



**LogiCamms Limited**

**Date of Lodgement:  
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**Title: “Company Insight – LogiCamms’ Positive 2012”**

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**Highlights of Interview**

- **Discusses the factors that have differentiated LogiCamms’ business conditions in the FY 2012 year**
  - **Explains the basis for LogiCamms increased revenues, and the trends in revenue components**
  - **Explains how LogiCamms restructuring work and strategic positioning has manifested itself in terms of risk and cost management, workflow, and customer positioning**
  - **Explains how the Company’s increased headcount has been efficiently accumulated, and how it has been driven by the business expansion**
  - **Discusses the trends in customers driving business expansion**
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**Record of interview:**

We interview Steve Banning, Managing Director, and Matthew Adamo, Chief Financial Officer, of LogiCamms Limited (ASX: LCM, market capitalisation A\$75 million), developments at LogiCamms during FY 2012.

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LogiCamms gave strong guidance for FY2012 in May. What are the factors that have differentiated LogiCamms’ performance during the past year?

**Managing Director, Steve Banning**

I think there are a combination of factors. First, the resources market we serve is growing; secondly, LogiCamms has developed its capabilities in its existing markets, and then broadened those markets; and thirdly, we’ve developed the qualities and skills of the people within the business and enhanced our capabilities with the people being hired in. These factors have all come together over the past year.

**Chief Financial Officer, Matthew Adamo**

What’s encouraging to me about the FY 2012 performance is not just the significant growth and expansion achieved, but also that we’ve managed to develop the sustainability of our earnings profile. This is something the business has worked hard at during the year. I think we’ve built the right balance between risk management and cost management disciplines, and ongoing investment in a platform that can continue to realise growth.

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What do you attribute LogiCamms' increase in revenues to? Also, do you also expect to see continuation in the seasonality of revenues, between first and second halves?

**Steve Banning**

In essence, revenue growth in the past year has been about broadening our capabilities and successfully delivering on our current commitments. It has been very pleasing. The seasonality you've mentioned is really a function of revenue recognition, which always depends on the timing of completion of our projects. The 'half-by-half' snapshots you see when we report on a half-yearly basis does not always give a true picture of the underlying strength we know we are dealing with. The annual picture is more revealing and we certainly see the grounds for sustained year-on-year growth.

**Matthew Adamo**

I agree. Growth in revenue over the past 18 months to 2 years has also been because we've stepped up a level with our customers in terms of the size and complexity of projects. In addition, we've increased the asset management component in our portfolio – and by 'asset management' I mean deploying a combination of specialised services that enhance the operating efficiency of existing assets. Asset management income is more sustainable because of the nature of the services provided, and because we are on-site and 'embedded with the customer' in helping to deliver and maintain efficiencies. This work provides greater continuity of earnings - because contracts tend to be longer in duration - and so we begin to obtain greater transparency across our forward revenue profiles. A strategic focus is to increase the depth and breadth of services that provide greater transparency and visibility of forward revenues (e.g. longer contracts for project design or delivery, and for asset management services). We believe that, as we focus on longer-term agreements and longer-term relationships with our customers, we enhance the sustainability of our business and its earnings.

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What attracted you both to LogiCamms, and in what ways do you think LogiCamms is different?

**Steve Banning**

I saw significant market opportunities for companies such as LogiCamms, particularly in the mid-tier engineering space. LogiCamms is very client-focussed and there are certainly opportunities for us to move into. Also, the Board and management within the business was a strong attraction. In terms of the differentiators, I think that there are basic qualities in the Company's culture - the ability to listen to and respond to client needs; the fact that the business is very resourceful and can accept change, and by that I mean it is willing to do things differently - if that's what clients are looking for us to do. We don't impose a fixed approach in going about business – we're more focussed on what the client is actually looking for and meeting their requirements.

**Matthew Adamo**

From my perspective, I'd observed a large number of engineering service firms domestically and internationally in previous roles, and from this I had a filter for critical success factors in the industry. I was attracted to LogiCamms due to a combination of the businesses niche capabilities, market position, and above all else, the quality of its people. I also believed when I joined 18 months ago that the business was capable of achieving much more. This business has been, and is increasingly so, very strategically-focused with an entrepreneurial

and ‘empowering’ structure that gives opportunities for its people to grow and develop. There are a diverse range of options presented to the business and our people as we address the many opportunities in the market – and for the people working here - that makes for a vibrant working environment.

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You have both been involved in LogiCamms’ restructuring work over the past year. What work was done and why - and what were the strategic goals and nature of that work?

#### **Steve Banning**

We were in three operating locations and it was important to be able to leverage our geographically-dispersed skills base, and a lot of work has gone into establishing that framework via management changes, some organisational changes, and with Matthew and me relocating to Brisbane. The executive team is now located in Perth and Brisbane. The second key focus was to ensure business sustainability. By that, I mean we’ve both looked specifically at ensuring we are pricing risk properly, depending on the nature, scale and complexity of the projects we’re entering into, together with establishing a greater strength and depth of management expertise that is appropriate for this growing business.

#### **Matthew Adamo**

Strengthening the risk management process across the organisation has been an important part of my initial focus. This has covered the way we approach contract decisions, manage projects, and the way we manage and develop our people. We approach risk fundamentally from a control perspective but also see it as an enabler – it is a filter that helps assess which opportunities to pursue and the impact on pricing those decisions.

The restructuring work dealt with how we’d be able to pursue the Company’s strategic objectives involving essentially, as Steve said, how we’d address the fundamental issues in delivering a sustaining business model. Once those were addressed, along the lines we’ve described, we were able to progress the strategic roadmap with greater confidence.

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In what specific ways has the Company changed, or kept the same? Is it too early to see concrete results flowing from your initiatives?

#### **Steve Banning**

If you compare today’s business with last year’s, you would see a number of changes. In client terms we now contract directly with a number of Tier 1 companies such as BHP, Rio Tinto, Chevron, Conoco Phillips, Incitec Pivot, Santos and Origin – whereas our work with those clients in the past has tended to be as subcontractors. That’s been a significant change. Our skill base has also broadened – we are picking up an increasing amount of work in the hydrocarbon space, particularly in asset management, and this is all work that we didn’t have this time last year. It’s been working well.

#### **Matthew Adamo**

It’s been encouraging that the business has continued to grow beyond our traditional markets. We’ve successfully established an asset management offering and enhanced project delivery capability. We’re also expanding in the engineering design and technical areas, beyond electrical instrumentation and control, and bringing in other disciplines such as mechanical, civil and structural engineering capabilities – so we now have a genuine multi-discipline capability in many parts of our business. This diversification has and continues to be a

strategic focus, providing a platform for us to continue to attract quality people into these new and emerging parts of our business.

Results are already beginning to flow from these initiatives, but the effects will be much stronger in the future. We now have a much more optimal positioning.

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The Company has experienced, and is anticipating, an increase in its headcount. What is the basis for the increase, and how have you been effecting this change?

#### **Steve Banning**

The headcount increase is going hand-in-hand with the workflow increases we're seeing throughout the business. We don't recruit materially ahead of the curve, so actual business is the driver. Attracting and handling people coming into the business is a real focus for us –and our People and Culture Director drives a strategy that clearly recognises people are a key element in the business. We have to offer an environment where people want to come and work, and see the attraction of coming here as distinct from going to another firm. We've worked to make sure other business strategies at LogiCamms integrate with this big focus. We have an agile business with an entrepreneurial culture and our objective is to ensure that people are empowered, they have opportunities to move around, and share our sense of an emerging business - where they have the opportunity to grow together with the business. In a lot of cases people have the opportunity to see the whole of the project they're working on, as opposed to a very small slice of it, that's been a key driver for us. Terms and conditions can be flexible, we are looking to attract people who want to work in different ways, and we're up for those discussions.

#### **Matthew Adamo**

People are definitely our business and we look to attract good quality people. Thus, our induction and personnel processes provide the right mix of ensuring new people understand our systems and the way we operate, but we also seek feedback so we can improve the way we do things. It has been very rewarding how we've efficiently assimilated so many people into the organisation and provided opportunities for them.

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Do you anticipate a negative impact on profitability arising from the headcount growth? If not, why not?

#### **Steve Banning**

We're not recruiting ahead of curve, so I do not see an impact on profitability from this factor. Also, we employ a mixture of permanent, part-time, contractors and casuals – not everyone wants to be a permanent employee and that works for us – and this helps us to manage the work cycle across the year.

#### **Matthew Adamo**

We look closely and regularly at operational efficiency metrics, such as how efficiently people are applied onto projects, and making sure the challenges that attracted them to LogiCamms are available and being addressed. One of the most encouraging achievements over the past 12 months has been the Company's capacity to grow headcount substantially with such a minimal impact on profitability. We have a robust process of taking people on board and assimilating them into the business as efficiently as possible. I also think our strategic settings – set during the restructuring - have established the right, accommodating cultural environment.

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How is LogiCamms' customer spread developing across different types of work, and across sectors and geographies? Is that a deliberate strategy by the Company for developing its future basis for business?

#### **Steve Banning**

It is absolutely a deliberate strategy. We've identified four target sectors – mining and resources, hydrocarbons, specialised industries and infrastructure – and within those sectors we're looking at doing engineering, project delivery, and asset management work. We also spend a lot of time analysing where the market opportunities are, where the growth will be tomorrow as well as further into the future. So for example, we're doing a lot of work in Australia, on both the West and East coasts, but we're also starting to see a number of opportunities outside Australia in Africa and South America for the types of services we offer. I should add that this is customer-sponsored international expansion – they are drawing our people and our skills into their international projects and we are following them in support.

Our expertise in specialist areas is also being recognised in the growing food sector - particularly fertilisers and sugar. We have very high-calibre skills within LogiCamms in these areas, and where there are opportunities to utilise those skills we certainly want to do that as a business. Globally, the sugar market is providing some opportunities and fertilisers also. We have people who have worked in those areas to very high technical standards, and who are recognised for their skills in the global marketplace. So if there's an opportunity to deploy those skills, and the people are willing to do it, we will. Our skills are transportable and adaptable.

#### **Matthew Adamo**

Yes, customer development reflects a combination of factors. Our Tier 1 and strategic customers are responding to our offering, which has been tremendous; and we keep working on our strategic positioning in the growth markets and industries Steve mentioned. All the indicators show our positioning is gradually translating into increased size and quality of work, as well as a broadening of services into blue-chip or Tier 1 customers.

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Thank you, Steve and Matthew.

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