

QUARTERLY REPORT



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

Well, here we are going into Q2 2026. Time flies when you are having a good time. But are these really the good times? I don't think so. **This is survival mode in an industry that doesn't know how to get out of its own way**, the homebuilding industry, and then the truss industry right behind it.

Let's look back at January's report. "Expect lumber prices to rise." Fact. **We are already up over 35%, and it could go to 50%.** "Labor and out-the-door costs." Again, up. Fact. There are regions in the country where construction is at a standstill due to labor shortages. The immigration issue is not going away, folks. It needs to be addressed if we want to fix this long term.

So here is the frustrating part. I understand builders are feeling the pain on the sales side. I get it. The response has been to cut subcontractor costs and go with the lowest bidder. No one

wants to spend the time and effort to bring trades together and ask how we can do it better, faster, with less waste and less labor.

Off-site manufacturing is coming. It has to. Value engineering up front, working with the trades and finding best practices across the board, is the answer. When our Whole House Engineering (WHE) team is the Engineer of Record, it saves time, reduces duplication, eliminates errors, and saves money across the entire process. HVAC, trusses, and materials can all be managed upfront, along with detailed material takeoffs, right down to the number of nails. When WHE is involved, it works. But there is still very little interest in this direction. Too many builders are doing the same old thing. Beat up the subs.

I hear every day that the cost of housing is out of control. And I 100% agree. But no one is truly working toward the common goal of efficiency in the building process, reducing waste, shortening cycle times, and using less labor.

So here is the cycle we are in. Builders cut subcontractor costs and go with the lowest price. Subcontractors go out of business or reduce their workforce. Builders start selling again, and the pain shifts from selling to producing. Demand hits the trades, prices go up, lead times stretch out, and builders raise prices. And the cycle continues.

The A-1 model is not that. Our model is to operate large-scale, efficient, and capable manufacturing facilities using automation, robotics, AI, and technology to produce high-quality products at competitive costs. **We only charge for actual lumber increases through the A-1 Index.** Beyond that, we make our money on volume and efficiency. **We know our cost. Period.**

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Let me give you a couple of examples of what I call insanity in our business. We say we need volume, yet some of our very good customers say they cannot give us more. The reason is they feel they need to spread the work around and take the lowest price to ensure supply. Let's do the math. During peak times, we supplied five to ten times the units we are supplying today, and we never missed a beat. The more units we produce, the lower our cost becomes. We have the engineering, the machinery, the processes, and the systems in place. We are already doing everything, just at half the volume.

Second example, and this is a true story. We had WHE complete a BIM engineering analysis on a builder's most popular model. We showed over \$2,500 in material savings alone, not including labor, time in the field, or improved quality. Total savings were estimated at \$5,000 or more per home. That builder produces this model 300 to 500 times per year. **That is roughly \$1 million in potential savings annually.** Our proposal was simple. Pay a one-time \$5,000 architectural and engineering fee. The result? No interest. They did not want the hassle of change.

Customer, we appreciate your business. But we need to operate more like a team than rivals trying to survive. Off-site manufacturing is coming in a big way. Let's embrace it. Let's work together instead of against each other. More collaboration will lead to better solutions.

A-1 has the team, the facilities, and the ability to help keep your costs down. Call us to set up a lunch and learn to discuss what is possible. Our team thanks you for your business. We just need more to help you do more.



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