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.

"We had a number of problems," said Foley. "We missed our sales objective and that cost us $2 million, and we had serious cost start-up issues that cost us another $2 million."

According to Foley, these costs were necessary in order to maintain the performance of Lesco's equipment business. "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 growing pains are already leading to increased profits between Lesco and longtime consumer lawn care equipment manufacturer, MTD Products Inc.

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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 $49.7 million compared to $26.9 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.

Yazoo/Kees picks up CheTech

BY ANDREW OVERBECK

JACKSON, Miss. — Aiming to become a player in the utility vehicle market, Yazoo/Kees Power Equipment, based here, acquired the CheTech Company, PUG, Inc. and Applied Design Technology of Chetek, Wis.

Yazoo/Kees, a manufacturer of walk-behind and riding mowers, will add the CheTech line of utility vehicles to its existing Haul Master line that it purchased from Mendota, Ill.-based HCC, Inc. in February.

"The utility vehicle market is growing and we intend to be a very serious player," said Bill Chestnut, director of the utility product division at Yazoo/Kees. "CheTech offers a wide variety of vehicles and Yazoo/Kees brings the marketing and manufacturing capability to grow this business substantially, and that's exactly what we intend to do."

While CheTech has been in the utility vehicle business since the 1960s, the company never fully reached its growth potential according to Chestnut. "It was a family-owned company," said Chestnut. "They took the business to a certain level, but to make that leap into the bigger market it takes a lot of funding and financial backing."

Yazoo/Kees will maintain continued on page 46

ACQUISITIONS from Mendota, Ill.-based HCC, Inc.

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Yazoo/Kees is now working to integrate the two companies and implement a marketing plan. "We are strategizing and going through our branding and marketing procedures to put packages together for our dealers that focus on the markets that we are going after," said Chestnut. Yazoo/Kees is also in the process of selecting additional dealers. Strategizing will be key if Yazoo/Kees is to be successful in the utility vehicle arena that is dominated by significantly larger companies like Toro, Club Car and Textron. Chestnut, however, remains undaunted pointing to the advantages that Yazoo/Kees holds.

"We already have an established product line," said Chestnut. "Our vehicles offer durability, ease of service and versatility." Yazoo/Kees will also offer impressive product depth. "We will have somewhere between 12 and 17 different models available," said Chestnut. "We will be able to put together some products and packages that people have never seen before."

To Chestnut, being successful in the utility vehicle business will come down to offering choices. "The reason why a company like Textron has all these different models is because customers like to make choices," said Chestnut. "But it is hard to meet the needs of everyone in the marketplace. We will be coming in there with our models that will show customers that we understand their needs."

In order to meet those needs, new products are already in the works, according to Chestnut. However, he also acknowledges that responding to market demand is going to be a challenge. "The utility vehicle market changes rapidly," said Chestnut. "We will have to be able to increasing needs while still maintaining a speed to market."

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