

QUARTERLY REPORT



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

On September 18th, we celebrated A-1's 46th anniversary. Looking back to that significant day when we opened our doors, it's incredible to see how far we've come. In this message, I will delve into where we are, what we are doing, and where we are all going as an Industry! Today, I will start with what is causing the change in the industry.

The main factors that affect us all are labor, waste, and cycle time. These issues are challenging us to change the way we build homes. The Truss Industry has a growing list of over 200 "no longer around" companies that are old with no modern machinery, landlocked, or are having second and third-generation issues. They just can't grow, so they are dying. That is a fact. Today, you better 'go big or go home'. If you don't grow, you die! You better modernize, or labor will eat you up.

We must change how we build homes today. We must use technology and resources to address the fundamental causes of rising housing costs. Again, using technology to address three

fundamentals - **labor**, **waste**, and **cycle time**, is critical for the future. A-1 is addressing all three of these issues head-on.

First, let's address **labor**. We've recently completed a state-of-the-art 48,000-square-foot manufacturing facility specifically designed for efficiency and off-site manufacturing. With this new addition, we anticipate our production per man-hour will double, if not triple. In fact, when it comes to throughput, capacity, and cost per product, we believe no other manufacturer can match A-1's capabilities. Furthermore, we've just contracted for the development of two robotic pieces of equipment to bolt onto the four machines we commissioned last year for this new area of the Plant. This process will change the industry. We expect a minimum of 20% more efficiency and throughput for our roof lines. Another labor-saving product is A-1's EZWALL® Innovative Framing Solution™. We have a growing backlog that we expect will explode over the next year. This product combines precise cutting, packaging, and shipping of interior and exterior wood walls with no waste.

Next, **waste** on the job site. It is a sin that Builders pay for excess products that have overhead, profit baked in, and it goes in the dumpster. Suppliers even call it "the waste factor." And the homeowner must pay for it. The Homebuilding industry has created a billion-dollar industry for dumpsters on the job site, plus the cost of that tonnage going into a Landfill, the cost of the landfill, and the impact on the environment. This is crazy! A-1 delivers trusses with no waste, we deliver EZWALL® with no waste, and we see a whole plethora of products in our future that we can manufacture off-site and deliver with no waste.

When these products are manufactured off-site in the Plant, we use every bit of fiber in the wood. What doesn't go into a truss or a wall, we grind and sell, or it goes into landscaping mulch.



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Lastly, let's talk about **cycle time** and technology. Our Viper software tracks and measures every labor step, every piece of wood, and allows us to manage not only labor, but also material. When there is a crooked board in the Plant, we can use it for short pieces. In the field, that piece either goes in the wall, creating issues down the road or in the dumpster. Trusses and EZWALL® can cut cycle time by days and weeks. Once labor is trained, we will have documentation that Builders can dry in 20% more homes faster than they are today, with less labor and less waste. We believe that 15% of the materials and cost to build a home can be saved, and cycle time will be faster.

A-1 Global Holdings, the parent company of A-1 Industries of Florida and Georgia, is staying 'ahead of the curve.' We are addressing all these issues that require change. We are Using Technology to Change the Way America Builds Homes™. We are partnering with the top Builders who continue to grow and fulfill the American Dream of owning a home. We are reducing our costs because we know our costs. We want to work with all our customers to help them grow and prosper.

Please give us a call to chat more about the state of the industry, and how we can help you increase your profits, increase quality, and shrink your cycle times. I would be honored to invite you to meet with us or come to you to hear more about what's in the future.

In the 4th Quarter's CEO Report, I will address the dynamics of Building Information Modeling ("BIM") software, its effect on Builders, off-site manufacturing, the vision of the future supply chain, and its impact on you. Stay tuned.

Thank you for your increased business, and we look forward to hearing from you soon.



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