED

Infinera

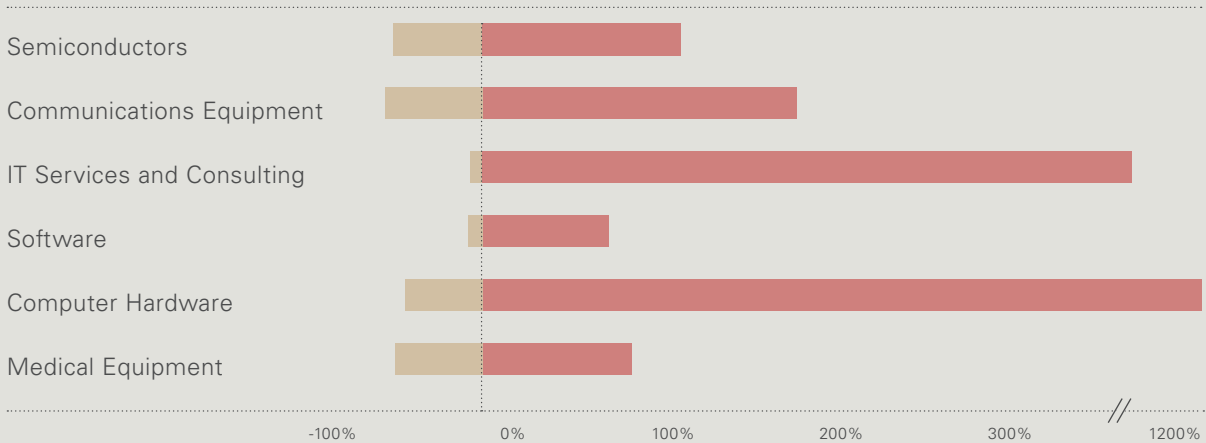
From 2006–2011, **Infinera's Thomas Fallon** has grown revenues from \$58 million to over \$400 million. At first glance, the sales growth seems impressive, however a closer look reveals negative profits along with increased investment to support growth and to stay current in the ultra-competitive digital optic network industry. This combination of negative profits and increased capital resulted in negative economic profit of \$95 million in 2011 and earned Infinera the #125 spot in our ranking.

Perspectives on Performance

Good Industry or Good Leadership?

It seems intuitive that different industries should have differing return profiles; however, for select Northern California companies, the data suggests that variations in performance are driven more by differences in leadership, strategy and execution than by overall industry characteristics.

Industry Breakdown



	Semiconductors		Software		Communications Equipment	
Top 3	1. Advanced Micro Devices	125%	1. Autodesk	79%	1. Aruba Networks	198%
	2. Linear Technology	96%	2. Oracle	29%	2. Riverbed Technology	108%
	3. NVIDIA	41%	3. Intuit	23%	3. Cisco Systems	34%
Bottom 3	26. SunPower	-18%	6. Adobe Systems	-10%	13. Shoretel	-26%
	27. Sigma Designs	-35%	7. Symantec	-5%	14. Oclaro	-44%
	28. DSP Group	-57%	8. Salesforce.com	-10%	15. Infinera	-62%
	Computer Hardware		IT Services & Consulting		Medical Equipment	
Top 3	1. Apple	1049%	1. NetApp	533%	1. Intuitive Surgical	94%
	2. Synaptics	59%	2. VMware	67%	2. Varian Medical Systems	44%
	3. SanDisk	46%	3. Google	44%	3. Align Technology	23%
Bottom 3	6. Super Micro Computer	4%	9. Yahoo!	2%	7. Natus Medical	-5%
	7. Quantum	-11%	10. Equinix	-3%	8. Cepheid	-6%
	8. Silicon Graphics International	-49%	11. Ariba	-4%	9. Accuray	-56%

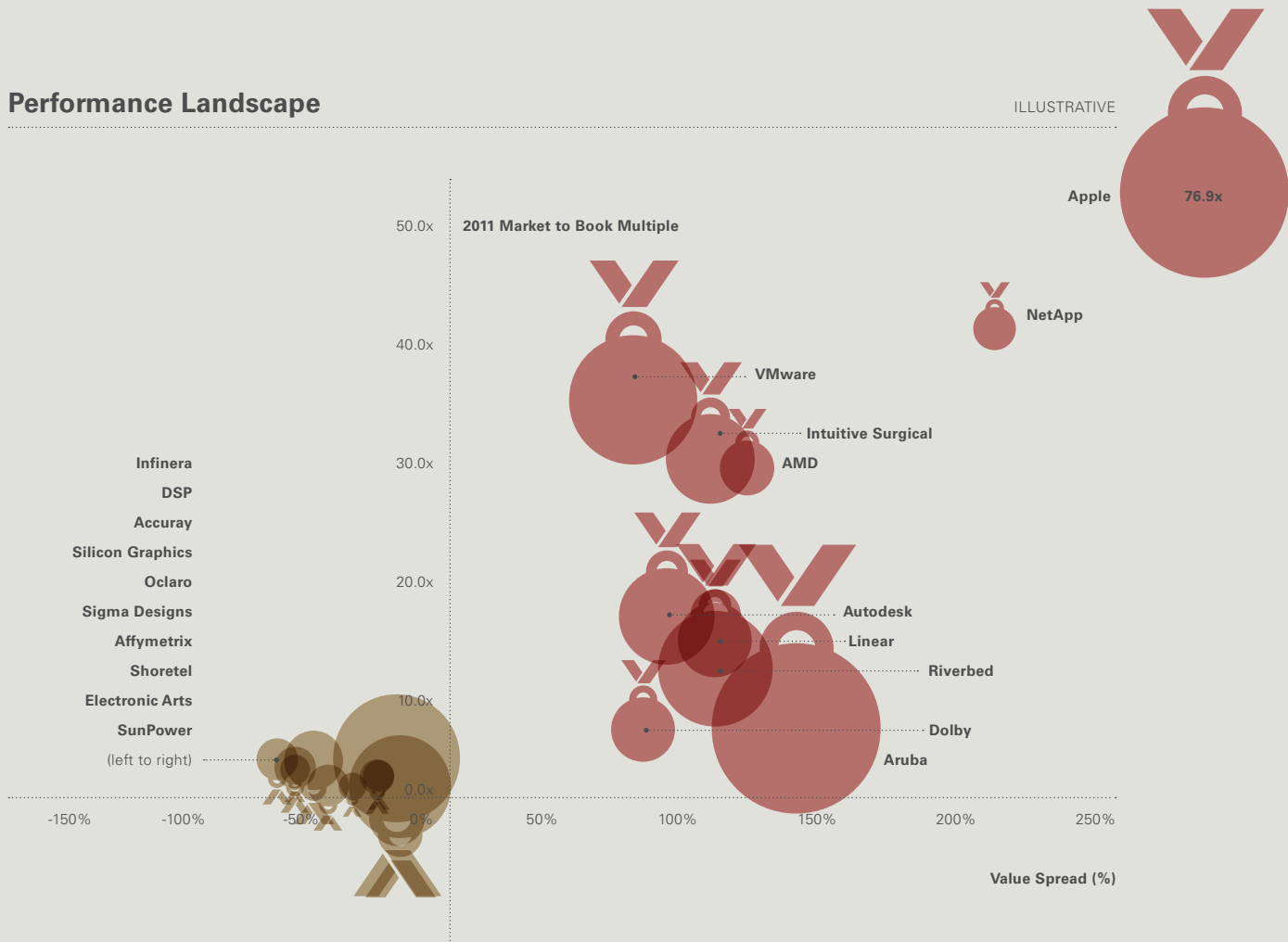
A Look at Value Spread

Increase Your Value Spread – Increase Your Share Price

We have included select companies in the Performance Landscape according to their market to book multiple and value spread. The market rewards companies that earn a high value spread with high market to book multiples and penalizes those that earn low value spreads with low market to book multiples.

From a strategic perspective, companies with a positive value spread (signified by upright medals) should focus on growth since growth in economic profit increases value. While companies earning a negative value spread (signified by upside-down medals) will generate relatively more value by focusing first on improving margins and capital efficiency to improve their value spread. High growth with a negative value spread will only drive down economic profit, cash flow and value.

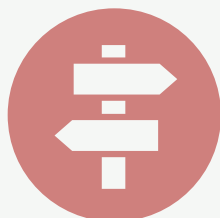
Performance Landscape



Medal size reflects relative company revenue

Note: Market to Book Multiple = Enterprise Value / Invested Capital

Four Steps to Becoming a Value-Oriented Company



1 Understand your industry's competitive dynamics

Ensure your company has a disciplined approach to understanding where opportunities exist in your industry's value chain. Your understanding must include a deep knowledge of your performance compared to competitors, your positioning with customers, and your pricing power and cost structure. This understanding is the foundation for developing a winning strategy that creates long-term value.

2 Focus on strategies that provide competitive advantage

The strategy you choose should be one your organization can execute and that will deliver growth at a positive value spread. The key component of generating long-term value is a sustainable competitive advantage (i.e., price premium, cost efficiency and/or capital efficiency) coupled with a robust capital allocation process to protect and leverage your competitive advantage.

3 Align your organization for improved decision-making

The goals of this step are to ensure that the right people are in the right positions and to provide them with the required technology and key processes to be successful. Key processes include integrated value planning (strategic and annual), capital allocation, performance management and aligned incentives that reinforce the strategy.

4 Execute, monitor and adapt accordingly

To be competitive, it is critical that proper feedback loops are provided to teams on a frequent basis to support and reinforce direction. This feedback enables companies to respond and adapt to the market as necessary. The ability to adjust quickly to changes will make the difference between winning and losing.

Appendix:

**2011 SCCO International
CEO Performance 125**

SCCO International CEO Performance 125 (1-50)

2011 EP Rank	2010 EP Rank	Company Name	Chief Executive Officer	CEO Since	2011 EP \$millions	1 Year EP Change \$millions	2011 Value Spread	2011 Market to Book Multiple	2011 Ent. Value \$millions	2011 Sales \$millions	2011 Invested Capital \$millions
1	1	Apple	Timothy D. Cook	2011	25,449	11,641	1049%	76.9x	281,391	108,249	2,427
2	2	Chevron	John S. Watson	2010	19,269	7,075	18%	1.8x	210,114	253,706	108,834
3	3	Intel	Paul S. Otellini	2005	10,575	994	36%	3.2x	116,645	53,999	29,431
4	5	Google	Dr. Larry Page	2011	8,183	1,225	44%	8.0x	165,274	37,905	18,414
5	4	Oracle	Lawrence J. Ellison	1977	8,036	1,025	29%	4.6x	131,504	36,980	28,041
6	6	Cisco	John T. Chambers	1995	5,769	-854	34%	3.5x	60,365	43,218	16,989
7	7	HP	Margaret C. Whitman	2011	4,820	-1,120	7%	1.1x	81,625	127,245	66,006
8	8	Gilead	John C. Martin	1996	2,582	-41	43%	6.0x	27,415	8,385	5,992
9	10	Visa	Joseph W. Saunders	2007	1,694	522	7%	2.6x	69,153	9,188	25,890
10	14	Applied Materials	Michael R. Splinter	2003	1,624	858	48%	3.3x	10,682	10,517	3,372
11	11	eBay	John Donahoe	2008	1,351	355	14%	3.2x	35,854	11,652	9,597
12	12	McKesson	John H. Hammergren	2001	1,031	118	11%	2.3x	22,801	122,734	9,606
13	9	SanDisk	Sanjay Mehrotra	2011	841	-335	46%	4.9x	10,666	5,662	1,815
14	59	AMD	Rory P. Read	2011	811	768	125%	6.2x	4,141	6,568	648
15	26	Agilent	William P. Sullivan	2005	677	352	16%	3.1x	11,047	6,615	4,261
16	30	Vmware	Paul A. Maritz	2008	639	368	67%	38.2x	33,796	3,767	954
17	121	Symantec	Enrique T. Salem	2009	637	709	5%	0.9x	11,730	11,709	12,500
18	16	KLA-Tencor	Richard P. Wallace	2006	617	-63	38%	4.1x	6,940	3,172	1,622
19	15	NetApp	Thomas Georgens	2009	614	-92	533%	31.2x	9,529	5,959	115
20	13	Gap	Glenn Murphy	2007	589	-242	9%	1.9x	13,568	14,549	6,452
21	23	Intuit	Brad D. Smith	2008	529	109	23%	6.3x	15,012	3,851	2,322
22	22	Ross	Michael Balmuth	1996	524	83	19%	4.4x	12,796	8,608	2,740
23	18	Clorox	Donald Knaus	2006	477	-114	18%	4.1x	11,815	5,409	2,627
24	24	Adobe	Shantanu Narayen	2007	470	93	10%	2.6x	12,460	4,216	4,665
25	42	NVIDIA	Jen-Hsun Huang	1993	460	357	41%	4.4x	5,731	3,998	1,131
26	20	Xilinx	Moshe N. Gavrielov	2008	444	-105	23%	3.5x	7,616	2,270	1,935
27	19	Linear	Lothar Maier	2005	442	-134	96%	14.9x	7,002	1,295	459
28	25	Intuitive Surgical	Gary S. Guthart	2010	438	109	94%	32.4x	16,238	1,757	465
29	28	Varian Medical	Timothy E. Guertin	2006	345	37	44%	7.1x	5,836	2,597	782
30	31	Dolby	Kevin Yeaman	2009	276	23	70%	6.1x	2,515	956	393
31	36	Autodesk	Carl Bass	1993	248	74	79%	170x	6,393	2,216	315
32	37	Netflix	Reed Hastings	1998	227	74	96%	12.1x	3,556	3,205	235
33	21	Atmel	Steven A. Laub	2006	223	-287	29%	4.0x	3,640	1,803	776
34	48	VeriFone	Douglas G. Bergeron	2002	221	158	26%	3.3x	3,998	1,304	856
35	27	Maxim	Tunc Doluca	2007	213	-108	10%	3.5x	7,661	2,425	2,124
36	29	Yahoo!	Carol Bartz	2009	202	-100	2%	1.6x	18,108	4,984	10,891
37	17	Lam	Stephen G. Newberry	2010	202	-418	18%	3.2x	3,428	2,675	1,126
38	33	Novellus	Richard S. Hill	1993	185	-1	26%	3.1x	2,057	1,353	712
39	34	Synopsys	Aart J. de Geus	1994	158	-25	15%	2.8x	3,064	1,536	1,036
40	46	Williams Sonoma	Laura J. Alber	2010	103	28	6%	2.4x	4,384	3,721	1,825
41	60	Cypress	T.J. Rodgers	1982	103	62	37%	9.9x	2,573	995	282
42	123	LSI	Abhijit Y. Talwalkar	2005	99	203	10%	4.4x	2,984	2,044	1,004
43	75	URS	Martin M. Koffel	1989	93	75	2%	0.7x	4,111	9,545	5,557
44	84	Robert Half	Harold M. Messmer Jr.	1987	90	85	11%	5.0x	4,033	3,777	803
45	47	Informatica	Sohaib Abbasi	2004	83	20	20%	9.3x	3,807	784	413
46	40	Bio-Rad	Norman D. Schwartz	2003	83	-34	5%	1.5x	2,683	2,074	1,709
47	45	Copart	A. Jayson Adair	2010	79	-11	9%	4.1x	3,453	669	870
48	65	TIBCO	Vivek Y. Ranadiv	1997	67	31	12%	7.9x	4,411	920	552
49	115	Aruba	Dominic P. Orr	2006	67	103	198%	45.1x	2,603	397	34
50	64	Riverbed	Jerry M. Kennelly	2002	66	29	108%	31.5x	3,426	726	61

SCCO International CEO Performance 125 (51-100)

2011 EP Rank	2010 EP Rank	Company Name	Chief Executive Officer	CEO Since	2011 EP \$millions	1 Year EP Change \$millions	2011 Value Spread	2011 Market to Book Multiple	2011 Ent. Value \$millions	2011 Sales \$millions	2011 Invested Capital \$millions
51	56	SYNEX	Kevin Murai	2008	66	22	5%	1.0x	1,432	10,410	1,383
52	32	Juniper	Kevin R. Johnson	2008	64	-164	2%	2.1x	8,464	4,449	4,041
53	61	Igate	Phaneesh Murthy	2008	64	24	16%	2.2x	1,494	780	389
54	70	NETGEAR	Patrick C. S. Lo	2002	63	36	24%	3.4x	1,003	1,181	267
55	39	Cadence	Lip-Bu Tan	2009	61	-78	15%	6.8x	2,758	1,150	417
56	41	OmniVision	Shaw Hong	1995	59	-46	18%	1.3x	587	937	333
57	78	Coherent	John Ambroseo	2002	58	46	16%	2.2x	899	803	363
58	50	Integrated Device	Theodore L. Tewksbury III	2008	52	-6	18%	1.7x	491	702	290
59	51	Synaptics	Rick Bergman	2011	48	-8	59%	11.3x	877	554	81
60	49	Align	Thomas M. Prescott	2002	44	-18	23%	3.9x	1,130	480	190
61	66	Thoratec	Gerhard F. Burbach	2006	44	8	11%	4.0x	1,707	423	386
62	67	Integrated Silicon	Scott D. Howarth	2008	42	8	37%	1.1x	136	271	111
63	71	IXYS	Nathan Zommer	1993	30	4	16%	1.6x	308	378	190
64	72	Exponent	Paul Johnston	2009	28	5	37%	7.0x	529	272	76
65	57	Sanmina-SCI	Jure Sola	1991	28	-17	2%	0.8x	1,259	6,602	1,483
66	52	Tessera	Robert A. Young	2011	27	-27	11%	1.3x	365	255	239
67	58	Micrel	Raymond D. Zinn	1978	27	-16	30%	5.8x	498	259	88
68	79	Diamond Foods	Michael Mendes	2005	22	11	2%	1.9x	2,211	966	1,106
69	63	Power Integrations	Balu Balakrishnan	2002	20	-18	15%	5.5x	780	299	134
70	76	Advent	Stephanie G. DiMarco	2003	19	3	12%	6.5x	1,261	326	153
71	53	Nanometrics	Timothy J. Stultz	2007	18	-28	17%	2.8x	317	230	109
72	97	Cooper	Robert Weiss	2007	16	29	1%	1.6x	4,018	1,331	2,470
73	80	Ultra Clean	Clarence L. Granger	2006	13	2	14%	1.3x	123	453	95
74	74	Super Micro	Charles Liang	1993	10	-10	4%	2.4x	646	998	258
75	69	Monolithic Power	Michael R. Hsing	1997	9	-19	15%	4.8x	305	197	60
76	85	Genomic Health	Kimberly J. Popovits	2009	6	3	22%	23.1x	701	206	28
77	109	Intersil	David B. Bell	2008	6	33	1%	1.4x	1,154	760	896
78	83	Peet's	Patrick J. O'Dea	2002	6	1	3%	3.8x	822	372	209
79	81	GenCorp	Scott J. Seymour	2010	5	-4	2%	2.6x	769	918	290
80	88	Omniceil	Randall A. Lipps	2002	5	4	6%	4.0x	389	246	82
81	100	Electronics For Imaging	Guy Gecht	2000	5	18	2%	1.6x	442	592	266
82	89	Extreme Networks	Oscar Rodriguez	2010	4	5	13%	5.5x	221	325	33
83	68	PMC-Sierra	Gregory S. Lang	2008	4	-25	1%	1.5x	1,059	654	726
84	93	Simpson	Karen W. Colonias	2012	2	11	0%	2.5x	1,414	603	519
85	73	Central Garden & Pet	William E. Brown	2007	2	-21	0%	0.9x	843	1,629	873
86	87	McClatchy	Gary Pruitt	1996	-0	-1	-0%	1.0x	2,488	1,270	2,429
87	94	Cost Plus	Barry Feld	2005	-0	9	-0%	1.3x	653	964	535
88	90	Landec	Gary T. Steele	1991	-1	3	-1%	1.3x	151	303	119
89	104	LeapFrog	John Barbour	2010	-3	14	-2%	1.8x	325	455	192
90	44	Rambus	Harold E. Hughes	2005	-4	-98	-2%	2.2x	726	312	194
91	98	Mcgrath	Dennis C. Kakures	2003	-4	9	-1%	1.2x	987	343	791
92	99	Core-Mark	J. Michael Walsh	2003	-6	7	-1%	1.1x	691	8,115	569
93	103	Cepheid	John L. Bishop	2002	-7	8	-6%	13.9x	2,044	278	132
94	120	Onyx	N. Anthony Coles	2008	-8	56	-1%	3.7x	2,270	447	585
95	55	Safeway	Steven A. Burd	1993	-9	-55	-0%	1.1x	15,737	43,630	14,811
96	101	Symmetricon	David G. Côté	2009	-9	5	-5%	1.1x	197	236	178
97	77	Shutterfly	Jeffrey T. Housenbold	2005	-10	-24	-4%	1.5x	718	473	253
98	86	Silicon Image	Camillo Martino	2010	-12	-14	-13%	1.9x	235	221	94
99	92	Natus	James B. Hawkins	2004	-13	-5	-5%	0.9x	245	233	260
100	107	Jamba	James D. White	2008	-14	8	-11%	1.4x	167	226	128

Trailing twelve-month data is used for companies with fiscal years ending prior to 6/30/11.

EP = Economic Profit; Ent. = Enterprise Value; Market to Book Multiple = Enterprise Value / Invested Capital

SCCO International CEO Performance 125 (101-125)

2011 EP Rank	2010 EP Rank	Company Name	Chief Executive Officer	CEO Since	2011 EP \$millions	1 Year EP Change \$millions	2011 Value Spread	2011 Market to Book Multiple	2011 Ent. Value \$millions	2011 Sales \$millions	2011 Invested Capital \$millions
101	102	Ariba	Robert M. Calderoni	2001	-17	-2	-4%	5.3x	2,631	444	456
102	112	Trimble	Steven W. Berglund	1999	-18	11	-1%	2.8x	5,898	1,644	1,751
103	105	bebe	Manny Mashouf	2009	-18	-1	-4%	2.1x	908	532	426
104	38	Cavium	Syed B. Ali	2000	-18	-165	-10%	5.9x	1,399	259	185
105	106	Silicon Graphics	Mark J. Barrenechea	2006	-20	-1	-49%	3.3x	244	769	40
106	95	DSP	Ofer Elyakim	2009	-21	-9	-57%	2.3x	87	194	36
107	96	Shoretel	Peter Blackmore	2010	-23	-10	-26%	1.6x	233	225	88
108	111	Harmonic	Patrick Harshman	2006	-31	-2	-7%	1.1x	485	549	428
109	110	Affymetrix	Franklin Witney	2011	-40	-11	-26%	1.6x	224	267	151
110	117	Quantum	Jon W. Gacek	2011	-54	-13	-11%	1.6x	790	657	505
111	118	Applied Micro Circuits	Paramesh Gopi	2009	-64	-19	-16%	0.8x	306	241	406
112	82	Finisar	Eitan Gertel	2008	-66	-73	-8%	1.8x	1,570	950	775
113	113	Brocade	Michael Klayko	2005	-71	-38	-3%	1.1x	2,642	2,147	2,428
114	91	Sigma Designs	Thinh Q. Tran	1982	-73	-68	-35%	0.6x	109	183	206
115	54	Salesforce.com	Marc Benioff	2001	-82	-129	-10%	14.8x	15,036	2,267	849
116	108	American Reprographics	Kumarakulasingam Suriyakumar	2007	-94	-71	-17%	0.8x	467	423	563
117	116	Infinera	Thomas Fallon	2010	-95	-56	-62%	3.3x	533	405	154
118	114	Accuray	Euan S. Thomson	2002	-96	-59	-56%	2.6x	441	384	170
119	35	BioMarin	Jean-Jacques Bienaim	2005	-98	-281	-17%	6.0x	3,977	441	583
120	119	Oclaro	Alain A. Couder	2011	-107	-48	-44%	0.9x	217	390	246
121	43	Rovi	Thomas Carson	2011	-117	-217	-5%	1.4x	3,446	691	2,228
122	122	Equinix	Stephen Smith	2007	-127	-35	-3%	1.6x	7,783	1,607	4,607
123	124	JDS Uniphase	Thomas H. Waechter	2009	-205	-97	-12%	1.8x	2,964	1,715	1,683
124	125	Electronic Arts	John Riccitiello	2007	-264	35	-19%	3.4x	5,975	3,865	1,379
125	62	SunPower	Thomas H. Werner	2010	-333	-372	-18%	0.7x	1,322	2,312	1,864

About the Authors



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Patrick is a Partner of SCCO International, based in Los Angeles. He has more than 15 years of experience advising senior executives on business portfolio strategy and change management processes across a broad set of industries. He is an expert in the field of value realization with a focus on market price strategies and sales management. Patrick is also a member of Pepperdine's Crest Advisory Board.



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SCCO International is a global management consulting firm with a focus on the simple yet far-reaching concept of consistent value management. We have been working with our clients for over 15 years to assess their business portfolios and develop and implement strategies that achieve sustainable competitive advantages and drive returns for their shareholders.

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Methodology Note

To be included in the ranking, companies must be headquartered in Northern California, publicly traded for at least two years on a major U.S. stock exchange, and have minimum 2011 revenues of \$100 million. Excluded are financial institutions and real estate investment trusts. Economic profit calculations are based on SCCO International methodology. The cost of capital estimates used to calculate economic profit and value spread are based on a capital asset pricing model (CAPM) approach. Betas are based on five-year monthly total

return data and adjusted toward one consistent with Bloomberg Adjusted Beta methodology where adjusted beta = $.66 \times \text{unadjusted beta} + .33$. Company financial information is based on actual fiscal year end data for companies with fiscal years ending between 7/1/11 and 1/31/12. Trailing twelve-month data is used for companies with fiscal years ending prior to 6/30/11. Data sources: company reports, Thomson Reuters Financial.

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