Developing a High Performance Organization

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Chief Operations Officer
Chief Operations Officer for National Technical Systems (NTS), Derek is responsible for the efficient and effective operations of all operating units at NTS. He has served as a visiting lecturer for the past 10 years at the University of New Hampshire, and currently sits on the Board of the American Council of Independent Laboratories (ACIL). He holds a Master's Degree in Science from Cranfield University in England, certification from the National Association of Corporate Directors (NACD) and the Boston University Pocket MBA for Lawyers. His work experience encompasses engineering, operations, customer service and supply chain management.
Companies rarely fail for lack of vision. They fail because they cannot translate their vision into execution.

Vision without execution is hallucination.
High-performing Companies

“Great performance is about 1% vision and 99% alignment”

Jim Collins
Built to Last
1961
- Aaron Cohen and Jack Lin co-founded Approved Engineering Test Laboratories (AETL)

1960

1975
- NTS went public and was renamed National Technical Systems
- The Fullerton, CA location was established

1970

1980
- Acquisition of automotive testing lab in Detroit, MI

1982
- Acquired Acton Laboratories in Acton, MA

1988
- Acquisition of automotive testing lab in Detroit, MI

1991-1999
- Expanded operations to facilities in Camden, AR, Boxborough, MA, Tempe, AZ, Culver City, CA, Tinton Falls, NJ and Plano, TX

1992
- NTS began Certifications of Management Systems (Registration) through NQA JV

1998
- Launched a strategy for building a dominant position in EMI, EMC, HIRF Lightning and NEBS telecommunications testing

2000
- William McGinnis promoted to CEO

2004-2011
- Continuation of effective acquisition strategy, completing 13 acquisitions
- Diversification into Supply Chain Management through acquisition of Unitek

2010

2011
- NTS celebrates its 50th anniversary and debuts a new corporate branding strategy

2013
- Surpasses $175 million of revenue for the first time, with $184.5 million of revenue in FY 2013

50-Year Track Record and Reputation as a Testing Leader
Historical Pro Forma Financial Summary

Revenue Growth – FY 2007 – FY 2013

$ in millions

2007 – 2013 CAGR: 15.8%

EBITDA in FY 2007 - $6.5 million
EBITDA in FY 2013 - $28.7 million
“Entrepreneurs and their small enterprises are responsible for almost all the economic growth in the United States.”
Barriers to Growth

- 28 million companies in the U.S. file tax returns
- 96% have fewer than 10 employees

- 2,500
  $500 million
  1,000+ FTEs

- 17,000
  $50 million
  200-400 FTEs

- 0.4%
  $10 million
  50-75 FTEs

- 4%
  $1 million
  10 FTEs

96%
Predictable Barriers to Growth

• Leadership
  – Delegation
• Systems & Structures
• Market Dynamics (Fundamentals)

*Issues that impact a company as it moves through transitions to the next level*
Barriers to Growth

Leadership

- Founder does it
- Add Partner

$1 million
10 FTEs

96%

$10 million
50-75 FTEs

4%

0.4%

$50 million
200-400 FTEs

17,000

$500 million
1,000+ FTEs

2,500

- Delegation
- Titles
- Business skill

- Grow middle management

- Add layers
Barriers to Growth

Market Dynamics

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Cash Flow</th>
<th>Gross Margin</th>
<th>Predictable profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 million</td>
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<tr>
<th>Get next customer</th>
<th>Figure Out Market</th>
<th>Strategic Positioning</th>
<th>Macro Economics</th>
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<td>96%</td>
<td>4%</td>
<td>0.4%</td>
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Benjamin Franklin

“Without continual growth and progress, such words as improvement, achievement, and success have no meaning.”
So how did NTS grow in 7 years by:

- $108 million
- Complete 12 Acquisitions
- Increase EBITDA from 8.5% to over 15%
Balanced Score Card

- Financial
- Client Focused
- Internal Processes
- Learning & Growth
The Myth of Excellence provides conclusive evidence of the futility of trying to be excellent in all aspects of a commercial transaction—value, product (capability), access, experience, and service. Instead, the strategy for your products and services should be to dominate on one element, differentiate on a second, and be at industry par (i.e., average) on the rest.
Growth Horizons

**Horizon 3:** Long Term - 3 – 5 Years  
- Innovation Growth  
- Acquisition Growth

**Horizon 2:** Mid Term - 1 – 3 Years  
- Innovation Growth  
- Acquisition Growth

**Horizon 1:** Short Term - Fiscal Year  
- Organic Growth / Market Penetration  
- Acquisition Growth
“Our success comes from… enduring value-added relationships… which is all about best practices, dominant capabilities & awesome service… delivered by a motivated & prepared workforce.”

Organizational Integrity
Respect for the Individual

Quality Customer Service
Stewardship – “Obligation to Stakeholders”

Embrace and Drive Change
One Enterprise

The Best People make the Best Teams
Personal and Organizational Growth

Alignment with our Core Values is the foundation to understanding and executing our strategy.
Company Culture and Values

- **Organizational Integrity** - We value honest and respectful transactions.
- **Respect for the Individual** - We seek to foster a trusting, open and inclusive environment.
- **Quality Customer Service** - We want to consistently deliver value by providing outstanding service that builds confidence, loyalty and respect.
- **Stewardship** - *“Obligations to our Stakeholders”* - It is our responsibility to properly utilize and develop our resources: people, property and financial assets.
- **Embrace and Drive Change** - Part of being a growing and thriving company is continuous process improvement and change.
- **One Enterprise** - We leverage the power of relationships and collaboration “Dual Citizenship” to deliver exceptional service, capabilities and access to our clients.
- **The Best People Make the Best Teams** - We seek to deliver our services through a motivated and prepared workforce.
- **Personal and Organizational Growth** - We encourage employees to grow personally and professionally.
## Operational Philosophy

**Dominate on capability, differentiate on client service**

<table>
<thead>
<tr>
<th>Capability Dominance</th>
<th>Superior Client Service</th>
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<tbody>
<tr>
<td>• Maintain extensive accreditations, certifications, and memberships</td>
<td>+ Provide closer proximity to facilities through broad geographical coverage</td>
</tr>
<tr>
<td>• Hire and retain industry-leading personnel and subject matter experts</td>
<td>+ Offer unparalleled access onsite and through virtual lab technology</td>
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<tr>
<td>• Provide the broadest service offering</td>
<td>+ Service with dedicated account managers bringing full capacity resources to bear</td>
</tr>
<tr>
<td>• Invest in new equipment and capabilities while continuously pursuing innovation</td>
<td>+ Leverage capacity and spread work to meet client needs</td>
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One Lab Approach
Strategy Focused Organization

- Mobilize Change
- Translate our Strategy into Practical and Operational Terms
- Align the Organization
- Motivate to Make Strategy Everyone’s Job
- Make Strategy a Continual Process
Office of Strategic Management

• Communicates the strategy to the organization
• Facilitate and coordinates the tasks associated with execution strategy
  – Support alignment of activities
  – Provide strategy review
  – Support management in making decisions to achieve desired results
Team & Change

“There is no 'i' in team but there is in win.” - Michael Jordan

“There is no limit to what you can accomplish if you don't care who gets the credit.” - Ronald Reagan

CHANGE

“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.” - Charles Darwin
Executive Team

- William McGinnis, President, CEO
- Dwight Moore, CMSO
- Michael El-Hillow, CFO
- Doug Briskie, CSO
- Derek Coppinger, COO
Looking to the Future

Make a decision.

Form your Team.
- Storm
- Norm

Change.
Strategy.
Execute.
Leaving Thoughts

“Progress is impossible without change, and those who cannot change their minds cannot change anything.” - George Bernard Shaw.

“An ounce of performance is worth pounds of promises.” Mae West