

# Orgill's Evolution

August 26, 2020

Good morning and thanks for joining us today. I certainly miss the opportunity to be with you in person in Las Vegas as we'd originally planned, but I'm glad to be able to connect with so many of you at once in today's webinar.

We're very excited to be hosting our first-ever online buying event, which we named e-Volution.

Our team and vendors have worked hard and have done a great job over the past few months in preparation for this event. We have over 1,000 vendor "booths" and more than 9,500 registered customers for the event. We've seen more than a thousand meetings scheduled with vendors so far, and heavy engagement on the site. During the first two days this week, we tracked more than 6,000 of you on the e-Volution site, setting new sales records on Orgill.com in the first days of the event. I hope you are finding the site easy to navigate, efficient and productive.

The screenshot shows the Orgill e-Volution website interface. At the top, there's a navigation bar with 'Warehouse Specials', 'Orgill Vendors', 'Fall Spotlight', and 'Help'. A central banner features a video player for 'Intro Orgill e-Volution' with a 'LEARN MORE' button. Below the banner are three featured sections: 'WAREHOUSE SPECIALS', 'ORIGILL VENDORS', and 'FALL SPOTLIGHT'. The footer includes the Orgill, Inc. logo and website URL.

- 1,000+ Online Vendor Booths
- 9,500 Registered Customers
  - Over 7,500 stores
- 1,000+ Vendor Meetings Scheduled So Far
- Innovations:
  - Online Dropship Ordering
  - Meeting Scheduling with Zoom Integration
  - Smart Start Online Collaboration
  - A 2-Week Buy Window

We specifically did not want to call this a virtual dealer market as we feel that it is really a stretch to think that we might somehow pull off what happens at a dealer market in any kind of virtual way. We named it e-Volution specifically because we built new technical and e-commerce tools to facilitate this event and we are evolving to the realities of business during this pandemic.

We look forward to returning to an in-person dealer market as soon as possible, and we're excited about the innovations that we've built for this online event and how they will be incorporated into dealer markets in the future. We certainly miss seeing you in person.

I'd like to take a quick real-time poll to get some feedback from you as we consider the future specifically around dealer markets:

## POLL #1: Miss Most?

What do you miss most about not being able to attend a dealer market in person?

- Talking in-person with vendors. (34%)
- Seeing and touching new products. (29%)
- Networking with your peers. (26%)
- Consulting with the Orgill team in Retail Services. (5%)
- Inspiration from the concept stores. (4%)
- Learning from workshops and clinics. (2%)
- Relaxing in a fun location, away from your stores (0%)

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While this event is one way Orgill is evolving to meet new challenges, I wanted to update you on some other things we're focused on to further our mission - to help our customers be successful.

## Staying Safe

Over the past several months, we've done a lot of work to keep our employees and our customers safe. We've had 79 confirmed cases of COVID19 since the pandemic began among our roughly 5,500 employees. We're pleased that so far all of our employees have recovered. We haven't needed to shut down any of our distribution centers throughout the pandemic so far.

We've hired over 600 additional employees in our distribution centers to help with the demand from our customers. Our office in Memphis moved to a remote work environment for about 85% of those employees in mid March. Keeping our employees safe keeps our team strong and ready to meet the extraordinary challenges that our dealers' growth and related supply chain needs have given us.

Let me ask you another question . . .

### POLL #2: Crisis will End?

When do you think the Coronavirus crisis will subside?

- Q4 2020 (13%)
- Q1 2021 (23%)
- Q2 2021 (28%)
- After Q2 2021 (36%)

At Orgill, we're planning for sometime after the second quarter which means we believe demand will remain high for home improvement longer as more people invest in their homes where they are spending more time. I've heard a lot of concern among retailers who are struggling with the uncertainty of our environment - worried about how much to order. How long will this last? Is a recession around the corner?

We understand those worries and we're working to solve it for our customers by investing in our inventory so that you can use us as your virtual back room. We are accelerating into this. It will take us some time to be sure, but we're working to be there for you.

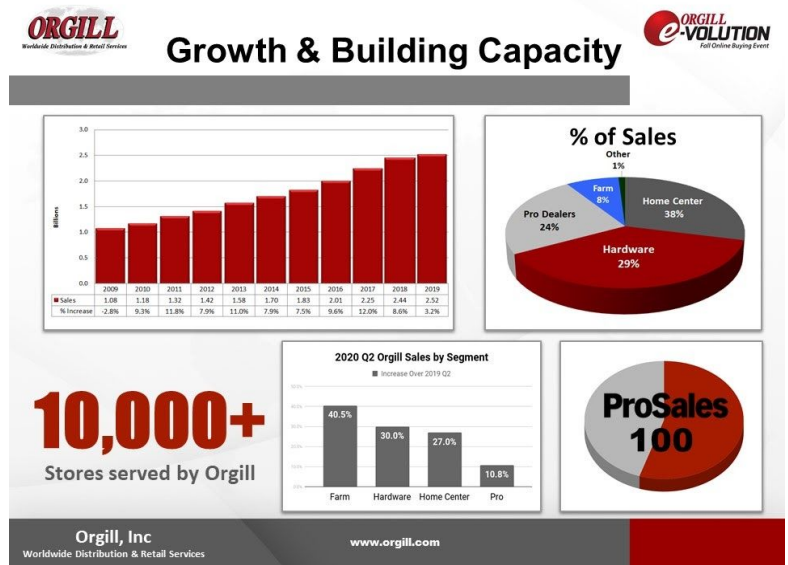


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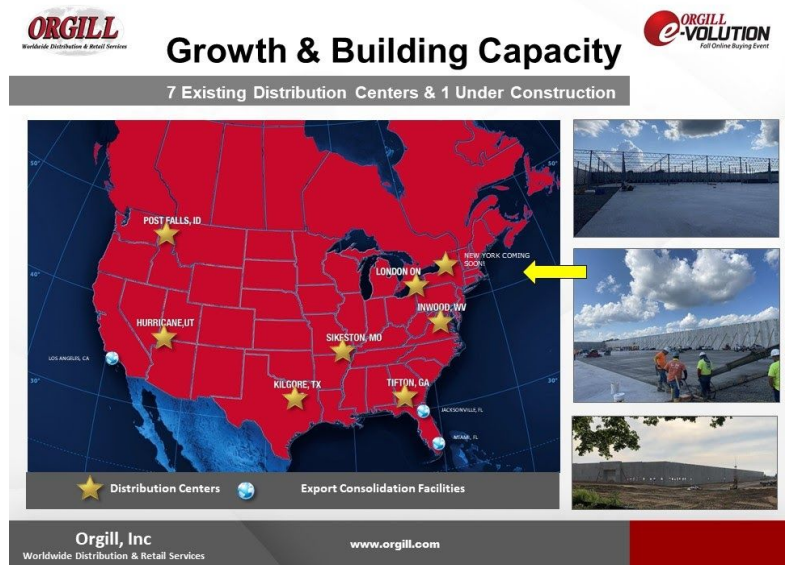
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## Growth & Building Capacity

Like the rest of the industry, Orgill experienced tremendous growth in demand from our customers since mid March. We serve over 10,000 stores in North America throughout all fifty states, and all provinces and territories in Canada as well as more than 50 additional countries. We have a fairly balanced mix of customers who operate hardware stores, home centers, pro dealers, and farm stores. We saw the biggest growth and demand spikes among our farm stores and hardware stores as you can see. We're proud to serve more than half of the Top 100 Pro Dealers. Growth was positive but softer among our pro dealers - although that has been accelerating since Q2.



We made some difficult decisions as we were faced with demand that was in some cases in excess of our capacity to fulfill it. We operate seven distribution centers as you can see on the map, with an additional one under construction in Rome, NY. We quickly needed to find a way to improve our reliability to our dealers in the face of the increased demand. We appreciated all of our customers working with us when we moved our order cutoff back one day. This gave us extra time to adjust our plans to fulfill the demand. We also suspended all conversion and new business activities while we addressed the surge in demand. We have over 200 store conversions to be completed that were put on hold.



We were especially hard hit in our Inwood, WV and Sikeston, MO DCs. We worked in those two DCs on a few additional measures. First, we suspended orders from customers who are not primary to us so that we could prioritize our primary customers who depend on us the most. Orgill serves over a thousand Ace, True Value, and DoltBest customers as a secondary supplier. As our competitors' supply chains came under pressure, those customers turned to Orgill. While we value all of our customers, we knew we needed to prioritize those customers with the strongest commitments to us. We then allocated a maximum line count among our primary customers to ensure we could do as much as possible for each of these customers while we ramped up capacity.

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I'm pleased to tell you that we've removed almost all restrictions on line counts and even orders from secondary customers as we've increased our capacity to meet current demand in the past few weeks. We also began some conversions and new store support within the past 30 days.

As I said earlier, we brought over 600 new employees on board since June in our distribution centers and are currently working to hire an additional 200 more. That reflects about a 30% increase in our distribution center teams. We added extra shifts in our Inwood and Sikeston DCs and are considering more in other DCs.

We significantly increased our communications with you about our supply chain and vendor insights as well as distribution center specific operational information.

We accelerated our timeline to open the new Rome, New York distribution center by nearly a full year and now expect it to start shipping about 10 months from now. The new DC will add 15% to our total square footage, but much more than that to our capacity. We also accelerated plans to increase our capacity and footprint in the West. More to come on that soon. While we're talking about growth, let's get some more feedback with your thoughts on 2021.

### **POLL #3: 2021 Sales?**

What is your current expectation for sales in 2021?

- Up more than 10% from 2020 (39%)
- Up less than 10% from 2020 (40%)
- Down less than 10% from 2020 (16%)
- Down more than 10% from 2020 (5%)

As I told you before, we are expecting more growth in 2021. We believe some of the trends driving the increase in our industry generally will continue with an increased share of consumers' wallets invested in their homes and home improvement. Existing home sales, which are 85% of all home sales were up 8.7% year over year in July. Housing starts are up 23% year over year in July. These are very positive trends for our customers.

We're also seeing increased DIY activity as consumers have more time at home and fewer options to do other things.

Many of our customers and brands at CNRG have experienced growth far in excess of what the big boxes have reported, which was also impressive. We believe our dealers have earned new customers who have either discovered or rediscovered their local hardware store, home center, or farm store. We're seeing return visits of new customers anecdotally and analytically by tracking them on loyalty programs and we believe you'll hold on to those new customers.

Additionally, we are excited about several new customers at Orgill that we'll be adding in the coming months as we continue to improve our service levels. Finally, we want to be prepared for your upside as I said before. For more than 20 years, Orgill has had a strong track record of industry leading growth. We are working to do the things to ensure that continues.

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## Embracing Agility and Innovation

This crisis and the things we've had to do to quickly respond to fast changing conditions has energized our team. We are doubling down on embracing agility and finding new ways to move faster. The speed with which our team effectively and efficiently moved to a remote environment has inspired us. Our sales team is learning new tools and finding more ways to bring additional value to our customers in execution of our mission to help our customers be successful.

Our CNRG stores are providing real time comprehensive feedback on tests, programs, trends, and insights that make our entire retail services better and faster.

This health and economic crisis has sped up trends that were already in motion like eCommerce adoption. Online sales were 16% of total retail in the 2nd quarter, up 44% from 2019. It is also quickly driving new trends with stronger DIY demand, a nesting trend of investment in the home (where many people are working remotely), a realization that in a remote environment you can live anywhere without being tied to an office. As you see these changes, do you think some may be permanent?

### POLL #4: Pace of Uncertainty?

As we move forward from the pandemic, do you think uncertainty and change will:

- Speed up (29%)
- Continue about the same (49%)
- Slow down (22%)

This year to me, It feels like a few months has been a couple of years. Our team is energized by the opportunities that we see on the horizon for our customers. We expect that we'll have more uncertainty and more changes for which we'll need to adapt. We want to help you navigate uncertainty and changes with real insights and demonstrable success. One way we do so is from our experience in our own stores.

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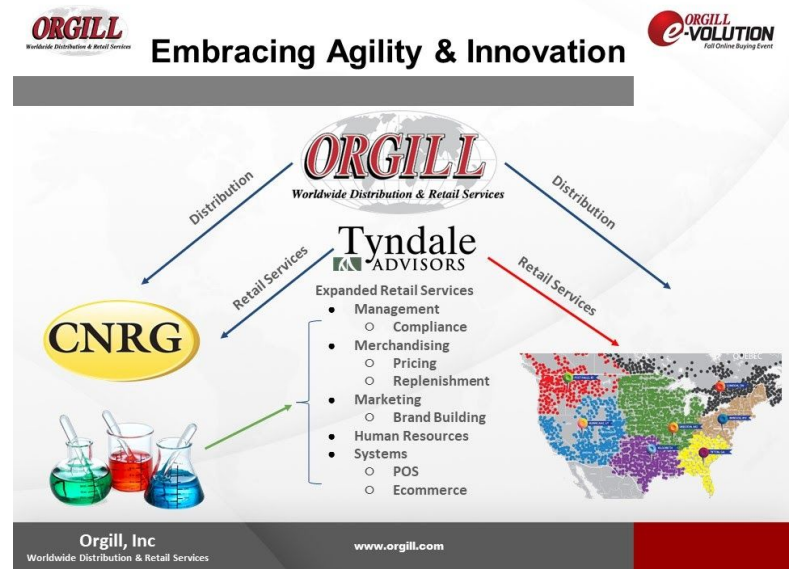
The slide features the Orgill logo (Worldwide Distribution & Retail Services) and the e-VOLUTION logo (Full Online Buying Event) in the top left and right corners. The main title is "Embracing Agility & Innovation". The central text reads: "Success today requires the agility and drive to constantly rethink, reinvigorate, react, and reinvent." Below this is a quote from Bill Gates: "Bill Gates" in a cursive font, accompanied by a portrait of him. The footer contains "Orgill, Inc" and "Worldwide Distribution & Retail Services" on the left, and "www.orgill.com" on the right.



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Our investment and strategy with our retail stores at CNRG is very unique to Orgill. It's not a strategy to simply own retail stores. It's not a strategy to simply address succession planning or generational transfer of ownership, it's not a strategy of simple growth. The difference in what we're doing with CNRG and Tyndale Advisors is that those teams are 100% in service of Orgill's mission - to help our customers be successful. CNRG is a lab in which we're working to continually challenge and work to overcome that performance gap between HD and LOW and the independent channel which we see through NRHA's Cost of Doing Business Survey. Our stores are challenged to be among the independent channel's best - and they are, proving the advantage of Orgill's products and services.



CNRG is multi-format, operating hardware stores, home centers, and some pro-focused stores - intentionally the same formats that Orgill serves. We operate 17 brands proving the power of the local brand - some are truly iconic in their communities. We are testing new technologies, programs, pricing strategies, marketing strategies, e-commerce, products and assortments - all so that Orgill can improve on our mission. Those teams partner with our sales team and customers to share best practices, insights, failures, and proven innovations. None of our competitors really understands that part of our strategy with our investment in CNRG. What we are doing is truly unique. Out of this lab and through these teams, we want our experience, infrastructure, and technologies to drive competitive advantage for YOU - our dealers. I don't think anyone else is doing that.

Here are a few examples of how that works in practice:

The first is: Tyndale Marketing, Orgill's Brand Building and BrandBase software - As I said, CNRG operates 17 different brands including multi-store chains as well as single-store brands like Hiawasse Hardware, or Germantown Hardware. We understand the challenges our largest customers face as well the ones our single store operators deal with every day. We had to build the marketing tools to manage each appropriately. We also had to customize a marketing strategy for each brand. As with our customers, one size doesn't fit all. All of this effort and work on managing CNRG's marketing was leveraged in how we built our Brand Building department at Orgill, and our





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BrandBase software which is now used by 340 Orgill customers. Additionally we provide comprehensive marketing support through Tyndale Advisors' Marketing team which fully manages 32 brands. The experience that these teams have working across CNRG's brands and hundreds of our customers' brands is unique to Orgill. No one knows more about marketing the independent channel in our industry than this team - and that's an advantage for our customers.

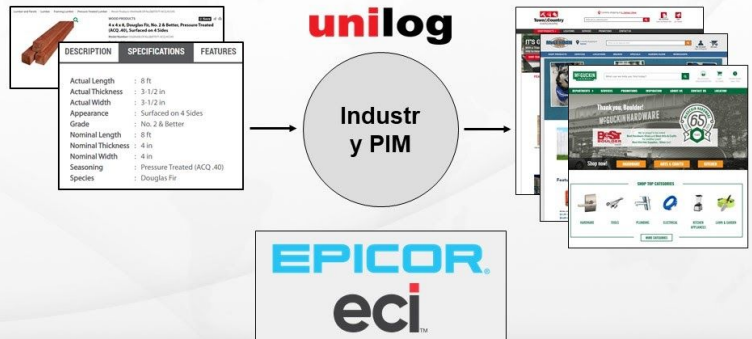
Another example is Integrated eCommerce - We had to figure out an eCommerce strategy to implement in CNRG's brands that was meaningful. We knew it had to 1) represent all of the SKUs a store offers whether those items are supplied by Orgill or not, 2) be integrated with POS systems for local pricing and inventory counts, 3) and, be integrated with marketing and loyalty programs to be successful. Working with our brands, as well as dozens of other customers who were passionately working on the same challenges in their businesses we formed an eCommerce work group that has grown to over 325 people. Our integrated eCommerce platform is now powering over 550 retail stores in the industry and is improving and growing every day.



### Embracing Agility & Innovation

Retail Tech Solutions

#### Integrated eCommerce & Product Data Services



The diagram illustrates the integration of product data services. On the left, a table shows product specifications for a Douglas Fir. An arrow points from this table to a central circle labeled 'Industry PIM'. Another arrow points from the PIM to a stack of eCommerce and POS system screenshots on the right. Below the PIM circle is the EPICOR eci logo.

DESCRIPTION	SPECIFICATIONS	FEATURES
Actual Length	: 8 ft	
Actual Thickness	: 3-1/2 in	
Actual Width	: 3-1/2 in	
Appearance	: Surfaced on 4 Sides	
Grade	: No. 2 & Better	
Nominal Length	: 8 ft	
Nominal Thickness	: 4 in	
Nominal Width	: 4 in	
Seasoning	: Pressure Treated (ACO, A0)	
Species	: Douglas Fir	

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Another example is FanBuilder - Realizing that there wasn't an off-the-shelf offering that did all of what we thought was important in a loyalty program, we began working on our own a few years ago, which we introduced last year. It's called FanBuilder. It is integrated with your POS, our Integrated eCommerce platform, and is driving some incredible results in its early implementation. As an example, we introduced "Club OSH" in our 8 new Outdoor Supply Hardware stores in California a week ago, driven by FanBuilder. The response has been overwhelming: nearly 5,000 customers have joined Club OSH in just the first 5 days, even before any marketing took place to promote the program. FanBuilder is more than a loyalty program. It is an integrated marketing tool driving engagement with customers and it's available to all our customers.



### Embracing Agility & Innovation

Retail Tech Solutions



- Built by Orgill to drive a Dealer's Rewards / Loyalty Program
- Unifies the Customer Record Between POS and eCommerce (In-store & Online)
- Customer Notifications
- Online Dashboard
- Coupons

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These are just a few examples of how this unique strategy is driving innovation, new programs, and ultimately success for our dealers. We are working on a lot of other ideas on how we can build new tools using our retail infrastructure and experience to provide competitive advantage for our customers. A lot of this is technology driven . . .

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### Embracing Agility & Innovation

**e-ORGILL VOLUTION**  
Full Online Buying Event

Retail Tech Solutions

**Tyndale**  
ADVISORS

**FanBuilder™**  
ENHANCED CUSTOMER ENGAGEMENT

**BrandBase**  
AN INTEGRATED MARKETING PLATFORM

**unilog**

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So we're also embracing agility with a new alignment of our technology teams under our new Chief Information and Technology Officer, Marc Hamer. Marc is working with ALL of our technology teams from the distribution centers, infrastructure, retail and retail services, sales, pricing, e-commerce and data and pulling all of these resources together into a more comprehensive strategy and technology vision. Marc is focused on using technology to not only help us run the company more efficiently and provide us actionable data quicker but also to build additional technology solutions for you, our customers. We believe data and technology solutions will be a differentiator in our industry in helping both of us grow. We're investing in the future now and we're excited about what's coming next.

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### Embracing Agility & Innovation

**e-ORGILL VOLUTION**  
Full Online Buying Event

New to the Orgill Team



**Marc Hamer**  
Chief Information and  
Technology Officer

- Distribution Centers
- Retail Systems and Services
- eCommerce
- Advanced Analytics
- Technology Development
- Product Data
- Process Improvement
- Automation
- Business Intelligence

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Some people may lament the pace of change, some will embrace it. At Orgill, we are focused on helping drive it to deliver our customers competitive advantage.



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## Strengthening Relationships

Orgill has always enjoyed strong relationships with our customers driven largely by our more than 400 strong field sales team. It's times like today that they really shine. The fact is our customers do business with us because they trust us.

- Trust us to have what you need when you need it.
- Trust that our truck will be on time and you'll receive what you ordered.
- Trust that our sales representative will take the time to understand **YOUR** business and work with you to customize the right products and services that we offer that will drive **YOUR** success.
- Trust that when an emergency or special need arises, we're easy to reach and we'll work to do whatever it takes to help your store and your community.
- Trust that we'll be here period. Some businesses that were in the past are not anymore.
- Trust that we're innovating and developing the programs and services that will be required to be successful tomorrow. Our history speaks to that. Doing so is part of our company culture and we are committed to driving competitive advantage for you.

We're leaning into one of our strengths focusing on strengthening relationships. We are proud of our experienced and committed sales representatives helping drive our customers' success. But this theme of strengthening relationships only begins there. We are also focused on our vendors and service providers as well as internally throughout our company and teams. As this pandemic has challenged us with limitations on travel and in-person meetings and events, we're finding new ways to connect, engage, and strengthen all of our business relationships that ultimately drive success for all of us.

Orgill is a strong company and getting stronger, but it's truly built on the strength of the relationships we have with our customers, vendors, and employees.

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## Strengthening Relationships



Trust or the lack of it is at the root of success or failure in relationships.  
*Stephen Covey*



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### Recap

So those are the themes on which we are focused in Orgill's continued evolution to execute our mission - to help our customers be successful:

- Staying Safe
- Growth and Building Capacity
- Embracing Agility and Innovation
- Strengthening Relationships



### Orgill's Continued Evolution



To Help Our Customers Be Successful

- Staying Safe
- Growth & Building Capacity
- Embracing Agility & Innovation
- Strengthening Relationships



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Thank you for your business, your partnership, and your trust in us.

We're working hard to earn it everyday.

Congratulations on the success that you're driving in your businesses. We've ramped up to support your growth and will continue to do so.

We've faced some big challenges with you this year and we're excited about the opportunities that we see ahead.

Working together with you we'll meet tomorrow's challenges. We're 100% committed. Whatever it takes!



# ORGILL

**Thank You For Your  
Ongoing Partnership.**

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