Lesco profits bounce back

Company eyes future growth, brings in new VP, CFO

By ANDREW OVERBECK

ROCKY RIVER, Ohio — Following a rocky 1998 that saw its earnings and market share growth eaten up by rising costs, Lesco, Inc. has turned the corner with second-quarter sales up 12.1 percent and net income up 23.3 percent over comparable numbers last year.

At the root of last year’s profit difficulties were ambitious expansion plans. “We did have a difficult earnings year in 1998,” said William Foley, Lesco chairman, president and chief executive officer. “But we also opened 20 new stores, built a new fertilizer plant, started up a joint venture and had two acquisitions. It was a lot to put our arms around, but it was all strategic to position the business for the future.”

The largest cost factor in 1998 stemmed from the newly formed Commercial Turf Products, Ltd., (CTP) a 50/50 joint venture between Lesco and longtime consumer lawn care equipment manufacturer, MTD Products Inc.

“While these costs were necessary in order to maintain the performance of Lesco’s equipment business,” said Foley, “We felt that in the longer term we didn’t have the technological expertise to sustain the equipment business at the proper level,” said Foley. “So we worked out this relationship with MTD.”

The new plant in Streetsboro produces commercial mowing equipment, renovation equipment, spreaders and sprayers and is now running at expected levels.

Increased sales from the joint venture are the key reason behind Lesco’s improved bottom line. “We are getting triple the revenue out of the CTP plant this year, which is a big step up,” said Foley.

However the CTP start up was not the only source of profit pressure felt by Lesco. The construction of a new fertilizer plant in Florida was delayed for 120 days due to El Nino rains and led to horrible cost over-runs,” said Foley. “And we have had to continue to factor in significant price pressures and lower margins on ryegrass for the overseeding market.”

However, these short-term growth pains are already leading to increased profits.

Eco Soil secures credit line, announces earnings

RANCHO BERNARDO, Calif. — Eco Soil Systems, Inc. announced that it has obtained a $25 million revolving line of credit for its wholly owned subsidiary Turf Partners Inc.

“This will better serve Turf Partners’ financing requirements given its significant growth and success in servicing the golf industry,” said Mark D. Buckner, chief financial officer for Eco Soil.

The credit line gives Turf Partners working capital financing and allows the purchase of inventory needed to meet the high demand in the summer season.

“The line will support our working capital requirements at Turf Partners for the foreseeable future and may improve operating margins by achieving vendor discounts for volume purchases and early payments,” said Buckner.

In other news, the company announced revenues for the three months ended June 30, 1999 of $40.7 million compared to $42.7 million during the same period in 1998. Net income for the quarter was $1.1 million.

Eco Soil’s turf business reportedly accounted for $34.2 million of its second quarter earnings.