HYSTER COMPANY

Americas Division

Subject: 2006 S.W.O.T.S. Analysis

Account: Estes Express Lines

Background:

Estes Express is the largest privately owned LTL (less than load) carrier in North America. It operates terminals across the US. Last year, Estes ordered 360 trucks to be phased in over 2 years to replace aging trucks. At the time, they paid cash for GI Trucking and the first priority was to upgrade many of the aged trucks.

The trucking sector has taken a hit in earnings as growth has slowed and they have experienced fuel costs that have escalated. Estes was not exempt from this and they recently requested that we halt a quarters worth of trucks (45 total) to relieve some cash. They pay cash, and do not lease, all of their trucks. Their plan currently is to roll out 10 trucks a month; thus, they are consuming all trucks on PO but stretching this thru 2008.

Strengths:

- Strong relationship at corporate level and all decisions are centralized.
- Hyster seen as world class organization. Errol Orebaugh worked for VBS in the past and as such, is a loyal supporter. He reports to Ray Williams who directly reports to Rob Estes, the grandson of founder.
- Fortis offering appears to be delivering what was promised; that is, a productive truck that reduces the cost of ownership.

Weakness:

- We have had some pressure from Toyota (who lost the last deal). Although Errol upfront, I know he continues to take their calls. He is very loyal but they will not disappear. With costs being tight, we can not overlook this fact.
- Estes has experienced some challenges in Barloworld territory. They have felt that they do not get treated fair and do not trust invoicing. I have had both Don Knopp as well as Patrick Horveth of Barloworld at Estes facility to discuss ways of remedy.
- Costs. The company has management review on all expenses, by line item. The fleet roll-out started in Modern Handling territory is still moving along but not as proficient as Estes would like. Our fleet team has been involved.

Opportunity:

- Short term, there is opportunity to stress our partnership and keep working when things are slow. Although no orders anticipated over next year, the fleet is substantial at 1300 trucks and in the very least, will need replacing at no less than 130 trucks a year.

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Threats:

- Japanese manufacturers dominate this space and will be waiting for us to fail and deliver.
- Trucking industry is under cost pressure with fuel and also shortage of drivers. They are paying more for each and this does hit the bottom line.
- New technologies are being reviewed and Estes will eventually be forced to play the electric or hydrogen fuel cell card. We have kept them informed and invited them on numerous occasions to visit Greenville for thorough review. They are always willing to talk about the desire to go but short on delivery. Their travel time is spent in the terminals working ongoing issues and leaves little time for what if type of discussions.
- Management change. This company is private and as such, no real layers of management to work through. Anytime you are in this situation, you are vulnerable if someone dies or new team comes in.

Strategy:

My current strategy is to stay in front of them, solve their ongoing problems, and keep technology discussions on the table.

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