Mochi: Dessert Rebranded for American Palettes

Continued from page 1

RINGO H.W. CHIU/LABJ

Mochi Madness: Barnett at Mochi Ice Cream Co.'s Vernon headquarters.

According to Chicago-based market research firm **IRI Holdings Inc.**, mochi ice cream is quickly becoming America's fastest growing frozen novelty item.

New take

Mochi, the Japanese rice dough dessert has existed for centuries, but mochi ice cream is uniquely American. The inventor of mochi ice cream, according to Barnett and media reports, was the late **Frances Hashimoto**, a fourth-generation Japanese-American Los Angeles businesswoman. Hashimoto's family started the Mikawaya Co. in 1910 as a Little Tokyo-based confectionary company. The more than a century-old company was purchased by Century Park Capital in 2015 and rebranded as Mochi Ice Cream Co.

"We call ourselves the 100-year-old startup," Barnett said.

The company is headquartered in Vernon with a 110,000-square-foot manufacturing facility and counts 150 employees on its payroll.

The brand's My/Mo mochi ice cream morsels are 110-calorie ice cream bites held inside steamed and then frozen mochi dough. Approximately 12,000 stores nationwide carry the product, including chains such as **Walmart Inc.**, **Safeway Inc.**, **Wegmans Food Markets Inc.** and **Kroger Co.**

Cold snap

The quick push into freezer sections across the country turned some heads.

"That's quick rollout; the question to ask is how they achieved it," said **Phil Lempert**, a food industry analyst and owner of SupermarketGuru.com. "It has to be through promotional dollars – either slotting allowances and/or sampling in store."

Slotting allowance is a fee charged by supermarkets for product placement on shelves. A spokeswoman for the mochi company addressed the latter point saying the company's biggest sampling effort was a freezer display placed close to registers. As of press time, the spokeswoman did not answer questions about whether the company paid supermarkets for product placement.

Mochi Ice Cream Co.'s marketing chief Barnett said the expansion was driven by several strategies: making mochi accessible; catering to the millennial market that likes to snack; and making more than one line of products, including vegan mochi ice cream that uses cashew cream instead of dairy.

The company's strategy included adding flavor profiles to their existing line of products that included red bean, mango and green tea under the Mikawaya brand, which the company still operates. My/Mo offers vanilla, chocolate and strawberry, and other flavors familiar to less-adventurous American palettes.

Barnett compared the mochi phenomenon to what happened with Greek yogurt. The product wasn't new, but it was made accessible in a way that it had not been before.

"We knew that if we talked about the product as ice cream, we would not be successful," Barnett said. "We do make ice cream, but we chew it, so by default, the moment you chew, it becomes a snack. We were deliberately marketing this as a snack to millennials."

That included having around 1,000 My/Mo small portable freezers nationwide in retailers close to the checkout registers ensuring the products had more than one access point from the middle of the store's freezer section.

"That is a smart strategy to have the cases at checkout – but expensive," food industry analyst Lempert said. "They would have had to give the retailers the cases and a promotional fee to place it there.

"It sounds to me like they are spending a lot of money. Mochi is a high-profit item, but the money has to come from somewhere first in order to recoup it from sales down the road," he added.

Barnett emphasized the Mochi Ice Cream Co.'s social media presence, which includes 40,000 Instagram followers, and said its loyal fan base did half the work for them.

"Our line of sight is to get to a $100 million in revenue soon, and we're already at the halfway mark," he said.

Puma: Company Facing Shareholder Lawsuit

Continued from page 1

potential impact of the case in corporate filings. Puma claims in documents filed with the Securities and Exchange Commission that an adverse outcome at trial – set to begin Jan. 15 in federal court in L.A. – would have no "material adverse effect" on operations or finances.

But a court motion filed by Puma last month suggests otherwise, going so far as to claim an adverse outcome could jeopardize the company's ability to deliver the breast cancer drug Nerlynx.

Lawyers for the company argue in the motion that a large jury award could have "significant implications for Puma's ability to continue offering Nerlynx to breast cancer patients going forward."

The 3-year-old case – with a mountain of documents and dozens of motions by each side – represents a rare securities class action filed against a biotech company that might actually go to trial, industry watchers and attorneys said.

"I've been investing in this space for more than 20 years. It's incredibly rare to go to trial," said **Paul Yook**, a general partner of New York-based **LifeSci Venture Partners**, and the founder of two biotech funds. "The majority are nuisance lawsuits."

The law firm representing the plaintiff, San Diego-based **Robbins Geller Rudman & Dowd**, declined to comment as did Puma's attorneys at downtown-based **Latham & Watkins**.

Contested claims

Puma Biotechnology was founded eight years ago by Puma Chief Executive **Alan Auerbach**. The biopharma firm won federal approval in July 2017 to sell its neratinib breast cancer drug, Nerlynx.

The company has been vociferous in its denial of wrongdoing throughout the litigation, repeatedly claiming plaintiffs' allegations are baseless.

"After full development of the facts in discovery," Puma attorneys said in a motion filed last fall, "… plaintiff's securities fraud allegations fail at every level."

A Puma filing this month to the SEC said the volatility of its common stock has opened the company up to securities lawsuits that could cause the company to incur substantial costs and resources.

The company expects to recoup $11.2 million in insurance reimbursements for legal expenses related to the class-action complaint, according to SEC filings.

Puma reported $52.6 million in revenue from the sale of Nerlynx during the third quarter, compared to $6.1 million in sales during the same period last year.

Despite strong sales reports, the company's stock price has slid nearly 80 percent in the past year to $22.61 at the close of trading on Nov. 15. Puma's market capitalization is hovering around $850 million.

Taking stock

At the heart of the case, filed in June 2015, is whether Puma and its executives misrepresented the drug's safety and effectiveness prior to approval by the Food and Drug Administration.

Plaintiffs, led by the administrator of a pension fund for school teachers and government workers in the United Kingdom, allege Auerbach misrepresented results from a clinical drug trial during a July 2014 investor call.

They allege he made the drug sound "twice as good and half as bad" as it really was in order to inflate Puma's stock price for a pending stock offering, according to court filings.

In the three months after the call, Puma's stock rose dramatically, with prices climbing above $270 a share from below $60 a share.

Clinical trial results revealed a year later raised questions about the drug's long-term effectiveness and showed a side effect of serious diarrhea. The trial revelations caused Puma stock to plunge to $147 from $210 over two days of trading.

The investor lawsuit – which also alleges document manipulations and forgeries by the firm – hinges on company performance reports about its Nerlynx drug and its impact on the company's stock price.

Plaintiffs claim damages of $87.20 a share, according to court filings, which could award class members some $1.3 billion if they prevail.

Rash of lawsuits

Yook, whose biotechnology exchange-traded funds include shares of Puma, believes the class-action lawsuit to be meritless.

"I think it's a disgruntled investor whining over spilled milk," he said. "We own the stock and are not complaining."

He said a flood of such class-action lawsuits against biotechnology companies have caused a four-fold spike in the cost of directors and officers' liability insurance since 2016, which indemnifies executives.

Such policies can now cost companies $1.5 million a year, he said, with many insurance carriers dropping out.

Yook said he can still recall the investor conference call with Auerbach in 2014 that would boost Puma stock to a high of $270 a share.

"Every investor remembers the amazing day," he said. "But to say Puma was misleading is ridiculous."