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Oregon companies' shares trail regional counterparts

By Andy Giegerich, Portland Business Journal

January 29, 2010

Oregon stocks fared worse than most of their regional counterparts during 2009. The state's companies in the D.A. Davidson 99 Regional Index posted gains of 22.32 percent in 2009. That's lower than the other 77 stocks in the index, which tracks the performance of companies in seven Pacific Northwest and Rocky Mountain states.

The non-Oregon stocks in the index, returned 34.42 percent. Companies in the index overall gained 30.45 percent over their 2008 year-end value. The index is measured by D.A. Davidson & Co., a financial services company based in Great Falls, Mont.

The trend suggests that Oregon's public companies tend to recover more slowly from a down market than other publicly traded entities in the region. The movement mirrors Oregon's reputation as one of the last states to recover from any recession.

"Oregon companies tend to feel the impact of the global economic slowdown more even though it's been lifting over the last six months," said Fred Dickson, Davidson's chief market strategist. "Plus, other than Nike, these companies aren't the mid- to upper-tier kind of names that draw a lot of attention." As with most companies traded over top exchanges, Oregon's public companies fared poorly at first when compared to their already low prices at the end of 2008, then soared during 2009's schizophrenic stock market — though rarely to their 2007 peaks.

In the end, the top performers either made strong comebacks after shaky starts (Medford-based Lithia Motors Inc.), typified investors' renewed belief in tech (Hillsboro's TriQuint Semiconductor Inc.) or continued their dominance by nearing all-time trading highs (Washington County's Nike Inc.).

The Oregon stocks did perform better than those in the Dow Jones Industrial Average, which earned 18.82 percent over the last year. Oregon companies fell just short of matching the 23.45 percent gains reported by companies tracked in the Standard & Poors 500. Nasdaq-traded stocks returned a whopping 43.89 percent year-to-year.

Nike may have merited the attention during a strong 2009. Its closing price of \$66.07 on Dec. 31 was nearly 53 percent higher than its 2009 low of \$43.25 on March 19. For the

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entire year, with its Dec. 31 closing price up nearly 53 percent from its 2009 March 19. For the year, Nike shares gained 32 percent.

"Nike is the headline performer this year," Dickson said. "The companies, like Nike and Columbia (Sportswear Co.) that appear to have ridden out the storm really well have good operating models and are stable growth companies."

Columbia finished the year up modestly, gaining about 9.5 percent to close at \$39.04.

After falling 87 percent from the start of 2007 (\$25.95) to the end of 2008 (\$3.26), shares of Lithia Motors gained 152 percent in 2009 to close at \$8.22. 2008's third quarter. Lithia's 52-week low during 2009 was \$1.85. Tech companies also shone last year. TriQuint's shares rose by more than 77 percent to \$6. In mid-October, however, shares hit \$8.28, its highest mark since 2004.

Hillsboro-based Lattice Semiconductor Corp., which now trades around the \$2.70 mark, posted gains of 78 percent. FEI Co. shares rose at about the same 22.3 percent rate as other Oregon stocks.

As for 2010, Steve Holwerda, chief operating officer for Ferguson Wellman Capital Management, says his team believes the market will keep rallying during 2010's first half, then temper a bit in the second half.

Pat Becker Jr., chief investment officer for Portland-based Becker Capital Management, sees it a bit differently.

"Companies' revenue will come back to more of a normal level," he said. "I think everyone will be surprised by the profit margins. They'd planned to have a little bit this year and ended up with more. So we might see lots of capital expenditures next year, which will drive other sectors."

Local advisers hope Oregon-based companies will benefit from a better market. However, it's difficult to assemble an Oregon-specific portfolio because the state lacks public company diversity. "Our absence of energy and health care companies within the state leaves us concentrated on just a few industries," specifically, technology and apparel, said Tim Phillips, CEO of Portland-based Phillips & Co. "While it's great having companies like Nike and Columbia Sportswear represent us in the (Davidson) index, our technology constituents have lagged their peers in other states for the last several years."