

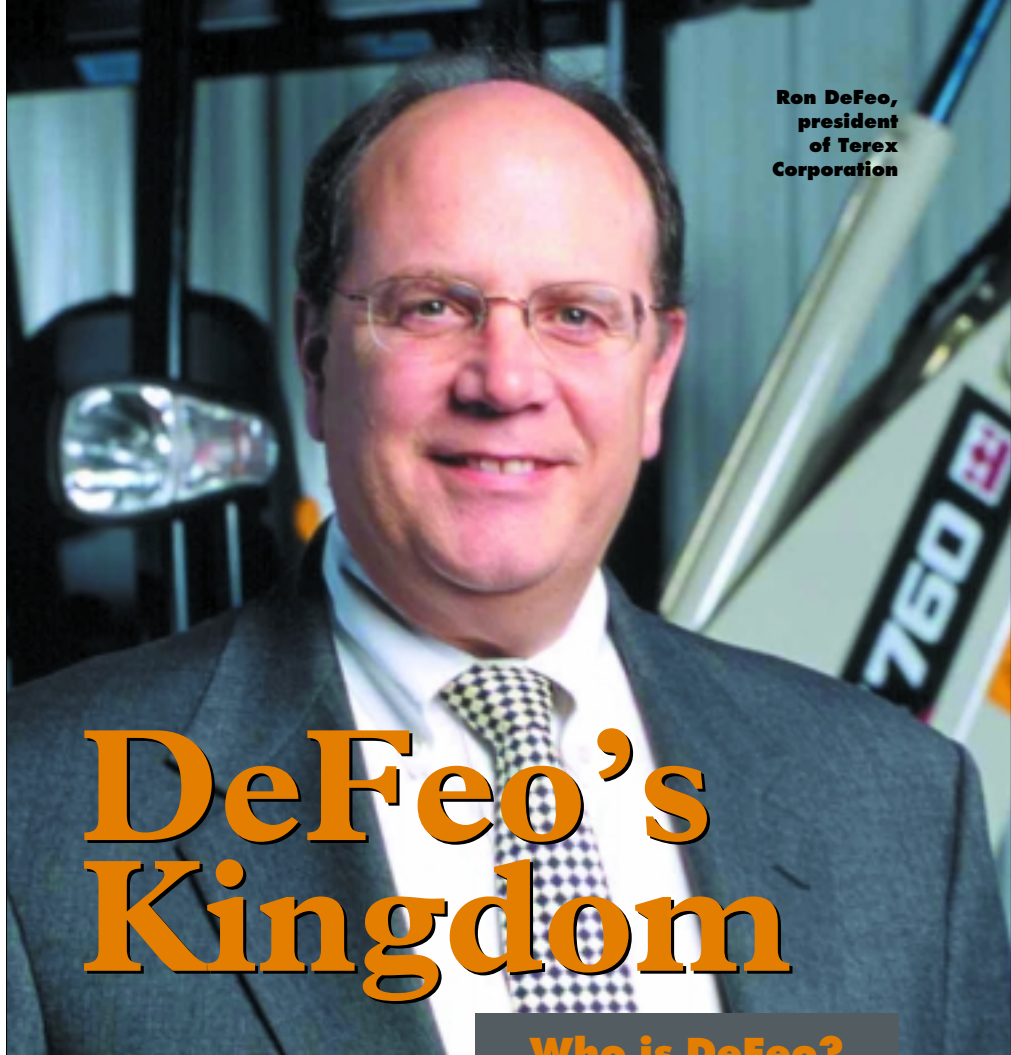
# INTERVIEW

Terex is back, and back with a bang. Buying Genie and Demag puts the Terex crown firmly in the upper reaches of the lifting industry.

**Tim Whiteman** talked to **Ron DeFeo**, president of Terex Corporation

**“W**hen I took over at Terex it was a broken company”. The unapologetic words of Ron DeFeo, chairman, president and CEO of Terex Corporation. That was in 1993 and for the next three years, DeFeo was firmly focussed on survival. Rationalisation was key to his strategy and Terex’s turnover quickly dropped from \$1 billion to just \$300 million in 1994. Speaking to a journalist some years later, DeFeo indicated just how tough it had been by admitting that “when you’re not sure you can make the payroll, you have sleepless nights”.

However, even at that stage DeFeo started the expansion that has brought Terex to the point where it can buy industry blue chips such as Genie and Demag. May 1995 saw the audacious purchase of PPM Cranes, a move that, not for the last time, left competitors either speechless or predicting Terex’s imminent implosion. But, seven years later, the company has not imploded and has instead become the



**Ron DeFeo,**  
president  
of Terex  
Corporation

# DeFeo’s Kingdom

## Who is DeFeo?

Ron DeFeo turned 50 this year and “doesn’t plan to retire any time soon”. He is on the board of US-based United Rentals, one of the largest AWP rental companies in the world, is co-chairman of the Conexpo exhibition, and has been known to attend the World Economic Forum in Davos, Switzerland. DeFeo joined Terex in May 1992 as president of the company’s heavy equipment group. A year later he added Terex Corporation’s largest former subsidiary, Clark Material Handling to his responsibilities and became president of Terex Corporation in 1993 and CEO in 1995. Before joining Terex he spent eight years with Tenneco Inc including a spell as managing director of Case Construction Equipment in Europe. He began his career as an advertising and marketing executive with Procter & Gamble. Asked by Industry Week magazine to name his favourite article of clothing, Mr DeFeo replied “A pair of worn slippers”.



**Bob Wilkerson**  
of Genie will  
now report  
directly to  
Ron DeFeo

third largest manufacturer of construction equipment in the world.

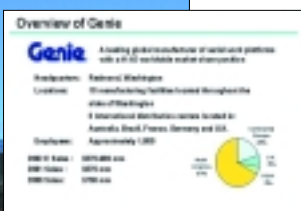
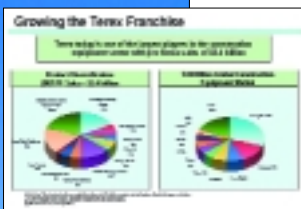
So where will Genie sit under the Terex crown? Not with the cranes, that much is clear. Instead a new division is to be created with Bob Wilkerson, current president of Genie, reporting

directly to DeFeo. This is in marked contrast to Terex’s previous foray into the powered access market when cranes and platforms were grouped under Fil Filipov in Terex Lifting. DeFeo says of that time: “We were growing and taking AWP market share but our principal competitors acted to defend themselves, sometimes in ways that bordered on the irrational – as a result we partially withdrew”.

Since then “saner minds have prevailed and much of the manufacturing capacity has exited the market” says DeFeo. He adds that while other companies were focussed entirely on growth at that time he was a “lone voice in the wilderness” who spoke to nearly everyone about forthcoming consolidation – “now many of those companies are gone and

the market is more straightforward”.

Looking to the future, DeFeo believes that the powered access industry is in a period of long term growth, but that it now has a “normal business cycle with periods of strength and weakness – I hope that the belief in a constantly



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**TEREX:**  
**3,650 people working in its crane businesses which include Demag, PPM, Atlas, Franna, Comedil, Peiner, Koehring, RO, American Cranes, Ferro, Bendini and Lorain; Twelve factories in the US, UK, Germany, France, Italy, and Australia. Predicted total turnover for crane sector \$750 million (€795 million); Predicted total turnover of Terex Group \$3000 million (€3,170 million); Total number of crane models 155. Terex Corporation is active in almost every sector of construction and mining equipment manufacture.**

expanding market has gone”.

He admits, however, that the next six months will be tough but immediately adds that “We didn’t buy Genie for the short term”.

## European dream

DeFeo’s views on the European market are complex. On the one hand he sees a lot of opportunities for Terex to improve Genie’s presence in Europe and says this is reflected in comments by Genie’s own management. On the other he is clear that “near term the European market is struggling”. Then again he believes that Genie products “will eventually be made in Europe”, but “doesn’t know when”. One thing is clear, the ex-Simon factory in Cork does not figure in these plans and is for DeFeo “real estate rather than a factory”.

So what about the theory that the European market for powered access equipment will continue climbing and climbing until it reaches or surpasses the North American figure of around 70,000 units a year?

“This is a lovely dream and certainly one that we would like to see come true” says DeFeo but adds “dreams can turn

into nightmares and you have to be prepared for those too”. Expanding on his theme he explains “Europe is not the US and will not develop as the US has developed. There will be similarities but also key differences, as each country has idiosyncrasies and you have to develop a plan for each country. I can talk to a Wall Street analyst about the ‘European market’, but a customer in Germany is not really interested in the overall development of the European market”.

Terex’s approach to all its markets is “to be local and responsive, but capable of delivering world class products and technology at a world class cost”. Looking at both Genie and Demag DeFeo anticipates annual cost saving of around \$20 million each. In the case of Genie this has been largely achieved by rationalisation already introduced – at Demag the savings are yet to come.

## Blue is the colour

Turning to some of the detail, DeFeo confirms that Terex will keep the Genie name, colours and basic marketing strategy – “Customers can expect continued terrific service, support and product”. The only difference he expects is that

## The mission

Terex is driven by its mission statement of “Manufacturing and marketing high quality capital equipment designed to improve our customers’ productivity and return on invested capital”.

It is also driven by the aim of a strong share price – the Schaeff family and Genie’s owners are just some of the people that have received Terex shares as part of a purchase agreement. The share price shot up in 1997/98 and peaked in 1999. It dropped somewhat in 2000 and has been gradually improving since then.

If you had invested \$10,000 in Terex stock on August 1 1995, the year that DeFeo became president, it would have been worth \$39,113 on August 1 this year. However, \$10,000 invested on the same day last year would have been worth just \$8413 this year.

they may find “the potential of a much broader rental product line being sold in combination with Genie”.

One Genie customer that could conceivably have a problem with the company’s new owner is the Cat Rental Store chain. However DeFeo says merely: “We plan to offer all customers, including Cat dealers, the best value AWP’s in the world and we feel that we can earn the right for those dealers to sell Genie product”.

He adds that Terex is not in the distribution business and will not be opening its own range of shops.

Looking to the future DeFeo sees plenty of opportunities to both grow Terex and increase shareholders’, and customers’, return on investment. There are “gaps in the product range and in the geographical presence” he says and notes that “a year ago we said we could double turnover by 2005 – we will have almost done that by 2003”. ■

Terex is a phenomenon. It has grown from a turnover of \$300 million in 1994 to a predicted turnover of \$3.5 billion next year. The start of this fast track growth was the purchase of PPM Cranes in May 1995. This rocked the lifting industry and Ron DeFeo’s Terex Corporation has been doing it ever since. Looking at Terex’s list of acquisitions reads like a “Who’s Who” of the lifting industry. In 1994 the company already owned Koehring, manufacturer of Lorain cranes. It swiftly added: PPM, Simon, American Cranes, Peiner, Comedil, Cella, Bendini, Franna, Ferro, Marklift, Atlas and now Demag and Genie. For a while it owned Holland Lift, before selling it to a group of investors. It also owns a host of construction equipment companies such as CMI, Schaeff, Fermec, O&K, Fuchs and Powerscreen. Despite its rapid growth, Terex is still run from unassuming headquarters on the third floor of an office block in Westport, Connecticut.

