

From left to right:
Tim Phillips, Larry Cress



CLIENT:
New Tech Engineering

BANKER:
Tim Phillips

Oil in the Blood

Third-generation oil man Larry Cress is poised to make New Tech Engineering a global powerhouse

Like the previous three generations in his family, Larry Cress has oil in his blood. Following in the footsteps of his great-grandfather, grandfather and father, Cress has spent his entire career in the energy sector, during which time he has designed or drilled more than 1,000 wells in 23 states and seven countries. His Houston-based firm, New Tech Engineering, employs the country's largest collection of experienced energy sector engineers who provide outsourced leading edge solutions for a Who's Who of oil and gas companies around the globe, including ExxonMobil, Chevron Corp., Shell E&P and ConocoPhillips.

In addition to running New Tech Engineering, Cress is CEO of no fewer than seven additional companies, ranging from real estate to safety management to transportation. He mentors disadvantaged youths in the Footprints in the Sand program, he judges student entrepreneurial projects through the Mays Business School's Center for New Ventures and Entrepreneurship and he recently won an Entrepreneur of the Year award from Ernst and Young. Cress spoke with Compass Bank about his business, his philosophy on motivating employees and what he looks for in a banking relationship.

Compass: What led you to form New Tech Engineering?

Larry Cress: I realized that a shortage of operations personnel would lead to an opportunity that no one else was addressing. In other words, he who has the quality engineers would be in prime position in the marketplace. Attrition was going to create the demand. We just had to have the personnel to be able to fill the demand.

Compass: What differentiates New Tech from other oil and gas consultants for hire?

LC: There are two sides to that answer. First, we are a diverse engineering group and an engineering firm with multiple locations across the U.S. No other firm can even come close to the amount of engineers and locations that we have. With the quality of engineering experience New Tech has in-house, we have experienced personnel for any oil and gas operations project a client might bring to us anywhere in the world. Second is the way we treat our consultants. We are a service company and they are our assets and need to be treated as such. We understand that and make it a priority in our firm.

Compass: What kinds of incentives do you provide your employees and consultants?

LC: From the beginning, we've understood the value of good employees and compensating them well. Greed has driven a lot of corporations into the ground. Our partner group has had a very aggressive bonus program for our employees since day one. If one person gets a bonus at New Tech, everybody gets one. We allow our business unit managers to share in the profits no matter how small or how large they get to be. We have several annual events where the employees and their families are given a chance to have fun together as a group and allow us to thank the families for their contribution and for allowing their moms and dads to be so committed to their work. We make sure our employees take all of their vacation every year and we also give them a week of paid time off to use for the charity work of their choice. And each quarter, we give a Harley Davidson motorcycle to one of our consultants, something our competition hasn't quite figured out how to respond to. We also have several other incentives for new hires and referrals.

Compass: What role has Compass played in New Tech Engineering?

LC: In early 2000, we began to experience tremendous growth in our company. Until then, we had been internally funded, but we realized we couldn't continue on our path of rapid growth without proper funding. We were looking for a banker who would understand the vision of a company whose profile is rapid growth. Even though we were a two-year old company at the time, with approximately \$1 million in annual revenues and had never had an unprofitable quarter, the loan committees of several banks flatly turned us down. One even told our sales guys to slow down and quit selling. "Our company is poised for failure because it's growing too fast," they said. But Compass Bank was different. They agreed to give us an initial \$1-million line of credit, with a 90-day condition that we had to meet certain milestones. They were the only bank that actually bought into our vision and that was willing to step up and accelerate the growth of our account as our company grew.

Our historical annual average revenue growth rate for the eight years that we've been banking with Compass has been more than 100%. Last year we hit \$75 million in revenues and this year we project \$110 million. Today, our line of credit has ramped up to \$12 million; we're in the process of constructing two new buildings and taking over a 9,000-square-foot building next door to handle our growth. Compass is financing it for \$2.5 million and we don't have to put up any additional equity for it. Compass enables us to leverage the values of our combined companies to grow new companies. We currently have approximately \$20 million in assets and owe Compass approximately \$5 million. Our relationship with Compass proves a point: If you and your banker both appreciate the business relationship as an open and honest one and you're willing to share data and not be afraid of the consequences, then everyone benefits as a result.

Compass: What about plans for the future?

LC: We see tremendous opportunity for growth internationally. We've got projects on deck in Dubai, Brisbane, Singapore and Rio de Janeiro. Our plan is to accelerate our international business from its current 20% of revenues to 50% of total annual revenues. The fact that Compass has been acquired by an international bank, Madrid-based BBVA, is good news to us, as we wire transfer 20 to 40 payments outside the U.S. twice a month to pay consultants based around the globe. With BBVA behind it, Compass is poised to help us. ■