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New Rush CEO Sets \$5 Billion Revenue Goal for Company

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by Tamarind Phinisee

In his new role as CEO of Rush Enterprises Inc., W.M. "Rusty" Rush says he doesn't plan to make a lot of significant changes inside the organization.

But the changes to come, he says, should propel New Braunfels-based Rush Enterprises Inc. toward a more profitable future.

"We're committed to ... the maturation of the organization. We've set some pretty good goals over the next few years," says Rush, who is also serving as the company's president.

Rush took over his father's role as company CEO back in February. His father, W. Marvin Rush, remains as company chairman.

Among Rusty Rush's primary focuses for Rush Enterprises going forward include increasing revenue and adding new or improved infrastructure, and focusing on the company's parts and service and body shop operations.

He says his commitment to the company's board of directors is to boost company sales to a minimum of \$5 billion over the next five years.

"We did about \$1.9 billion last year and project ... that we should top the \$2 billion mark in sales (this year)," Rusty Rush says.

The company posted earnings of \$44.6 million in 2005.

Rush Enterprises (NASDAQ: RUSHA, RUSHB) sells new and used heavy- and medium-duty trucks by manufacturers such as GMC, Toyota, Isuzu and Nissan and is the largest Peterbilt dealer in the country. It is also a full-service dealer for John Deere and provides leasing and rental services.

The company has more than 2,600 employees, with more than 160 of those at its headquarters in New Braunfels.

Of course, growing the business will require additional help at the top.

Right now, Rush says only he and his father are holding the reins.

Marvin Rush says the company looks to add several more people to the executive ranks over the next two or three years.

"We've got a chief operating officer place open. We'll have a president place open. And we'll probably have another senior vice president's place open," Marvin Rush says. "... You can't go from nearly \$2 billion to \$5 billion and not have some more top people."

Expected downturn

Reaching the growth goals, Rusty Rush says, won't come without addressing some challenges.

For example, he says the company predicts a decrease in truck sales for 2007 because of the new industry emission standards that are expected to go into effect in 2010.

The upcoming change, he says, really "accelerated buying this year which accelerated the market in '05 and '06 ... in preparation of easing into that new engine and learning more about it," Rusty Rush says.

By 2007, this buying will have slowed down considerably.

"So what you'll have is a downturn in purchasing during the middle of next year," he adds.

Rush Enterprises sold a total of 16,595 trucks in 2005. As of March 31, total truck sales stand at 4,248 and are expected to reach about 19,200 by the end of 2006.

However, for 2007, total truck sales are expected to dip. By how much, Marvin Rush says, isn't clear.

When asked if rising fuel prices have had a negative effect on the truck industry, Marvin Rush says truck companies simply pass on the increased costs to their customers via a fuel surcharge.

"They get paid for their extra fuel prices. That still doesn't help the economy. ... But as far as (rising fuel) prices costing truck lines a lot of money, they pass that right on to the customer," he says.

To soften the impact of the predicted downturn in truck sales in 2007, Rusty Rush says the company plans to bulk up revenue opportunities from its parts and service and body shop operations.

This part of the business, he says, is more stable and is where Rush Enterprises gets the largest part of its gross profit.

"I think when you talk about Rush Enterprises, you have to understand that we don't just sell trucks," he says. "Trucks don't sell service. Service sells trucks, and we've taken that approach over the last six years in changing the earnings strength of this organization."

Furthermore, he says, the company will look at acquisition opportunities to fuel future growth.

"When times get tough, like next year, people hunker down," Rusty Rush says. "We will be looking for opportunities ... for purchases and acquisitions for future growth," he says.

Infrastructure

Rusty Rush says that for 2006 to 2007, the company has a \$50 million to \$60 million capital budget set aside for investment in new facilities and about \$10 million for maintenance.

Rush Enterprises currently has some 20 projects underway for plans such as building, improving or expanding existing dealerships as well as sales and service outlets.

"This is just internal growth. This isn't acquisitions," says Marvin Rush.

Plans include opening new stores in Colorado, New Mexico, California and Florida.

The company presently has operations in nine states, including Texas.

Many of these projects have already been announced, such as the planned \$10 million, 85,000-square-foot sales and service outlet planned for San Antonio.

Marvin Rush told the Business Journal last year that the new facility would replace its present San Antonio location at 810 Interstate Highway 10 East, located on the city's Southeast Side.

Original plans called for the new facility to be located east of the old facility. But, those plans have been scrapped, Marvin Rush says, and the company is now looking for a new site for the facility.

There is no set time for completion of the project.