

WT Business Beat

By Nick Wakeman

New ownership feeds new energy at LGS Innovations

LGS Innovations has been an independent company for about 15 months now and while it was experiencing growth when it was part of Lucent-Alcatel the change in its ownership has made a big difference for the company.

Lucent-Alcatel sold [LGS Innovations to the private equity groups Madison Dearborn and CoVant for \\$200 million in April 2014.](#)

Since then the company has continued to do many of the same things, namely doing research and development work in cybersecurity, photonics and radio frequency and cellular technologies. It also has a professional services unit focused on networks and wireless solutions. And the company is an exclusive reseller of Alcatel-Lucent products in the public sector.

While company CEO Kevin Kelly declined to talk revenue figures, LGS has been growing. Its head count has gone from 670 people at the time of the sale to 800 and they have 100 openings.

“We aren’t in the staffing business but that growth in headcount is indicative to the growth we’ve experienced under our new owners,” he said.

The ownership change has been critical to the company’s accelerated growth.

“Under Alcatel we weren’t core. We were just one of their holdings,” he said.

But that’s not the case with Madison Dearborn and CoVant. “They have much more of an investment model. We are a core business to them,” Kelly said.

That change means that profits are reinvested in the company, which means new products and new offerings. And eventually, new acquisitions.

“You could just as easily take the profits and divvy them up among the owners, but they want us to reinvest, which will make us more formidable,” he said.

Key areas of investment include wireless technologies, photonics, and cybersecurity.

For example, the company has a product that scans software to identify security weaknesses and backdoors that hackers could exploit. “We have a patented technology that we think addresses that problem and the feedback from demos has been very positive,” Kelly said.

Another project is in the area of spectrum management. For some time the company has had projects where it would analyze the wireless spectrum on the battlefield to identify who was communicating, who was jamming signals and who's broadcasting signals.

"But these were like science experiments in the field. You need very technical people doing them," he said.

One step has been to make the technology more user-friendly so the average warfighter can use it. The next step is to take the technology and adapt for non-military users such as the FCC which can attach the technology at cellular sites to monitor spectrum usage.

"So this was a point solution that can now be a more universal solution with some investment and broader application," Kelly said.

Photonics also is an important area for investment. In some applications it is a more efficient and effective communications tool because it uses light instead of radio frequencies to carry information. It also has speed and bandwidth advantages.

It is a very efficient point-to-point technology. "Light energy is focused energy, so you don't have to worry about scatter," he said.

"There are a lot of reasons to use but it is hard to do," Kelly said. The research is expensive, "but we are seeing it payoff and we are seeing more orders."

The new ownership, which Kelly referred to multiple times as partners, also has brought a focus on mergers and acquisitions as a way for accelerating growth.

He's on the lookout for higher end services companies that have deep technical capabilities.

"We've probably looked at 100 companies in the last year," Kelly said. "And we had serious management meetings with five or so, and now we are targeting just one or two."

While he's not predicting how soon an acquisition may be announced, his goal is to close one this year.

Part of what they are looking for is driven by their strategy and that strategy is driven by a few simple questions: What is our customer struggling with? Do I want to solve that problem? And finally, is there a business case for solving that problem? In other words, can they make money solving that problem?

LGS' strength is creating technical solutions but often it is delivered by a third-party. An acquisition will increase the company's capability of delivering the solution itself as a service. Kelly described it as a sort of long-term annuity.

A benefit to LGS is that it develops a deeper relationship with the customer, which brings them more insights in to the customer's challenges. Those insights in turn inform how LGS products and technologies can be improved and developed, he said.

"We have 440 global patents. We produce patents every four or five days but they aren't worth anything unless you can build something that solves a real world problem," Kelly said.

A love of technology is also part of the LGS culture that Kelly is trying to foster at the company.

As part of their annual review, employees are asked how they are giving back in areas of STEM [science, technology, engineering and math] education. The involvement can cover a wide range of activities from helping at a local science fair to teaching a local college.

"We want to feed the fire," Kelly said. "A lot of our employees are already doing it so putting it on their reviews gives them credit and they are proud of it."

The company gains intangible benefits such as increased name recognition but the "whole community benefits, not just LGS," he said.

In a way, they are looking for their own replacements so they need to young students to be passionate about science and engineering.

"We aren't going to work forever," Kelly said.