



# CEOCFO

## Interviews & News!

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### The Churchill Corporation Is Focused On Assisting Their Four Operating Companies In Expanding Their Businesses And Growing Their Bottom Lines

## the Churchill Corporation

**Industrial Services  
Construction  
(CUQ-TSX)**

**The Churchill Corporation**

**11825-149 Street  
Edmonton AB Canada T5L 2J1  
Phone: 780-454-3667**



**Dr. Peter F. Adams Ph.D., P.Eng.  
President and CEO**

#### **BIO:**

Dr. Adams has been a Director of Churchill since 1993; Chairman since May 2002; now President and CEO. He was formerly President and Managing Director, Canadian Petroleum Institute, Dean of Engineering at the University of Alberta, President of the Technical Univer-

sity of Nova Scotia, and President of the Center for Frontier Engineering.

#### **Company Profile:**

The Churchill Corporation provides commercial building construction, industrial construction, industrial insulation, industrial electrical, installation, maintenance and related services throughout western Canada through its operating subsidiaries; Fuller Austin Insulation, Laird Electric, Northern Industrial Insulation, Stuart Olson and Triton Projects. The Corporation is a leading Canadian Contracting company as recognized by Commerce and Industry Magazine's annual rankings of firms based on revenue.

Our services are provided directly to clients; client's engineers or architects; industrial general contractors; or engineering-procurement-construction ("EPC") contractors primarily in western Canada's energy, petrochemical, power, institutional and commercial building markets.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Adams, what is your vision as CEO of The Churchill Corporation?

**Mr. Adams:** "One part of our company is concerned with commercial and institutional construction, which is our Stuart Olson Company. At the present, it does probably 70% of our volume. It deals with the technically complex and larger end of the commercial institution construction spectrum, typically hospitals, recreation centers, clean food storage areas; those kinds of buildings. Stuart Olson has headquarters in Calgary with

substantial operations in Edmonton and Vancouver. The second side of our business is industrial construction and we have three or four companies on that side. The first would be Triton projects and they are our general mechanical contractor. They do fabrication, construction and maintenance work - basically for heavy oil facilities and oil sands mining facilities; primarily in northern Alberta. The second would be our Insulation Holdings Company, which in-turn consists of two companies: Northern Insulation is our non-union arm and Fuller Austin is our unionized arm. They do industrial insulation, asbestos removal, cladding, siding, and a little bit of HVAC work. They have the greatest geographical spread of any of our companies; they work basically in Alberta but also in Saskatchewan Manitoba and northern Ontario. The fourth company is Laird Electric, headquartered in Fort McMurray Alberta; they do power line construction, electrical and instrumentation, installation, maintenance and construction. They are a company that we bought about four or five years ago and they are doing well. That is the outline of our company setup. From Churchill's point of view, the management company, our goal is to assist the four operating companies to expand their businesses and grow their bottom lines. In the next three or four years we expect that our businesses will grow their earnings substantially while bullet proofing their organizations. We will also focus on improving our human relations related programs and the associated professional development programs, within the four companies. The other thing we need to do is to improve our systems to keep pace with the demands of our clients."

**CEOCFO:** There are special challenges working in the cold climate; does that restrict you throughout the year?

**Mr. Adams:** “Basically no. Cold weather is common enough in this part of the world and we work on a year-round basis. Some of our companies have a little bit of a seasonal pattern, but basically all of our companies work consistently throughout the year. We do have occasional days when we have to shut down because of cold weather, but each of our companies has developed its own particular expertise in functioning in cold weather.”

**CEOCFO:** What are the particular challenges on the institutional side that Churchill is able to meet, and why are people using Churchill?

**Mr. Adams:** “I mentioned that Stewart Olson, which is our institutional construction business, is taking more and more projects in its sweet spot so to speak. That would be more and more of the larger projects and therefore the number of competitors would be limited. They are also taking on the more technically complex projects. These are projects requiring specialty gas systems, for example, specialty requirements for clean rooms, and special expertise on building in cold climates in terms of refrigeration and heating units. Basically Stewart Olson has developed an expertise in both performing the work and in managing their contracts. They very seldom bid on jobs so to speak, most of their work is invited.”

**CEOCFO:** What is the economy like in the area you serve?

**Mr. Adams:** “Right now and for the past several years it has been just excellent. There is a slight slowdown in the area now in the industrial side but we expect in the long-run that it will pick up again. The institutional side has been huge, the oil sands and heavy oil projects are concentrated in northern Alberta. The industrial requirements are generating all of our work for our industrial companies. The tax and royalty revenues that our

governments receive are generating the ability to construct the infrastructure projects. Right now we have lots of work.”

**CEOCFO:** How do you keep up with the demand?

**Mr. Adams:** “We don’t always. We have to be selective in the jobs we choose to target. We are continually looking for good employees particularly in the project management area. We limit our work in many cases to take advantage of the excellent employees we have.”

**“One thing that sets us apart is our spectrum of companies. For the two key market drivers in Alberta, we are ideally placed. The first market as you know is the infrastructure market and our Stuart Olson Company has a great reputation and is very active in probably the best area to be, the large and sophisticated project area. On the industrial side our four industrial companies are respected, and are ideally placed. The other general thing I would say is that in many of our companies we have a mature, stable workforce especially in the management ranks. We have a lot of long-term employees in our companies. They have been with us for 25-35 years. We have the sons and daughters of employees coming into the different organizations. We have a pretty stable and attractive place to work and we are committed to improving that even more. I think for those two reasons, and especially in this climate where everybody is busy and looking for good people, I think the key attraction is probably our stable mature workforce.” - Peter F. Adams**

**CEOCFO:** Please tell us more about some of the changes you want to make.

**Mr. Adams:** “In this climate there is a huge demand for skilled workers and that extends all the way up to senior management. We recently hired a senior human resources person at the corporate level and two or three more HR specialists at the operating level. Our object is to get all the basic programs, which some of our companies have in place now, spread across all of our companies and then improve the caliber of all of these programs. The most important area is the individual professional development plans for each of our key people, which would go from

the hiring process through the monitoring, coaching, and training processes, all the way up to promotion and compensation. We have a lot of work to do and are striving to put in place excellent programs so that we improve our reputation as an outstanding place to work.”

**CEOCFO:** Do you see additional acquisitions?

**Mr. Adams:** “Yes we do. We have grown organically in the last several years with exception of the Laird acquisition. We are now looking at a couple of tuck-in acquisitions on the industrial side. In addition, we would like to add a “third leg” to Churchill in a construction related area, but outside the areas we cover at the present time. That would give us Stuart Olson as one leg, the existing industrial companies as a second leg and a third related company as a new leg.”

**CEOCFO:** Are your customers interested in the fact that your individual companies are part of the Churchill Group, or are they strictly dealing on an individual level?

**Mr. Adams:** “Presently we are branding on the basis of the individual companies. There is probably very little cross selling from one company to another. We are seeing an increasing demand for integrated services and in the future we may see two or more of our companies working on a project together.”

**CEOCFO:** You are showing good record earnings; what is the financial picture?

**Mr. Adams:** “For the past two or three years we have had record earnings every quarter. Our workload is becoming more stable and our execution is improving. Our first two quarters are out now and the results have been excellent in both of those quarters. Our backlog is holding up. We are looking forward to continuing that kind of record as we go ahead. Our balance sheet is very strong. We have a substantial cash component, however, we do require bonding for some of our jobs, or at least the capacity to product bonding

and thus we need to maintain a strong balance. We are doing very well financially and hope to continue along that path.”

**CEOCFO:** You mentioned technology as an area for change; are there newer technologies that you would like to take advantage of to make it easier for you and better for your clients?

**Mr. Adams:** “Especially on the industrial side, the huge industrial projects we have here require very sophisticated, very detailed, reporting structures. That is a key technology aspect that we are facing now, as there is a demand for timely reporting, and reporting in more detail. We are putting a lot of money and thought into the development of our processes and computer systems for that purpose. In the individual companies, there are always technology improvements as applied to their specific needs.”

**CEOCFO:** Is the investment community paying attention?

**Mr. Adams:** “It seems to be. We have a very active investor relations program. We report quarterly. We are covered by six brokerage houses now and another two coming on. I think we have done pretty well.”

**CEOCFO:** Why should investors be interested and what sets Churchill apart?

**Mr. Adams:** “One thing that sets us apart is our spectrum of companies. For the two key market drivers in Alberta, we are ideally placed. The first market as you know is the infrastructure market and our Stuart Olson Company has a great reputation and is very active in probably the best area to be, the large and sophisticated project area. On the industrial side our four industrial companies are respected, and are ideally placed. The other general thing I would say is that in many of our companies we have a mature, sta-

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**CEOCFO:** Final thoughts, what should people reading about Churchill remember most?

**Mr. Adams:** “Looking ahead I am completely confident that we have the right companies in the right place at the right time.”

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