

WAITING FOR CLIENTS TO “PULL THE TRIGGER,” I.C.E. SERVICE GROUP STILL AIMS FOR AGGRESSIVE GROWTH

In 2007, the warning signs of impending recession were not unanticipated. Over-valuation in the housing market was beginning to jangle nerves, credit was starting to squeeze, oil and other consumer prices were starting to run up, and job growth was slowing, among other signals. “Could a small shock push the economy over the edge?” the *Wall Street Journal's* MarketWatch column asked in December of that year. As we now know, the economy did nose-dive in the second half of 2008, due to a series of shocks, not all of them small.

Some of those who were watching the warning signs suggested to Dennis Morgan II and his partners that starting up a company in 2007 might not have been the best idea. Yet launch **I.C.E. Service Group, Inc.** (Ambridge, PA) they did, and “we have followed with decent growth every year,” says Morgan, a principal and senior program manager for the company.

I.C.E.’s primary business is transportation and logistics serving the waste, ethanol/biodiesel, steel and metals, nuclear, chemical, and industrial by-products markets. In the environmental arena, it handles hazardous and non-hazardous wastes, low-level radioactive wastes, and the heavy machinery components coming out of power plants, according to Morgan.

“We own a lot of our own equipment, which can be utilized in rail, trunk transportation, and marine environments,” he tells EBJ. “The majority involves truck and rail or a combination of the two, transferring one to the other or vice versa. We also have a field service group that does everything from preparation of waste profiles and manifests to on-site coordination of those projects. And then we have a staff augmentation group that can provide on-site support.”

The company generated revenue totaling about \$7.3 million in 2010 and joined the “top 100” firms lists of both *Waste Age* magazine and *Waste & Recycling News* that year—not bad for just 10 employees. The senior principals have 15-plus years of experience in the waste management industry, and Morgan himself has had stints with Conti, ENSR (now part of AECOM), and MHF Logistical Solutions.

Clients include petrochemical companies, which accounts for a large percentage of revenue, says Morgan. I.C.E. also services operators of treatment, storage, and disposal (TSD) facilities, assisting in transportation and logistics, and then engineering and construction firms and remediation companies. The public-private breakdown is about 75-25, with the public-sector work coming largely through federal entities such as the Department of Energy (DOE) and the Department of Defense (DOD).

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Revenue growth for the firm continued into 2011, although “campaign” work was only steady, according to Morgan. The campaign work ranges from short jobs, such as event-related response work, to longer-term projects such as brownfield or Superfund cleanups. Growth in 2011 came from revenue from ongoing, multi-year contracts.

An important contributor to success is the company’s lean approach to operations. “We’re not overhead-driven,” says Morgan. “Everyone is a seller-doer, and has a business development responsibility regardless of their role in the company. People are doing sales at the same time that they’re managing projects.”

The company is “pretty excited about

2012,” says Morgan who expects to add a couple of people to the staff. The bid opportunity that’s coming through the door does have a bit of a different flavor from that in past years, he notes. For one thing, while the first and fourth quarters tend to be slow, the fourth quarter of 2011 was strong, and that strength has continued into January and February of 2012.

Morgan is not sure why this is happening, although the mild weather in some of its service territories, including the Eastern Seaboard, is probably a factor. In any case, “we haven’t seen projects delayed because of weather issues. The only delays have been related to federal funding issues, but that’s typical.”

On the private side, the petrochemical companies appear to have a “lots of work in the pipeline that they want to do, but they’re holding back a bit” says Morgan. It may be because it’s an election year, he observes, and clients are waiting to see what the outcome will be and what impacts it will have on policy and spending.

“DOE authorizations can have an impact on our industry. It goes back to the customers and whether they want to spend money or not. The economy is creeping forward, but it’s not a fast walk, and that has a lot to do with companies being gunshy about pulling the trigger.”

The shale gas exploration and production activity in the Marcellus formation in Pennsylvania and neighboring states has been a source of revenue for I.C.E. “It’s part of the discussion in 2012—how to move forward in getting more of that work,” says Morgan. The company delivers “frac sand” and manages water and drilling cuttings, and “we’ve been approached by a couple of companies for field service work, providing frac tanks and tank cleaning services. We’re trying to figure out how to take more advantage of that opportunity, perhaps by hiring people already in that industry, to bring on a book of business through an individual.”

Despite some tug on the reins of capital spending, I.C.E. is aiming to grow by 25% in 2012. Morgan would like to add a couple of people to the staff and is confident the right people are out there. “We’re look-

ing for entrepreneurs,” he says. “We have a good package for people, and we want people to come on board, take ownership, and help with our growth.”

That package of benefits is going the other direction compared with competing firms, he believes. “We pay 100% of healthcare, and we have a matching 401k program. I know from personal experience that the trend is going the other way; employees are paying more and more. And then we have a pretty decent commission incentive program for everybody. Sometimes, you tell engineers that they have a sell responsibility, but there’s no reward; you just want to keep their billable hours going. If you are closing work and delivering value on contracts, we feel you should

be rewarded for it.”

For I.C.E., the big challenge in 2012 is what it has been throughout the company’s short lifetime—access to capital. Otherwise, Morgan is just waiting for more clients to pull the trigger on spending.

“It seems as though the hammer is cocked back a little bit, but we’re still seeing some hesitation. It’s hard to say why. People thought that we were crazy to start up in 2007, and we figured if we could survive in this economy, we could be in a better position when things start to turn around. We’re not quite there. I don’t think we’ll see a true light at the end of the tunnel until 2016. The next four years will be pretty slow.” ■

FOR GEOTECH COMPUTER SYSTEMS, IT’S STILL A MATTER OF PENETRATING AN “EXCEL WORLD”

At the high end of the environmental information management market, environmental, health, and safety (EHS) software providers like Enviance, IHS, and Locus Technologies are selling a small number of very large software packages to multinational giants. For a large portion of the marketplace, however, it’s still a matter of replacing very primitive information management tools, like Excel spreadsheets, according to David Rich, president of **Geotech Computer Systems** (Centennial, CO), a provider of software for managing environmental data.

“Our value proposition is to provide a higher level of analytical capability to the marketplace,” says Rich. “About half of our sales are systems that are replacing an Excel file, so it’s still an Excel world out there.”

Geotech sells to three categories of clients, says Rich: government entities at the federal, state, and local levels; industrial companies; and—the largest category—environmental consultants, ranging from companies of the size of the Shaw Group and Weston Solutions to the very small firms. Rich lists Indian tribes as another client category, which would perhaps fit in the government category, and Geotech re-

cently landed its first client in China, to go along with other international clients.

Geotech has been in business since 1986 and employs five people. It doesn’t consider the Enviances and Locuses as competitors, because of the scale at which they are operating. “We have very large clients, but we’re focusing on their project databases,” says Rich.

2011 was a profitable year for the company, “which surprised us when we saw the tax return, because it didn’t feel like a great year,” Rich reports. “Sales were flat.” The year ended well, however, as the fourth quarter was one of the best ever in the company’s history. “It remains to be seen what happens now,” Rich muses.

Within the industrial client base, petroleum and mining companies have been providing the best opportunities. Geotech recently landed a client that’s business a uranium sub-surface leach mine, and another recent client is about to open the largest mine in Nevada, to extract molybdenum.

“One thing that helps us a lot in down times is maintenance agreements with existing clients—keeping them happy,” says

Rich. In addition to doing well in the mining sector, “we did pretty well with regional environmental companies.”

Geotech has done a “fair amount” of business with companies engaged in the exploration and production of unconventional oil and gas, but being based in Colorado, “we’ve done more with coal-bed methane,” says Rich. Anticipating a shift in regulatory emphasis from brownfields cleanup and water-quality towards air in light of some of the new and forthcoming Environmental Protection Agency (EPA) rules, the firm is also making changes to its software to better suit the packages to air-related projects.

NURSING PROJECTS TO RETAIN STAFF

Commenting on the prospects for 2012, Rich notes that some of its sales are indirect—selling systems to the consulting companies who in turn package them into sales to their industrial clients—and “the question is, at what point do those industrial companies start loosening up their budgets,” he remarks. “We’re seeing some of that now, but that’s the concern.”

In a recent conversation, a prospective client told Rich that its project managers are simply trying to hold onto their people. “They’re hanging onto their existing projects and trying to nurse the revenue to keep from losing their people,” says Rich. “It’s hard to sell to them because they want their field technicians typing in data just to keep them busy. Survival is more of an issue than quality and efficiency.

“That’s the big concern out there for this year,” he continues. “I will say that there is a lot of pent-up demand. We’re seeing some of that now. I just sold a license to a company that I’d been talking to for six years.”

In this sense, the prevailing atmosphere for 2012 is the same as it has been for the last two years, says Rich. “At some point, it’s got to get better. And it has gotten better, but not enough to help most small companies.” ■