

QUARTERLY REPORT



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

Happy New Year to all. As we begin 2026, our goal is simple: to keep you informed on market trends, pricing conditions, and the continued shift toward off-site manufacturing, and to clearly explain the role A-1 is playing for you, our valued customer.

First, let's start with the Facts. Expect prices to rise across lumber, labor, and overall "out-the-door" construction costs. There are several reasons for this.

Lumber prices have been artificially low to the point where many mills are not breaking even. As a result, mills have curtailed production, allowing demand to catch up with capacity and prices to inch upward. Since December alone, random length lumber is up approximately \$125 per MBF, an increase of more than 25%. This trend is expected to continue. The good news is that capacity still exists, and mills can ramp production up if needed, helping keep pricing within reason, provided the market remains balanced.

Labor availability will tighten. Immigration enforcement and the increasing adoption of E-Verify are already impacting companies that rely on undocumented labor. At the same time, many manufacturers, both in plants and offices, have reduced staffing over the past year. Ramping back up will take time and will not be painless. Overall pricing will increase. Simply put, this industry cannot continue operating at sustained losses. If pricing does not rise to support profitability, we will see plant closures. When that happens, pricing will increase faster and potentially create shortages.

So, what is A-1 doing to combat this inevitable outlook for the future?

We have secured lumber contracts and are actively working to hedge price increases for as long as market conditions allow. How long that lasts depends on the market, but we are being proactive. A-1 is 100% E-Verified. All labor is documented and legal. We have training programs in place for new hires and have invested in machinery that allow a more diverse workforce, including more women, on our manufacturing floors. Our facilities are well-maintained, with continued investments in robotics, efficiency, and quality. Labor competition will remain a challenge, but preparation and efficiency are our advantage.

Efficiency Through Scale

One of the most effective ways for A-1 to keep costs down is through volume with our existing builders. Our factories are among the most efficient in the country, and a consistent workload allows us to drive even greater efficiencies.

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Off-site construction is no longer theoretical; it's happening now. Our EZWALL® system continues to gain traction, delivering less waste, reduced field labor, and significant time savings. We've seen multi-family projects go from 8 weeks to just over 3 weeks, with far fewer labor hours. That's a win for builders, trades, and schedules alike.

The Bigger Picture

Industry-wide, approximately 85% of manufacturing facilities are older, smaller, and capacity-constrained. These operations will fill up quickly, and when they do, prices will rise sharply. As facilities age and transition into second- and third-generation ownership, retooling and modernization become increasingly difficult and expensive.

This is where long-term planning matters. At A-1, we are investing today to stay ahead of that curve.

Our goal this year is to get back on track, maintaining pricing that supports sustainable profitability, controlling costs wherever possible, and planning ahead for your future building needs.

We truly appreciate your business. I also appreciate the calls and conversations with customers who want to better understand manufacturing, pricing, and the future of off-site construction. If you have questions or just want to talk through what's coming, please call me directly.



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