



## **2021 Orgill Summer Executive Address**

Orgill's President and CEO, Boyden Moore

August 18, 2021

Good morning and thanks for joining us today. I would like to give you a quick update on Orgill, share our thoughts on what to expect for the rest of this year, and tell you what we are working on to continually improve the execution of our mission “to help our customers be successful.”

We continue to work with you through the most challenging conditions that I think any of us have seen. I’m sure that you are as weary as we are of the continued challenge of the pandemic and keeping our teams and customers safe. As essential businesses, we worked together with you through what we thought would be the worst of the pandemic last year, only to see a discouraging new surge in cases over the past several weeks. This recent surge both in the US and globally has slowed supply chain recovery efforts in some cases as manufacturers, shippers, and ports manage through absenteeism due to increases in COVID cases.

The challenge with workers isn’t just due to the increase in COVID, however. The unemployment rate at 5.4% in July is at the lowest rate since March of last year when the pandemic began. Retaining your best employees and recruiting new employees to your team has perhaps never been more difficult and important.

Additionally, we’re seeing inflation impact prices at the highest rate of change we’ve seen in a very long time. We typically have about 18,000 to 19,000 items with price changes in a year’s time. We’ve seen almost 4 times that amount so far this year and most of those changes have been increases. While we are careful to ensure any increases we accept are the same as we are seeing in the market and keep you competitive, it’s a lot more work this year to stay up to date on your pricing and gross margin management.

I’ve had the opportunity to talk with many of you about these challenges

- Safely operating and caring for your team through the pandemic
- Getting the products you need to take care of your customers
- Finding and keeping good employees
- Managing pricing in an environment of accelerated change.

I want you to know that we understand these challenges that you face and we're working as hard as we can to help you - as you work through it. Our number one priority is to restore the dependability of our supply chain as quickly as we can. We invested years earning your trust through dependability and a very consistently high service level. During the past 18 months, we've not met our standards and we are working hard to reestablish them.

On this chart you can see our service level for the past few years as well as year to date by month for this year. The bars shaded red are actual and the grey bars are our projections based on conversations and expectations from our vendors. Of course, some distribution centers have done better than others, some product categories are in better shape than others, and your experience with us could be better or worse than this overall view based on what you are buying from us.

As you can see, we believe we will begin to see better recovery in the coming months. However, we also believe that it will take longer into 2022 before we begin to return to our historical standards. One thing that I am pleased to tell you about our service level, however, is how well our Spring online buying event purchases were fulfilled.

For items ordered at the most recent Spring Buying Event, overall we delivered: 96.9% of Warehouse Items and Warehouse Pallets Ordered and 94.0% of Door Busters Ordered so far. As in the past for this Fall event, we've asked our vendors to focus on promotions and special buys in which they have a high degree of confidence that we'll be able to deliver. So taking advantage of the buys during the online buying event is one step you can take to improve your experience with service level from us.

One of the biggest reasons that service level hasn't recovered more quickly is that demand for home improvement products has remained so high. In February's update, I told you that we believed demand would remain high and while many projections in the industry for 2021 sales were flat or close to it, we had budgeted for a 7% increase in sales and had plans to continue to invest and prepare for continued growth. In the first half of 2021 our sales were up 21%. The industry was up 18.3% in the first half of the year according to the Census Bureau's monthly retail sales report for our industry. We continue to grow faster than the industry, driven by the continued strong growth your businesses are experiencing. Many of you have told me how you are holding on to last year's gains that the pandemic drove, and in some cases even growing sales on top of an incredible year last year. Even though we were optimistic when we budgeted sales growth of 7% for this year, we are actually projecting almost double that for 2021 now. While we're pleased with the growth in sales that we're seeing, we also understand that the real measure of our success is our fill rate and how well we are executing our mission "to help our customers be successful."

We've made some great progress so far this year in building for this continued growth.

We opened our new, 780,000 square foot, 8th distribution center in Rome, NY on June 11 and have been transitioning our North East routes to that distribution center. Those changes trickle down to improve capacity in several distribution centers in the east.

We're also well underway with a 430,000 square foot addition to our Hurricane, Utah distribution center. The last picture shows the addition as of August 8th. We've completed the slab and work is beginning to put the walls up. We expect to have that expansion complete and in use in the first quarter of next year! These investments in our continued growth ensure we have the facilities in place to support doubling our volume to you.

In addition to facilities, we are investing in technology to support your growth as well as improve our services to you while making doing business with Orgill easier and easier. After joining us a little over a year ago, Marc Hamer - our Chief Information and Technology Officer has added over 40 new employees to our technology team. This team has identified and prioritized over 180 projects to improve access to information, our sales team's efficiency and ability to serve you better, make our distribution centers more efficient, improve our replenishment systems and inventory management, improve our website and online buying event experience, and more. For this online event, you'll see improvements in mobile accessibility, improved Edge reports with better analysis and recommendations for you, improvements to scheduling meetings, and more.

We are excited about what we've learned from the past years' necessary, but very successful online buying events. Going forward, we're moving to four online buying events each year, which will effectively double your access to promotional and special buys while making seasonal planning even more timely. We'll incorporate all of the lessons we've learned and the tools we've developed for these online buying events into our next dealer market for a new experience for our customers and vendors. We believe that further streamlining the buying with these new online tools will change the way you work the show with far less time on the mechanical aspects of creating purchase orders, and more time to invest in discovering new products, sets, and talking with vendors about opportunities in their booths and networking with your peers. Our next dealer market is scheduled for February 24-26 in Orlando, Florida where we hope you'll join us for our biggest show ever, and a celebration of our 175th year serving our customers. Go ahead and mark your calendars and cross your fingers that this pandemic evolves to be simply endemic by then.

Throughout the past 16 months we've focused on four things: Staying Safe, Building Capacity, Embracing Agility, and Strengthening Relationships.

We've pulled together as a team and we've worked hard shoulder-to-shoulder with you and our vendors facing these challenges together. It's been hard. It's been exhausting. We're very proud of the impact that you've had in our communities as essential

retailers. Your commitment to your communities has driven your growth and the growth of the independent channel as a whole. We are proud to support you. You can count on us to work hard on your behalf to help you be successful. On behalf of our over 400 strong sales support team and our 5,800 employees, thanks for your business, partnership and friendship. We hope to see you in Orlando next year and thank you in person. Thanks!