

Andrew Chandler – R&M Electrical Group Ltd

Interview for Hampshire Business Awards after being shortlisted for KPMG's Company of the Year Award

*“Despite the gloomy outlook R&M's financial performance paints a picture of success proving that it is possible to grow a business during a global economic downturn. Like many businesses the recession made us look long and hard at the performance of each and every one of our operating divisions and like many companies it became apparent that tough decisions would need to be made in order to protect the group and survive the downturn. Decisions were made to restructure the company and to refocus our efforts on our best performing businesses rather than our weakest, often during a recession too much time and energy can be focussed on the underperforming areas of a company. If a business is failing during the so called good times the onset of a recession can help to give you the clarity to make tough decisions and changes due to the extremity of the situation. Regrettably over a structured period of time branches have been closed but with our focus now 100% on improving and growing the successful areas of our company many of the staff at these branches were relocated in areas of the business where we could see growth and opportunity.*

*As a direct result of these actions we have enjoyed three years of consecutive growth, during this time turnover has increased by 20% to 48 million gbp. This has been achieved during a period in which we have closed 3 branches, reduced our inventory by 26% and significantly reduced our borrowings. Our working capital and return on capital has increased, our credit rating has never been stronger and interestingly our turnover per employee has increased by 42%.*

*We are now in the enviable position where all of our business units are now turning a profit and our first quarter results are way ahead of budget for the current year. The company's net worth during this 3 year period increased by 66% to just shy of 4 million and we are very optimistic going forward that continued growth and profitability can be achieved.*

## Achievements

*Some of our notable achievements over the last year include the conversion of 3 major contract awards for the Gorgon Project based in Australia. This is one of the largest LNG developments that the world has ever seen. Located on Barrow Island off the West Coast of Australia R&M and its joint venture partners based in Australia and America have been awarded contracts for the supply of electrical bulks, Instrument cable and HV cable. We are very proud of this achievement as this was truly a global project and we successfully competed against the some of the world's largest electrical distributors. Our ability as a privately owned company to form strategic alliances to gain both a competitive and geographical advantage quickly and efficiently had a big part to play in this success. What is really pleasing about this specific project is the amount of British and European equipment that we are in the process of supplying. It proves that British manufacturers can still compete on the global stage when quality and technical advances are paramount. We are delighted to be the conduit for many of our UK based manufacturers to gaining success on international projects and we always endeavour to offer British products whenever possible. To date we have received orders valued at around 100 million AUD but expect this figure to grow substantially over the 5 years life span of the project build. This project is being built in Module format and we are supplying equipment to the projects module fabricators in Korea, China and Indonesia.*

*Geographically we continue to expand our market presence and have now exported materials to over 70 countries worldwide. This year has seen contracts awards for the Jasmine and Golden Eagle projects in the North Sea, the Chirag Oil Project in Azerbaijan, the Kashagan and SEP projects in Kazakhstan, the PNG project in Papua New Guinea and the In Amanas and Skikda projects in Algeria. In terms of exports we have been very active this year in Madagascar, Brazil, Qatar, Nigeria, Kazakhstan and the West Indies. Business secured in these countries includes supply to the Mining, oil, gas, petrochem, construction and Marine sectors.*

*Other achievements more close to home include long term supply contract extension awards for the Fawley and Pembroke refineries, our Fixings and supports division have secured term agreements with Laing O'Rourke and N.G Bailey two of the largest building services*

*contractors in the UK and have also been very successful in supplying first fix and containment materials to data centres throughout the UK and Europe. We continue to hold a long term supply agreement at Portsmouth Naval Dockyard with BAE and are supplying electrical equipment to ship repair and the new build aircraft carrier programs. Our local businesses in Southampton support the thriving marine industry and are a major supplier to Carnival Cruise Lines helping to support their fleet with the provision of electrical materials for their maintenance, repairs and operations.*

### *Diversity*

*The Diversity of the group is undoubtedly one of our biggest differentiators. Our focus has been to offer our clients a one stop shop facility without the need to utilise service companies and distributors outside of our own group. This has led to the formation of 5 specialist in-house divisions within the group, our cable's division based in Bristol, our Fixings and Supports and Assembly divisions based in Southampton along with our Project and Export Divisions.*

*We believe we are the only UK based distributor to offer this complete product offering, each division supports business developed by the group in addition to developing their own specialist business relevant to their scope of supply. This allows us to remain competitive and retain profit within the group.*

*Each branch and division within the group holds a diverse range of stock and franchises allowing us to offer literally thousands of different supply options to our customers. Each division and branch is set up as a separate profit centre so we have visibility and accountability across all of our business units.*

*In terms of keeping our staff incentivised we pay 20% of the profit back to our staff and we believe this has had a very positive effect in allowing us to grow whilst many of our competitors go backwards. We now employ over 200 people with the group many of which are based in Hampshire.*

*Overseas R&M have shown real enterprise and been prepared to venture into new markets. Most notably the launch of companies in Azerbaijan and Kazakhstan has paid good dividends and the Caspian Region remains a major overseas market for the group. More recently we have established our presence in the Middle East with operations in Dubai and Abu Dhabi and are experiencing major sales growth despite the downturn in business in this region. Our focus overseas is clearly defined in offering our clients a UK based service mentality focussed on specialised supply and first class customer service in a marketplace where historically agents pertaining to be all things to all people have flourished. In particular the Oil and Gas sector have recognised the value of utilising an industry specialist who can provide everything required under one roof backed up with a quality of service not normally experienced in these markets.*

*Another major development that has helped us to develop globally has been the formation of a Global Alliance, at present we have joint ventured with independently owned companies in Australia and America allowing us access to markets that in the past were out of our reach, as we target new project opportunities around the globe R&M is actively seeking local partners to help add value to our inclusion on bid lists. Primarily the advantage of partnering allows us to offer local content and support in countries where a new project is starting where we do not have a base. This development has been instrumental in us winning major contracts in Australia, Egypt, Algeria, Peru and Chile.*

### *The Future*

*Moving forward R&M hope to continue to grow its core businesses and develop further employment opportunities in the South. Expansion into the renewable markets is very much a target for us over the next 12 months. In terms of synergies our exposure to the mining sector over the last 12 months has lead us to believe that our product range and service is a good fit to service this sector especially with the many remote sites that are being developed around the world.*

*We are looking at new ways to differentiate our company from its competitors and as always looking for opportunities in emerging markets and countries where our specialist identity and track record will give us a defined advantage.*

*We haven't forgotten where we started back in 1987 and are very proud of our reputation as a Hampshire born and bred internationally renowned company. We continue to support local companies and charities whenever possible and sponsor many sports clubs based in the Hampshire area. Being Southampton based has been a major advantage to our businesses due to the superb infrastructure in terms of rail, road and port facilities and the international trade links that Southampton has historically enjoyed over many centuries.*

*Who knows where we might find ourselves next, if someone had told me 12 years ago that we would be globally recognised within our field as one of only a handful of specialised companies capable of meeting the demands of supplying Oil, Gas and Petrochemical projects on a global basis I would probably have laughed.*

*With further joint venture activity planned for 2011/2012 and several major projects already targeted in Australasia and beyond the future looks very bright. “*