



NCSG: 10 Lessons Learned Going From 30 to 300

June 2014

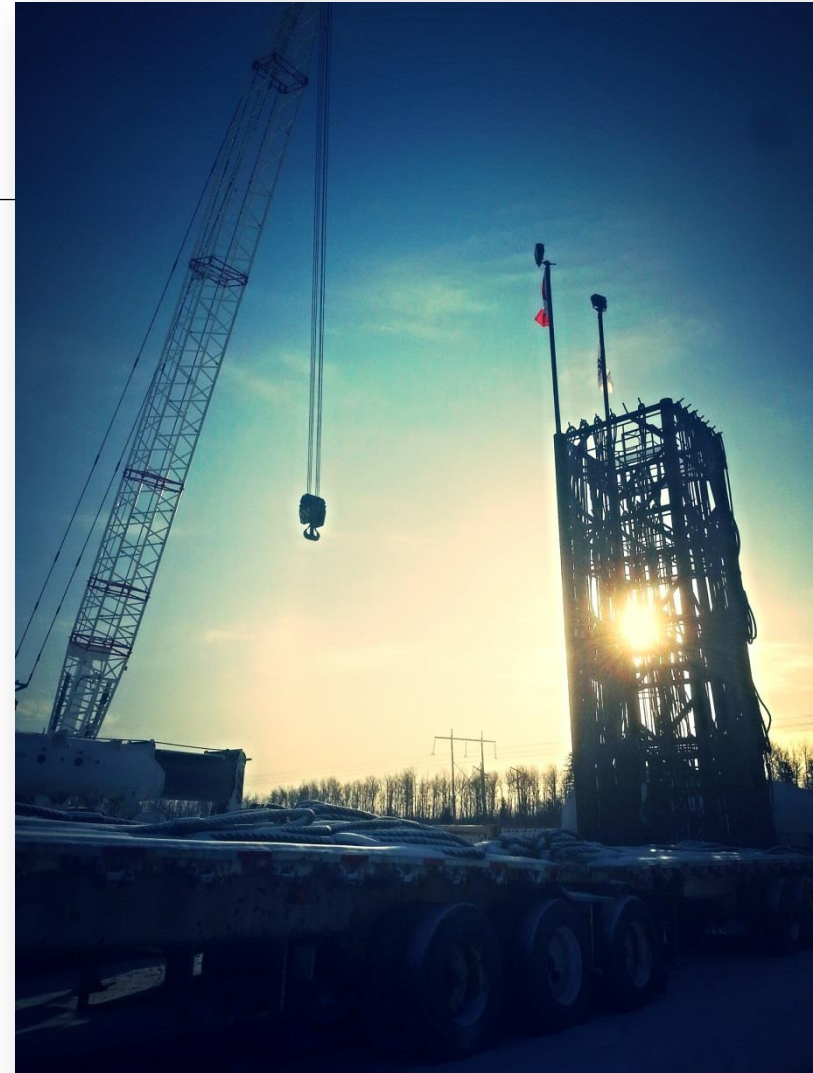




NCSG Overview

NCSG Crane & Heavy Haul is the 5th largest FOM crane and heavy haul services company in North America:

- Founded in 1986 in Edmonton/Ft. McMurray
- 720 Employees
- Fleet consists of 285 cranes, 78 tractors, 300 heavy haul and conventional trailers and 235 lines of hydraulic platform trailers
- Purchased over \$220 Million in equipment since 2007, average fleet age < 5 years
- Crane, rigging, and heavy haul business offering complete service including operations, maintenance, logistics, engineering, project management, and safety



Geographical Markets

NCSG's corporate office is in Edmonton, Alberta.

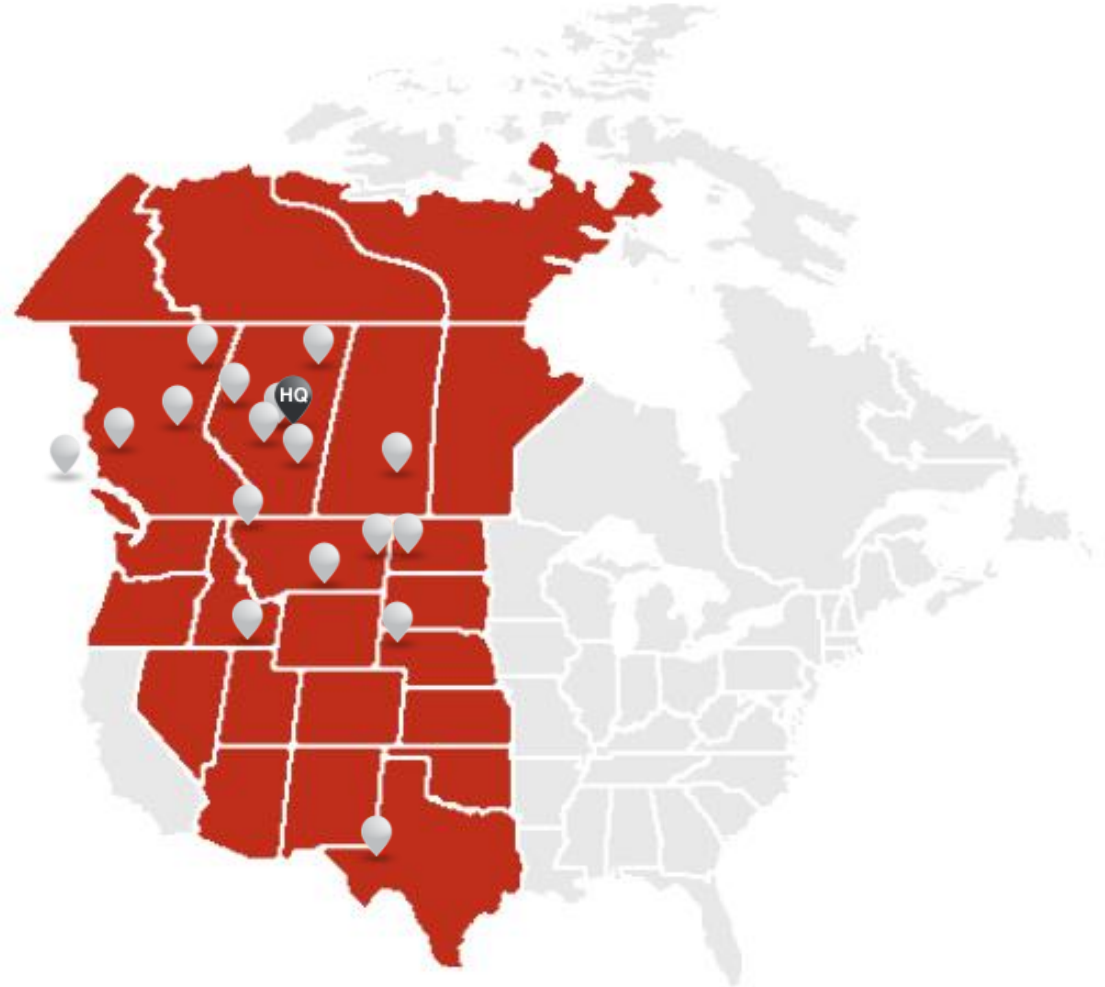
Our 18 branches are strategically located:

- **Canadian Branch Locations**

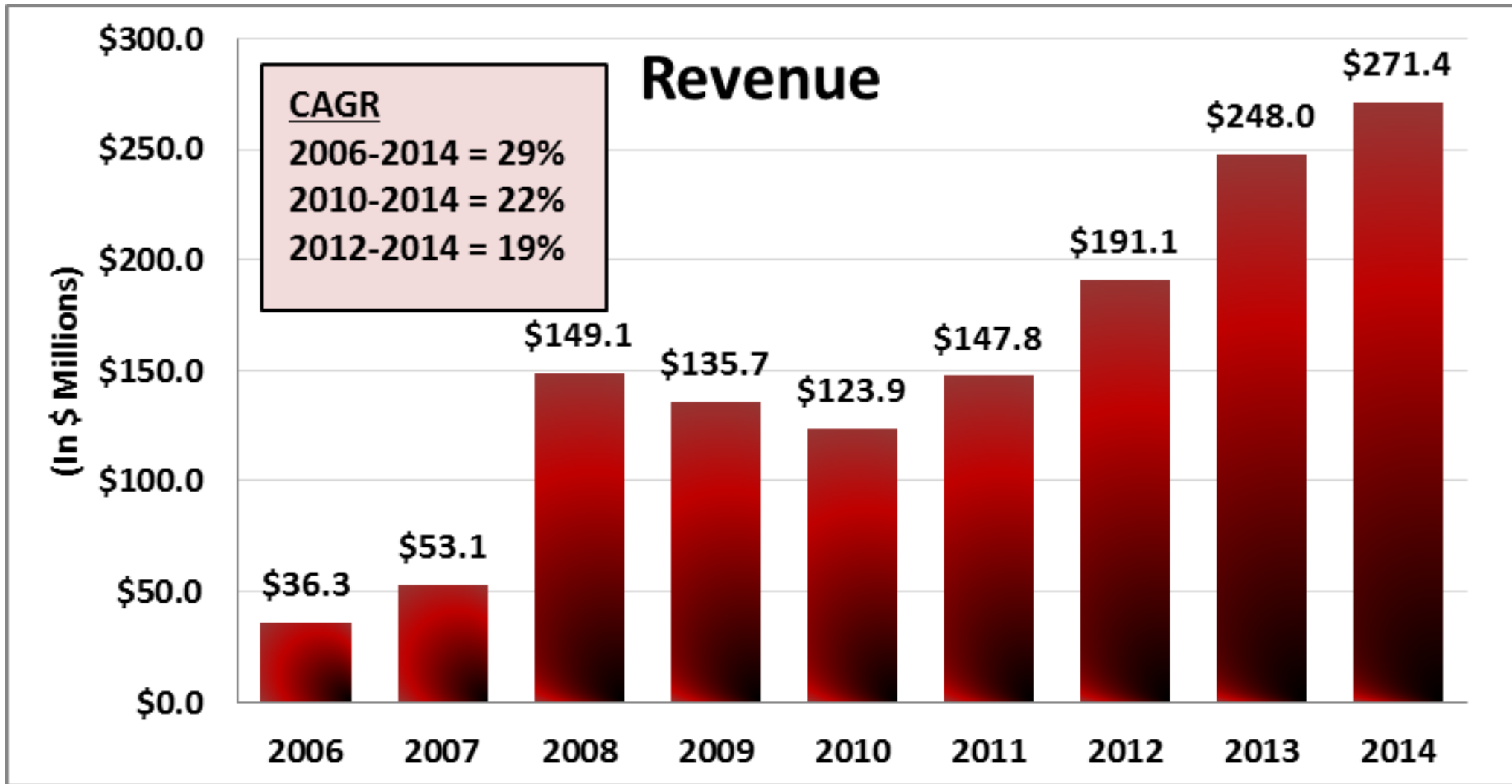
- Edmonton, AB
- Fort McMurray, AB
- Grande Prairie, AB
- Bonnyville, AB
- Wabasca, AB
- Calgary, AB
- Leduc, AB
- Fort St. John, BC
- Tumbler Ridge, BC
- Kitimat/Terrace, BC
- Prince Rupert, BC
- Regina, SK

- **U.S. Branch Locations**

- Soda Springs, ID
- Billings, MT
- Sidney, MT (Bakken)
- Williston, ND (Bakken)
- Dickenson, ND (Bakken)
- Midland/Odessa, TX (Permian Basin)



From \$30 to 300 in 8 years



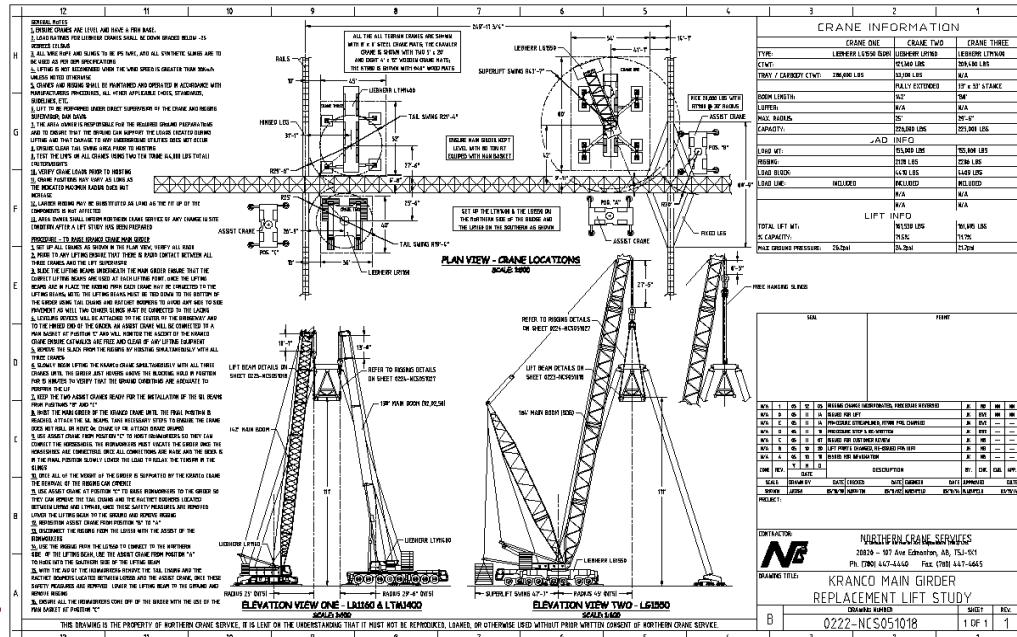
Top 10 Lessons Learned from \$30 to 300

- Lessons learned at NCSG as the CEO, a part owner, and an observer of company history
- Plus a bit of what I've learned in 30 years of running, consulting to, and serving as an M&A advisor to many other businesses

Top 10 Lessons Learned from \$30 to 300

10. Strategy

- Develop a strategy for profitably and safely growing your business
- Involve your management team in strategy development
- Communicate your strategy broadly to your employees
 - If your employees don't know the strategy they can't execute it



Top 10 Lessons Learned from \$30 to 300

9. Execution

- Best strategy is useless if you don't develop action plans
- Then act on and track the progress of your action plans
- Most importantly, make the tough decisions to allocate resources in coordination with the strategy
 - Example: New Branches

“Well done is better than well said” - Benjamin Franklin

Top 10 Lessons Learned from \$30 to 300

8. Have an Exit Plan

- You don't have to use it but you better have it
- “The kids can't write the cheque” - Quote by an old boss
- Private equity has an exit plan before they even buy a business
- Keep your business attractive to buyers:
 - Usually best to keep it a pure play (i.e. only crane and heavy haul)
 - Keeps your options open to sell to a strategic buyer as well as gives private equity buyers the exit strategy they need

Top 10 Lessons Learned from \$30 to 300

7. Acquisitions

- More acquisitions fail than work:
 - Misaligned cultures, incentives
 - Key people leave
 - End market too small
 - Bought company at the “Peak”

- Address these issues up front, buy companies with:
 - Good people, that want to stay on and share the same values
 - Profitable over the cycle
 - History of growth and prospects for future growth
 - Strategic fit with business direction

“Successful enterprises are built from the ground up, you can’t assemble them with a bunch of acquisitions” - Lou Gerstner, CEO of IBM & American Express

Top 10 Lessons Learned from \$30 to 300

6. Capital Structure

- Leverage can be your friend:
 - Lets you use the earning power of existing assets
 - Grow faster by buying more equipment
 - Reduces taxes (by paying interest expense)
- Or your enemy if you get off side:
 - Banks don't like it when you violate covenants
 - You can lose control of your business if you violate covenants or your bank loses trust in you
 - Find the appropriate capital structure for your business, covenant light is best, if not track how you are doing in relation to your covenants on a monthly basis
 - Never surprise your banker - always warn them well in advance of violating a covenant, they will usually help you but you both need time to figure it out

Top 10 Lessons Learned from \$30 to 300

5. Its All About the ROCE

- We are in an asset intensive business . . . its all about the Return on Capital Employed (“ROCE”)
 - Doesn’t matter how many cranes you have or how much cash you took out of the business last year
 - Must make enough money to replace your assets over time
 - Businesses are valued by what kind of return can you make on your assets
 - Surprising number of business operators don’t look at their all in costs and earnings (after depreciation, interest expense, taxes) and they don’t calculate their ROCE
 - For smaller businesses if ROCE is less than 20% you will have a hard time selling your business for a premium to asset value

Top 10 Lessons Learned from \$30 to 300

4. Business Downturn

- A recession can destroy your business
- We acted too slowly in 2008/09
- Act fast, live to fight another day
 - Stop buying equipment, cut costs, share the pain
- Don't give up!
 - “Those who give up will never know how close to success they were” - *Thomas Edison, founder of GE, inventor of the light bulb*

Top 10 Lessons Learned from \$30 to 300

3. Take a Chance

- We are in a good industry with lots of opportunities
- Many of them are not expensive to try
- Don't let them pass you buy

Every year we try to focus on one or two of our best opportunities and make them happen

Top 10 Lessons Learned from \$30 to 300

2. People

- We are in a large ticket, customer relationship business where people are the key to our success
- This has been my main focus over the last 4 years, building a winning team – it should be your main focus too
- At NCSG we are very fortunate to have built such a strong group of industry experts
 - Every time we have a meeting I marvel at the capabilities in the room
 - A special thanks to ...
- Communicate with your employees, share financials broadly, share strategy broadly
 - If your employees know where you want to go . . . they will get you there

“Hire better than yourself” - Jerry Yang, founder of Yahoo

Top 10 Lessons Learned from \$30 to 300

2. People

- Train your people – it is the best investment you can make



Top 10 Lessons Learned from \$30 to 300

1. Safety First

- We work in a dangerous business
 - We must work hard to send our employees home safely every day
- Don't pay lip service to it, find and fix all the root causes I believe every incident has systemic causes
 - Don't just blame it on the individual error, mistake proof your business
 - Look deep to find out what management should have done differently
- Our customers won't tolerate downplaying or ignoring incidents
- All incidents are preventable!



Top 10 Lessons Learned from \$30 to 300

Thank - You