

ONE OF A KIND: JOHNS LYNG GROUP (ASX:JLG)

Damon Kitney, Contributing Columnist

Scott Didier left school at the age of 16 to take on a flooring apprenticeship with his father after growing up in a working class home in Greensborough in Melbourne suburbia.

There was never any spare money in the household, so he had to earn his own. He sold bits of scrap vinyl flooring and glass bottles for cash.

But his parents knew how to socialise.

“They were big drinkers and very social people, so there were always people in our home,” he recalls.

The experience of regularly conversing with strangers in his own backyard gave him a sixth sense, which has served him well in business and life. He calls it “street smarts.”

“In those situations at home you had to work out who was friend and who was foe and sort of study that, because you just had to be guarded. So I think that served me well,” he says.

“It is extremely important that you can be perceptive, read a room and read people. To be able to smell out truths and untruths. Now I’ve got a knack of being reasonably good at it and I think that is probably because of my upbringing.”

Having street smarts helped Didier purchase a business in 2003 called Johns Lyng Group, which specialises in the rebuilding and restoration of properties damaged in weather events for the insurance industry.

Founded more than six decades ago by Melbourne’s Lyng family, today Johns Lyng also builds commercial property, offers strata management services and most recently, essential home services.

The floating of the company on the Australian Securities Exchange in October 2017 crystallised for Didier - now global chief executive of the group

and still a big shareholder - wealth he had only ever dreamed of.

The years since have delivered him and the group’s investors an additional paper fortune as Johns Lyng shares have surged nearly 400 per cent in value.

But along the journey the entrepreneur, who also owns a slate of property and other companies across a range of industries and has the exclusive licence to the Nike retail brand in Australia and New Zealand, has not forgotten the lessons of his past.

And he’s made mistakes.

Didier, Johns Lyng’s Global CEO, and its Australian CEO Nick Carnell take four days, twice a year to do talent reviews of every single staff member from top to bottom in the company.

“We want to make sure that we are doing the right thing by them to make sure they are advancing their careers, to make sure we have got the right people that want careers in the firm and those who want to go into partnerships with us,” he says.

Didier has a saying, now part of Johns Lyng folklore, that you need to “keep your rock stars moving”.

“You have to keep advancing them because rockstars don’t stay on the same rung of the ladder.

If you don’t review them in a formal way, they get lost. For driven people, if you don’t advance them in their career, someone else will come along with a better proposition for them.”

In 1992, the lowest point of his life, being too optimistic and believing he could sell anything without taking account of the financial consequences left him as a single dad of four kids without a home or a car.

“It was a long time ago now, but it really hurt. When you sort of lose everything, you think ‘How did I let this happen?’,” he says.

“I now don’t like pretentiousness because I think it is fake. I look for integrity and genuineness in the people that we partner with and the people we employ. We want people that are really hungry for success. We want our culture and our business to be really driven and really hard at it. Full of energetic, honest, hard-working people.”

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Didier also relishes seeing his partners grow and achieve financial security.

Having a defined structure for the business is key. There are policies and systems in place that must be followed.

Johns Lyng also provides its business partners with what it calls a GO (Group Operations) Meeting Pack, a template system of up to 25 measures for them to benchmark their performance.”

STORY OF THE MONTH (CONT.)

They are then scored on that template and financially rewarded accordingly.

"If their margins are good, they'll get a good score. That goes right down to client entertainment and whether they have taken the right clients and their partners to the right occasions or events," he says.

That benchmarking has paid dividends for investors.

Over the past three years Johns Lyng's earnings per share has grown by more than 30 per cent each year, compound.

Didier is now excited about the group's fifth strategic growth pillar, Essential Home Services, following the acquisitions of the Smoke Alarms Australia and Linkfire businesses.

The goal going forward is to offer fully vertically-integrated, turn-key solutions for homeowners, property managers, and strata managers.

In upgrading full year sales and earnings forecasts at the February half year results, Didier also noted an "ongoing and escalating trend" of higher value work in the catastrophe business as a result of prolonged adverse weather events in Australia and America.

In December 2021 Johns Lyng acquired Reconstruction Experts, an insurance-focused US builder, for \$US144m.

While Didier split his time between Melbourne and Denver after the takeover, initially spending four months of the year abroad, he is now down to spending only eight weeks every twelve months in North America.

"The first year was really getting a full understanding of the business. I just wanted to immerse myself there. So now I've got all the confidence in the world in the people there, people I trust, hard working people that have equity in the business. Plus the processes we do in Australia, they are totally implemented in the US," he says.

Johns Lyng is chaired by former KPMG Australia chairman and Westpac and ASX director Peter Nash. Didier says Nash has taught him plenty about the public company landscape.

"Prior to listing I didn't know a lot about publicly listed companies. Pete is a level headed, smart and very humble person

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He's been quite patient with me sometimes because I don't really like corporatisation. He's taught me that we have a lot of investors, and there is a certain way we must do things, which I fully respect," the former says.

"But he's done it in a really nice way. He is a great guy and has a great bedside manner."

Another important sounding board for Didier in moments of frustration with public company markets has been Johns Lyng non executive director Robert Kelly, co-founder of insurance broker Steadfast.

Yet while many wondered whether Didier's entrepreneurial streak would be suited to the listed company world, he says he has largely enjoyed the experience.

"So many people said I wouldn't like it. It was certainly a shift, but I felt I was ready for it. I have changed to a public company mentality and respected that in business a lot more," he says.

"I think I've surprised myself by how much I actually enjoy it."

Three years ago Didier read the famous book Sam Walton wrote to recount his fascinating story of how Walmart made it from a small-town American discount store to the present-day giant global retailer.

"Someone spoke with him way back in 1968 and they said 'Sam always looks for people of integrity and people he can go forward with'. I thought, 'Well, half a century later, that's exactly what we do too'," he says proudly.

"The success of our business is people. Finding and identifying good people that want to make something of themselves."

ABOUT JOHNS LYNG GROUP

Johns Lyng Group is Australia's leading integrated building services provider, delivering building, restoration, strata and energy services nationally and internationally. The Group's core business is built on its ability to rebuild and restore a variety of properties and contents after damage by insurable events including: impact, weather and fire events. With a diversified client base comprising of major insurance companies, insurance brokers, loss adjusters, commercial enterprises, local and State Governments, body corporates/owners' corporations and retail customers, the Group have been entrusted to represent some of the world's largest corporations with their brand experience.

Market Cap \$1.56b

Price \$5.62

Dividend yield 1.8%

* As at 30 April 2024