

A step forward, but what's ahead?

PRIVATE COMPANIES SAW SOME GROWTH IN 2010, BUT STORMS COULD BE ON HORIZON

BY JEFF BOUNDS | STAFF WRITER

For the bulk of the largest private companies in North Texas, 2010 was a year of recovery.

For some, it was continued tough sledding. While there are hints of sunshine in the outlook for 2012, some chief executives of Dallas-Fort Worth private businesses are concerned about potential clouds on the horizon.

On average, revenue at the top 100 largest private North Texas-headquartered companies increased 4.8 percent from 2009 to 2010, according to *Dallas Business Journal* research.

All told, DFW private-company sales hit more than \$78.7 billion last year, up from \$75.1 billion in 2009.

But not everybody reveled in growth. "Even through mid-2011, it was sector-driven," said Jay Duke, who runs the assurance practice nationwide out of the Dallas office for accounting, audit, tax and consulting shop BDO. "In sectors (dependent on) housing starts or construction, they weren't doing well," he said. "Retail got crushed in the last couple of years. In the last six months, they've seen modest gains."

While some industries were trying to get their legs under them to march forward, others had on running shoes and were starting to sprint.

One of those was Dallas-based Interstate Battery System of America Inc., which added \$150 million, or 11.8 percent, to its top line. The Dallas marketing, distribution and retailer of batteries grew revenue to \$1.42 billion last year from \$1.27 billion in 2009.

The company made several bold moves in the depths of the recession to grow, according to president and CEO Carlos Sepulveda. For instance, when talented people in information technology and other fields were being laid off from other companies, Interstate snapped up 149 of them, at an average salary of \$64,326. Roughly a third that group represented new hires. "We added people during a time when other companies weren't hiring," he said.

The company has invested eight figures in the past couple of years or so in four new technology systems that are "equipping us for the future," he said. For example, one of them gives Interstate officials data in an easy-to-understand format on the various battery retailers it either does business with, or wants to do work with.

"We're expecting positive momentum from the talent we've added," Sepulveda said. "And we're expecting our (four) divisions to continue their trend of growth and taking market share."



GOLD METAL RECYCLERS: Kenny Goldberg and Neil Goldberg, founders of Gold Metal Recyclers, said their company has increased market share in the past year. In 2010, Gold Metal marked a 120.33 percent increase in revenue over 2009.

The gold standard

Another North Texas growth story from last year was Gold Metal Recyclers. Riding a rise in commodity prices, the Dallas metal recycling business added \$296.58 million to its top line, taking it to \$543 million. That marked a 120.33 percent surge from 2009.

"It's been very active," said Kenny Goldberg, who started the business in 1976 with his brother, Neil. "We've increased market share."

Launched with three employees in an 8-by-12-foot portable building, Gold Metal today collects a range of scrap, such as copper, brass, insulated wire, lead, cardboard and certain plastics. Although it buys most of its scrap in the United States, it exports 40 percent to 50 percent of its finished materials. Kenny Goldberg noted that the emerging middle class in Asian countries in the past 10 to 15 years, adding tens of millions of consumers who are producing more demand for Gold Metal's products and services.

Given tight supplies and higher prices of recyclable metals, along with strong demand, Gold Metal's 2011 revenue should climb 30 percent to 40 percent compared with 2010, Kenny Goldberg said. The company's 420-person staff (including 300 in Dallas) is projected to grow by 50 in the next 12 months, with hiring happening in jobs like management,



INTERSTATE BATTERY: 'We're expecting positive momentum from the talent we've added,' says CEO Carlos Sepulveda. Interstate Battery has hired more than 100 people in the past year.

laborers, truck drivers and mechanics.

"We feel like we separate ourselves, being a private company, with management and ownership sitting in the middle of a big open office," he added.

While commodity-sensitive industries

have enjoyed a boost, it's been a different story in other fields.

"Revenues are down," said Jim McShane, the primary principal of Cadence McShane Construction Co., a Dallas commercial builder. "The competition has



JAKE DEAN

ONE PERSON'S TRASH: Given tight supplies and higher prices of recyclable metals, along with strong demand, Gold Metal's 2011 revenue should climb significantly, co-founder Kenny Goldberg says.

heated up, particularly for public works (projects)."

Cadence McShane's sales were off nearly 39 percent, to \$158.19 million in 2010 from \$259.16 million in 2009, as financing for construction work continued to be tight and consumer and business confidence remained weak. Like virtually every business, Cadence McShane has cut costs, including letting people go, but is now adding to its marketing efforts including direct calling and direct mail.

"We are feeling better about the opportunities that are there and the viability of those projects" going into 2012, added Neal Harper, president of Cadence McShane Construction. "Financing is loosening up a little bit now. Deals are tough to get done, but deals are getting done. ... We hope that in the short term, we will be able to add a few positions."

However, he added, "there will be some hesitation until the election year comes, (and clarity comes on) what the government will do going forward."

The big 'if'

Whether Washington politicians can fix issues like the federal budget deficit remains a big "if" for private business owners. And not everyone is optimistic.

"I won't make any great expansion plans until I can see that Congress will make it easier" to compete, said Scott Sangalli, CEO of Morrison Supply Co., a Fort Worth wholesale distributor of plumbing and heating and air conditioning products and appliances. "There is absolutely zero confidence that the things will be done right in Washington." Morrison Supply's revenue rose to \$497.5 million last year, up from \$473.81 million the year before.

It's not just the federal government that has CEOs concerned. Big drivers of the economy, such as sales of houses, autos and retail goods, aren't robust.

"Normally coming into this time of year, everyone's gearing up for peak freight shipping" for the holidays, said Tom Sanderson, CEO of the Frisco third-party logistics company Transplace, whose revenue fell to \$900 million last year from \$990 million in 2009. "No one's quite sure that's going to happen. The overall economy, from a freight standpoint, is not very strong, to say the

least. But I think (Transplace) can continue to do well in this environment."

Transplace, which helps manufacturers and retailers manage the transportation of freight to stores, projects

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Scott Sangalli

Morrison Supply Co.

the addition of 50 employees to its 550-person staff in the next 12 months, aside from any acquisitions it may do. Transplace secured a foothold in the chemical logistics business with the April purchase of a Philadelphia company, and Sanderson said Sept. 2 that the company was planning to announce another deal within two to three weeks.

Duke of BDO expects the rest of 2011 and into 2012 to be "moderately positive" economically.

"It's not going to be double-digit growth," he said. "I expect 3 (to) 5 percent growth. Some sectors will do better."

The energy sector should be a "big mover," and construction will continue to be down, while agriculture will have to cope with the impact of droughts.

"Unemployment should go down in the coming months," Duke said.

The bottom line is that most companies have wrung the fat out of their organizations, Duke said.

"They must get out (of the bad conditions) by top line growth and better margins," he said. "They do that by expanding markets ... and having better products and better logistics. They'll have to do better."

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