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Hill International Enters Next Phase

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The new CEO, David Richter, is aiming to hit $1bn in revenues, with the project management firm seeing growth in all its markets

It is the start of a new era for US project management firm Hill International as David Richter moves from his role as president and chief operating officer to president and CEO. His father, Irvin Richter, has retired as CEO, but remains chairman of the company he founded in 1976.

While significant, the change will not be a major one for David Richter. “To a large degree, I have been running the company since I became president almost 11 years ago,” he says. “But it does mean that now I cannot be second-guessed.”

New era

The change in company leadership comes as the global construction industry also moves into a new era.

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“We are hitting an interesting time in our company’s history,” says Richter. “We have made it through the recession. In fact, we have managed to grow over the five years from 2008 to 2012; we grew 6 per cent a year on average, which was not good for us, but good for the industry during a very difficult time.

“The past two years we have seen double-digit growth again. So, coming out of the recession and heading into the next construction boom, we continue to see almost all the markets we are in improving.”

Richter’s long-term growth target is to hit $1bn of revenues.

“We are going to break $600m in revenues this year and we are hopeful we can break $700m next year, so we are only a few years away from hitting that [$1bn] target, which is more psychological than a real hurdle for us. We will get there,” he says.

$1bn barrier

Breaking the $1bn sales barrier will put Hill International in exclusive company. “There is a big benefit when you start measuring your revenues with a B for billions instead of an M for millions,” says Richter. “It puts you in the elite of the industry’s top firms and I firmly believe that is where we belong.”

Richter does not expect current concerns about the impact of lower oil prices on projects in the region and the rest of the world to affect Hill International’s growth.

“Our view is that the short-term price of oil is not really relevant for our business,” he says. “We do some work in the oil and gas sector, but it is still a small part of our business. In the Middle East, most of our business is building and infrastructure, and we don’t expect the short-term price of oil to affect those long-term projects that take years or even decades to develop.”

Long-term focus

Instead of focusing on the recent plunge, Richter says that in the long term, the Middle East will benefit from oil prices steadily increasing due to limited supply and rising demand.

“One of the things I have learned about people on Wall Street is that they take two data points on a chart, draw a line and expect that line to continue,” he says. “That means we are either heading to zero or we will keep growing forever.

“The reality is the price of oil is going to bounce around from time to time, but our long-term view is that it will keep on going up as you have a finite supply and ever-increasing demand, unless there is a technological change in where our energy comes from. Right now, there is no technology out there that is as cheap as fossil fuels, and so the level of demand will drive up prices in the long term. And that means the Middle East will be a very good market for us in the long term.”

Sizeable workload

Hill International already has a sizeable workload in the Middle East after winning contracts on most of the region’s major infrastructure investment projects.

“We won a tremendous amount of work at the end of 2011 and 2012, which mostly involve long-term infrastructure projects, airport and rail, and are going to continue for quite a while and be the foundation for our growth for several years,” says Richter.

“Our business has changed a lot since 2008. We were doing a lot of private sector work for developers on commercial, residential, retail, and hospitality schemes in the region. Today, all our biggest projects are in the public sector - airports, rail, hospitals and schools - and I think this has been a real positive trend for us; the government is not going to run out of money like developers might.”

Dubai potential

Looking ahead, Richter expects there will be more of a balance between the private and public sector, especially as Dubai’s private sector reemerges.

In 2014, new work was won in the emirate, which had been a quiet market for firms such as Hill International for several years.

“For Dubai, 2014 was a big turning point and it was the first time we won significant new work in the emirate since 2008,” says Richter. “I think it is going to continue to grow, going forward.

“The past six years were very difficult. There was certainly over-construction, too [many projects] built on speculation, and too much debt. They have learnt the lesson this time around and we expect Dubai to be more sustainable.”