We’re up to speed, so you can go full speed.

SEE CHALLENGES BEFORE THEY’RE CHALLENGING.

To make confident decisions about the future, middle market leaders need a different kind of advisor. One who starts by understanding where you want to go and then brings the ideas and insights of an experienced global team to help get you there.

Experience the power of being understood. Experience RSM.

rsmus.com
LETTER FROM THE EDITOR

Some special reports are just more special than others. Our annual look at the 100 fastest growing private companies in Los Angeles unquestionably meets that lofty standard.

For 23 years, the Los Angeles Business Journal has proudly highlighted local companies that have not only built exceptional businesses but have parlayed their success into exponential growth.

This year’s top 100 features another remarkable assortment of companies, and it’s the kind of list that highlights the best L.A. has to offer: the innovation, the ingenuity, the diversity and, of course, the results.

Some of the numbers posted this year are positively eye-popping, including the 18,000% growth by this year’s top-ranked company, Caulipower. By the way, that’s the second-largest number ever posted on the Business Journal’s list.

In order to be considered for the fastest growing top 100 list, a company must have a minimum of $5 million in annual revenue, be in business for at least three years and be headquartered in the Los Angeles area. Percentage growth is based on a three-year average from 2016 to 2018.

Our team of editors looked at hundreds of businesses before narrowing down the list and determining the final ranking. By the way, because companies are ranked by percentage growth, there are a handful of ties.

Congratulations to every company that made the list this year.

— Scott Robson, Editor
Elevate Your Business with Continuing Ed Programs

Learn skills you and your team can apply immediately

Business owners face a host of unique challenges today. Managing cash flow, promoting sustained growth, staying current with technology, building and nurturing talent can all be overwhelming to any business owner or entrepreneur.

In a dynamic and ever-changing environment, constantly honing your skills, as well as those of your employees, is key to your company’s sustained growth and success. Continuing education programs offer formal instruction or training to help you elevate your business and your team to advance their careers or develop in-demand skills.

ONLINE AND ON-CAMPUS LEARNING

FROM INDUSTRY EXPERTS

For more than 100 years, UCLA Extension has helped people enhance their skills and advance their careers. Students can choose from thousands of individual courses or pursue in-depth study of a professional field. Also available are short series of courses designed to help them quickly gain knowledge in a focused area of study and apply it immediately in the workplace.

UCLA Extension’s on-campus courses offer excellent opportunities to network with peers and instructors and make valuable personal and professional connections. Corporate discounts are available and UCLA Extension can help support your organization’s tuition reimbursement program.

POPULAR AREAS OF STUDY

Business & Management
Enhance your organization’s performance with training in a wide range of business skills including leadership and management, human resources management, marketing and strategic branding, risk management, international trade and commerce, and more.

Digital Technology
Ensure your team has the skills to keep systems running, as well as develop what’s next. We offer courses in cybersecurity, data science, applications programming, database management, systems analysis, and more.

Engineering & Technical Management
Provide training for your technical team in a variety of engineering fields ranging from biotechnology engineering, supply chain management, project management, construction management, and many more.

Entertainment & Arts
Understand the business of entertainment and expand your industry network and exposure. Learn from our instructors and alumni who have won Oscars, Emmys, and Grammys. Our offerings include the business and management of entertainment, film and TV development, music business, TV and feature film writing, and more.

Custom Program and Corporate Education
We understand every business and team has unique learning goals. To help, we can create custom, top-tier educational trainings, seminars, and workshops for any organization based on your needs through UCLA Extension’s Custom Program and Corporate Education. Some of our partners and clients include Boeing, Fox, Hulu, Kaiser, Sony, and Northrop Grumman.

Winter Quarter begins January 6, 2020. Learn more at uclaextension.edu/LABJ.
Cybercrime has become a reality for the middle market. While major cyber incidents and data breaches at large corporations such as Marriott and Facebook continue to capture global headlines, middle market companies are starting to recognize that they are often the prime target for cybercriminals. In the past, mid-sized companies often held the perception that they were too small to be a target for hackers. However, with rising concern across the board about several types of cybersecurity attacks uncovered in the RSM US Middle Market Business Index survey, these companies are starting to take notice.

According to first quarter 2019 MMBI data, 15 percent of middle market C-suite executives said their companies experienced a data breach in the last year, up from 13 percent in 2018 and a significant jump from 5 percent just four years ago. Larger middle market organizations continue to be most at risk, with high volumes of valuable data to attract cybercriminals, but lacking the robust security resources of their large-cap peers. However, the focus on data breaches can be misleading, as the term data breach typically entails a cyber incident resulting in stolen sensitive data. A wide variety of cyber incidents does not result in theft of data, such as ransomware, which interrupts business operations or types of social engineering that could cause the direct theft of funds from bank accounts.

Over half of middle market executives surveyed indicated it is likely that unauthorized users will attempt to access their organization’s data or systems in 2019. In an effort to protect their firms and individual users against cybersecurity threats, more than half of mid-sized companies report carrying cyber insurance. However, among those organizations with coverage, only 43 percent of executives claim familiarity with policy details. In addition to cybersecurity challenges, emerging data privacy regulations are requiring organizations to make a significant shift in how they collect and store data. The European Union’s General Data Privacy Regulation, known as GDPR, took effect in May 2018. Similar legislation is emerging in the United States, led by the California Consumer Protection Act, which took effect in 2018. Similar legislation is emerging in the United States, led by the California Consumer Protection Act, which took effect in 2018. Significant shifts in how they collect and store data.

Increasing spending on information security is one potential reason for a high level of confidence. We have found that middle market companies are indeed making larger cybersecurity investments, but many need to implement more defined plans to ensure the right products and services are chosen and appropriate changes are made to their environment and business processes.

In addition, many middle market companies have aligned their processes to an established information technology security framework, whether due to regulatory compliance obligations or in an effort to improve their security posture. However, while mapping controls and functions to one of these frameworks is an effective first step, it does not mean that an organization is fully secure. These standards are meant to provide a strong foundation for information security, but companies must also consider several additional elements based on their specific industry and business objectives. Adopting a security framework can provide a sense of security, but not further adjusting it to the business can create security gaps.

Finally, communication breakdowns can occur among executives, the board and the people on the ground who are implementing security processes and controls. Sometimes what is communicated to the board is a vastly different view than the perception of security inside the data center. Organizations must ensure their stakeholders are on the same page from top to bottom to properly understand and address potential security issues.

RSM has developed this report to provide insights into relevant middle market cybersecurity and data privacy trends, and to highlight steps companies can take to enhance security and privacy efforts. Our research shows that the threat to the middle market is growing, but the organizations have only become more confident in current protections. Generally, companies have taken steps to improve cybersecurity, but criminals are becoming more sophisticated and determined. Cyberthreats are going to continue to evolve and attackers will continue to get smarter. Middle market businesses must ensure that security investments, controls and communications align with rising threats, and that current actions do not create a false sense of security.

Information for this article was provided by RSM US LLP. If you are interested in reading more about the top cyber threats facing the middle market, download the full report today at RSMUS.com.
A Look at Financing Sources for Business Expansion

Most California businesses have humble beginnings. From a lawnmowing service to surfboard manufacturing, small businesses often “bootstrap” by making the most of limited resources. Currently, California is home to more than four million small businesses with growth that doesn’t show signs of slowing.

Once a business moves into the black and gains the opportunity to expand for greater success, it’s time to look at financing a sustainable plan. Here we detail the key sources of finance for business expansion as you create your growth plan.

WHEN’S THE RIGHT TIME FOR BUSINESS EXPANSION?

Taking on debt can feel like a step into the unknown. However, if it’s been a few years since your business started and you’ve experienced positive cash flow, expansion may be a smart move.

A strong financial history is a good indication of future success. But what does that history entail? You might want to take an in-depth look for positive cash flows instead of rising sales figures, experts say. “Business owners and entrepreneurs sometimes mistakenly assume that revenue growth is the best barometer of a company’s success,” said Wayne Ward, Senior Vice President and Regional Manager at California Bank & Trust in Los Angeles. “While revenue growth is certainly a good measurement, more important than sales is the resulting cash flow. Management should be laser focused on increasing cash flow. Coupled with creating and maintaining appropriate levels of capitalization, this best enables a business to make the decision about expansion.”

ARE YOU READY?

Taking the right steps today can help you gauge your growth potential tomorrow. Whether it’s a new location or offering more services, you should make a checklist of needs and issues.

From there, your bank can help with lines of credit and SBA loans. But the right bank will help you look at resources, not just products. “The time to build a banking relationship is before you need financing,” Ward said.

“Building a long-term relationship with your banker is as important as building a long-term relationship with your CPA and attorney. The bank can help you navigate expansion later when you really need it. The strength comes from your banker understanding your business.” Historic growth is the key to justifying expansion. Look at several other factors as a litmus test that can show you’re ready to expand:

• Ensure that you have established a high degree of quality management and expertise, along with a stable leadership team and a succession plan.
• Show a two-year track record of cash flow increases, then lay out a plan emphasizing the company’s potential future cash flow.
• Leverage opportunities for partnerships with capitalization.
• Make projections that are viable and believable.
• Demonstrate long-term creditworthiness with your credit score.

“Have a plan that shows long-term results and stay realistic,” he said. “If you’re looking to double business overnight, that’s not likely to happen.” Choose the right lender by making an informed judgment as to whether the bank fits your business. Ask about experience in your industry and marketplace. Review the bank’s strength, stability and record of keeping bankers on your account.

TAKING THE LEAP

There are many options to help you scale and move forward:

• SBA 7(a) Loans1 – Financing for new equipment, adding to office or warehouse space, building out a new location or purchasing a building for your business to occupy.
• 504 SBA Loans2 – Funding to acquire commercial real estate, heavy equipment and other capital-intensive fixed assets. A 504 loan also can be used to refinance your real estate or business debt.
• Small Business Development Corporation Loans3 – Partnerships between local and national banks can offer personalized, creative financing solutions. California Southern is a leader in the state.
• Nonprofit, mission-based microlenders1 like Accion Serving Southern California leverage networks of lenders that connect entrepreneurs with financing and resources.

MAKING THE BIG DECISION

Since cash flow is crucial, use a calculator to allocate funds, determine timing and develop your business expansion needs and budget. Also take advantage of resources such as SBA planning tools for mergers and acquisitions and special programs for veteran and minority-owned businesses.

Once you’ve made a plan, work with your bank to get guidance every step of the way. You can expand intelligently and profitably. Contact a banker today to learn more.

Information for this article was provided by California Bank & Trust. To learn more, visit calbanktrust.com.

1. Loans subject to credit approval; SBA approval required. Terms, conditions and restrictions apply.
2. Loans subject to credit approval. Terms, conditions and restrictions apply.
By MICHAEL KAPLAN, CPA

Businesses who attain the coveted “fastest-growing” title face a potentially daunting task – continuing that growth trajectory. Continually scaling the business is not for the faint of heart; from dedicating sufficient resources to support innovation and managing cash flow to retaining top talent and determining how to stay relevant in an ever-changing marketplace – business owners must remain agile.

Reportedly, a majority of executives know that their companies’ success hinges on the ability to bring new products and services to market – many of whom also agree that their companies aren’t allocating enough resources to support, much less drive, innovation.

As innovation must be the prime objective in the early stages of a new or growing company, business owners generally focus on the product or service instead of running the business. However, as the business grows and becomes more complex, it is imperative that someone is tasked with focusing on the business itself – analyzing profitability and efficiency – in order to continue supporting future innovation efforts.

Maintaining (rapid) growth requires implementing the right people, tools, and technology, and understanding the costs associated with your business’ processes. Inconveniently for many business owners, accurately tracking and comprehensively assessing the relevant data can take up a significant amount of time. Often, there aren’t enough in-house resources – which is why it’s not always reasonable to rely solely on in-house resources to answer all the key questions, such as:

Is the cash flow being closely monitored to determine current and projected growth?

Many business owners name cash flow as their number one challenge to growth – which makes sense since most businesses’ growth stalls (or fails) due to lack of funding. Rapid growth can stretch things particularly thin, so it becomes imperative that someone is tasked with verifying the accuracy of the financials, analyzing the data, and relaying that information to the stakeholders so they have the opportunity to adjust course operationally, as needed.

Are the current processes scalable for continued growth?

Reducing manufacturing and delivery costs can help trim the fat in the supply chain. Sometimes this is seen as the low-hanging fruit, but it can provide long-lasting, incremental value, and when done strategically, can pave the way for continued growth.

Is technology being used to sustain a competitive edge?

Automating processes is one of the obvious ways to leverage technology to give your company a competitive edge, but more advanced AI – such as machine learning – may be another way to discover hidden insights and provide more personalized customer experiences. Knowing when to leverage this technology is key to sustaining a growth state and remaining competitive.

Remember that there is no ceiling/cap on potential growth, so even if you hold the distinction of being named one of the fastest-growing companies, it’s still critical to have a strategy for scaled (continued) growth. A great place to start is asking the question – in which way should we grow? Deciding the direction of your company should be driven by accurate data. Innovation budgets should be tied to tangible goals and realistic expectations. Dream big, and then use the data to create the roadmap – ensuring that as the company grows, executives can (more) consistently meet the increased demands.

Sometimes, it makes the most sense to leverage an outside firm – such as Miller Kaplan, a full service accounting firm – for a fresh perspective and so that time spent analyzing the data doesn’t take away from the core business objectives, goals, and innovation.

Michael Kaplan is a partner with Miller Kaplan. Check out millerkaplan.com to learn more.

Are You Prepared for Continued Growth?

KEY QUESTIONS YOU SHOULD BE ASKING

1. In what areas do we want to grow?
2. How should we continue to differentiate from the competition?
3. Is the goal to increase sales/service to existing customers or acquire new ones with new products/services?
4. Are we sufficiently supporting and driving innovation?
5. Are we measuring the right data? Accurately?
6. Is our risk too concentrated in a given area?
7. Are the current processes scalable?
8. Is it time to create new processes?
9. How can we leverage AI to maximize potential?
10. Do we have enough of the right people on our team?
11. When is it time to shift strategies?
12. Are we prepared for what’s next?

millerkaplan.com/growing
AT THE EVENT

1. Attendees (JP Morgan Chase)
2. #18 fastest growing private company (Skin by Lovely)
3. Platinum sponsor (Marsh & McLennan Agency)
4. #94 fastest growing private company (Forensis Group)
5. #95 fastest growing private company (24 Hour Home Care)
6. #39 fastest growing private company (KPG HealthCare)
7. Attendees (Northwestern Mutual)
8. Diamond sponsor (RSM) with RSM Middle Market award winner (Chrome River Technologies)
9. Attendees (LA Kings and The Siegfried Group)
10. #8 fastest growing company (Onex) with DJ Tessa
11. Silver sponsors and #22 fastest growing private company (Lido Advisors)
AT THE EVENT
1. #58 fastest growing private company (Western International Securities) and #60 fastest growing private company (Hamilton Grant)
2. Silver sponsors and #62 fastest growing private company (Gerber Kawasaki Wealth & Investment Management)
3. Silver sponsor (First Bank)
4. #25 fastest growing private company (Fox Dealer)
5. #2 fastest growing company (Vesta Home)
6. #36 fastest growing private company (Partner Energy)
7. Attendee (UBS)
8. Diamond sponsors (Cal Bank & Trust)
9. #4 fastest growing private company (Integrity Cargo Solutions Inc.)
10. Silver sponsors (Banc of California) with attendees (DH Financing)
11. #15 fastest growing private company (Raw Sugar Living)
12. #53 fastest growing private company (Reveleer)
13. Platinum sponsors (Miller Kaplan)