

QUARTERLY REPORT



**John Herring, CEO and Owner,
A-1 Global Holdings, Inc.**

Beginning today, I will do a Quarterly CEO Report from my 30,000-foot perspective on our industry and how it affects you, our valued customer. Having been in business for over 46 years, I have a good sense of where our industry is headed. A-1's Mission is **"USING TECHNOLOGY TO CHANGE THE WAY AMERICA BUILDS HOMES."**TM

To begin, let's talk about what we do, our goals, and where we are, followed by our most significant challenges from a manufacturer's perspective. After that, I will talk about field conditions and challenges you, our customer, are unknowingly throwing at us. Lastly, I will mention topics to look forward to in the next Quarterly CEO Report.

Off-Site Construction is what we do. We provide off-site manufacturing of a product with no waste that is exact, engineered, and delivered for installation, just several steps up from windows, doors, etc. At A-1, we use every single board foot of our lumber with absolutely no waste. None! Even the sawdust goes to be recycled. Now with EZWALL®, we use every single bit of the material. On-site construction sees tons of waste in the dumpster, and you pay to haul it away. A-1 is changing that.

The number one challenge we face within the Manufacturing industry continues to be labor. A-1's manufacturing process requires a very high skill set. We explain to new hires that they are operating million-dollar machines with computers. Training is extensive, and safety is paramount. Today's technology and machinery are necessary due to labor availability and cost.

Second to labor are parts and accessories to keep this machinery operating. The truss manufacturing world has transformed into a multi-million-dollar investment to keep up with technology to keep your costs down. If one gearbox fails, it could halt the production of 20 houses daily. Productivity and efficiency are 100% of what A-1 is all about. In that light, we must maintain an inventory of parts unheralded in the industry. How the little guys do this baffles me. You count on us to deliver, and that is what we do best. Our Maintenance Department is the best in the industry. Our IT department maintains over 120 computers and multiple servers, and we must protect over 5 million of your files of engineering designs, and truss placement plans to be ready to print and use at a moment's notice.

The next industry challenge is unexpected delays in the field and a need for more planning. Scheduling is our absolute #1 heartburn, and this is across the industry. Moving delivery of trusses out a week or two, or even more, is today's biggest burn. I ask how we can touch the field 2 – 3 times a week, schedule deliveries, talk continuously, and then when we deliver timely, are asked to send our trucks back, or our driver must sit for two hours because the site is not ready? This costs us time, and time is money.

Please understand that this is a custom-manufactured product, and material, planning, production, and delivery flow are critical to cost. Once your job is in that two-week window, it needs and must flow on. Pick files are prepared, lumber is accounted for, plates are secured, and the required time is slotted per machine! The train is moving. For just-in-time manufacturing, hundreds of processes and parts need to be ready. So, when a block moves, we have a lost opportunity that cannot be made back up.

Now, let's look a little closer at this issue and dig a little deeper. My conclusion is we should offer and train your Job Supervisors to help you help us keep our costs down. It appears that today's Supervisors act more like referees, pointing



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fingers and assigning blame rather than supervising job sites. We want to fix that. It always has been amazing to the Truss Industry that 'Crap rolls uphill.' Slabs and walls can be off by 1 - 2", and it's the fault of the truss that the house quality is bad. Yet, trusses are factory-made and quality controlled, unlike the structures the trusses are built upon. We can measure a window, a door, or a cabinet, but we can't measure a truss! It just won't work. Too complex, and it is a system.

We want to help train your Supervisors regarding our processes in the Manufacturing industry, so they can understand how this product gets precision made and delivered to them in a timely manner. We want to listen to them for any situations or suggestions to help them. Knowledge is power. Help us help you by sending them to Fort Pierce or Bainbridge, or we will come to you for a seminar and do one in the morning or afternoon. We can and will send a bus to and from any of our facilities. We know that visiting the manufacturing facilities, meeting the folks they talk to daily, and having educated conversations are invaluable! This supports a 'hands-on' approach, and A-1 will develop an in-depth program and do Q&As to help us both do a better job. Call your Sales Representative or contact Kimberly Plaza and her staff in Project Management to ask how and when we can accomplish this for your team.

The next Quarterly CEO Report will focus on how our industry is changing and why. What does it mean to endorse off-site manufacturing? What factors are causing this change, and where does A-1's approach fit in for our 100-year plan?

Thank you for your business, and we appreciate being your partner in the building process.



John Herring
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A-1 Global Holdings, Inc.

