# Hufcor, Inc. Monthly Operating Review

***Month Ended January 31, 2020***

**February 24, 2020**

HUFCOR

# HUFCOR Executive Summary

1. Financial performance exceeded expectations in January, driven by strong domestic performance, which made up for a weaker start internationally.
   - Reported EBITDA breakeven on $11.4mm of revenue & Adjusted EBITDA of $0.4 mm , both of which were > $0.5 mm ahead of AOP
   - Domestic EBITDA exceeded AOP by $0.7 mm, with outperformance on labor & other COGS
2. Overall focus remains on building the team, improving quality while increasing production capacity/efficiency of the Janesville facility and preparing for increased commercial opportunities in 2H 2020.
3. While backlog still lower than prior months, commercial team met goals for January securements domestically & we are beginning to see / secure additional opportunities given our improved lead times / capacity and competitors showing signs of struggling.
4. International operations lagged behind a more aggressive plan for January, with challenges in Asia and new team members initiating changes to the global manufacturing strategy to achieve longer-term commercial expansion. Expectation is for further challenges throughout Q1 until stabilization of the business units is completed.

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## Human Capital

**Accelerate key hiring, and manage consulting/3rd party expenses**

- Hiring: new VP of HR on board and working with functional groups to fill critical positions.
- Consultants: Consulting spend over $400k per month with need to ramp down in Q1 2020. In process of terminating SCS (3PL consultants) this month.

## Janesville Productivity

**Improve quality, increase productivity & lower lead times**

- Production: Planned addition of 603 line on track to create 80 units of capacity daily.
- Published Lead Times have consistently run at 8 weeks for solid wall through the month of January.

## Commercial Initiatives

**Pivot to commercial growth in process domestically**

- Securements in January at goal (>$2 mm) with targets to consistently build throughout the year.
- Starting to see signs of competition reaching capacity limits, which should offer Hufcor additional opportunities. Example: Resort World win (taken from MF) at $2.9M for 2020.

# What is Not Working

1. Quality and Service & Warranty issues linger from last years
   - Issues dating back to jobs in early 2019 still being brough to light (specifically Dubai WTC) could lead to meaningful warranty claims
   - Customers currently holding over $1.8 mm of payments on 9 different projects due to dissatisfaction with quality of product installed
   - Service & Warranty department has still not recovered and/or been properly resourced to address issues
   - Persistent quality issues causing strain with long-term customers and distributors, resulting in clients at risk (see JWC below)
2. Long-term distributor JWC Building Specialties, Inc gave notice to terminate Hufcor relationship
   - JWC is a WI-based distributor with a 40+ year relationship with Hufcor
   - JWC is the largest 3rd party distributor in the Hufcor network ($6.4 mm in revenue over the last 3 calendar years)
   - Departure relates to quality issues and overall dissatisfaction with service over many years
   - Anticipated impact (if all JWC backlog remains with Hufcor) of ≈$2.0 mm in revenue and ≈$0.5 mm of EBITDA in 2019
3. Coronavirus outbreak in Asia having a direct impact on China operations / overall demand in Asia; indirect impacts elsewhere
   - Hufcor Guangzhou effectively closed for 2+ weeks with travel restrictions on workers
   - "Skeleton crew" back to work as of Feb 17 with anticipation to return to full staff by end of February
   - Best information available suggests a return-to-normal in Q2
   - Total impact of Coronavirus still too difficult to quantify given numerous unknowns, but anticipate both China & Hong Kong will be significantly impacted for at least 1H of 2020
   - Indirect impacts on other geographies U.S. & Europe still TBD depending on length of shutdowns in Asia and which commodities are most impacted

# Month 1

## Financials – January 2020

# January P&L Performance

| $'000 | MTD | | Variance | | PY MTD | Variance | | YTD | | | PY YTD | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Act | Bud | $ | % | Act | $ | % | Act | Bud | % | Act | % |
| **Gross Revenue** | **$ 11,432** | **$ 10,438** | **$ 993** | **9.5%** | **$ 10,051** | **$ 1,381** | **13.7%** | **$ 11,432** | **$ 10,438** | **9.5%** | **$ 10,051** | **13.7%** |
| **Net Revenue** | **11,432** | **10,438** | **993** | **9.5%** | **10,051** | **1,381** | **13.7%** | **11,432** | **10,438** | **9.5%** | **10,051** | **13.7%** |
| Material | 3,751 | 3,341 | 410 | 12.3% | 3,191 | 560 | 17.6% | 3,751 | 3,341 | 12.3% | 3,191 | 17.6% |
| Labor | 3,597 | 3,387 | 210 | 6.2% | 3,460 | 137 | 4.0% | 3,597 | 3,387 | 6.2% | 3,460 | 4.0% |
| Other COGS | 1,117 | 1,188 | (72) | (6.0%) | 1,119 | (2) | (0.2%) | 1,117 | 1,188 | (6.0%) | 1,119 | (0.2%) |
| **Total COGS** | **8,466** | **7,917** | **548** | **6.9%** | **7,770** | **696** | **9.0%** | **8,466** | **7,917** | **6.9%** | **7,770** | **9.0%** |
| **Gross Margin** | **2,966** | **2,521** | **445** | **17.6%** | **2,281** | **685** | **30.0%** | **2,966** | **2,521** | **17.6%** | **2,281** | **30.0%** |
| *Gross Margin %* | *25.9%* | *24.2%* | | | *22.7%* | | | *25.9%* | *24.2%* | | *22.7%* | |
| R&D | – | – | – | N/A | – | – | N/A | – | – | N/A | – | N/A |
| Sales & Marketing | 1,209 | 1,229 | (21) | (1.7%) | 963 | 246 | 25.5% | 1,209 | 1,229 | (1.7%) | 963 | 25.5% |
| Administrative | 1,785 | 1,865 | (80) | (4.3%) | 619 | 1,166 | 188.4% | 1,785 | 1,865 | (4.3%) | 619 | 188.4% |
| Other Opex | (19) | (7) | (12) | 185.4% | (16) | (3) | 15.8% | (19) | (7) | 185.4% | (16) | 15.8% |
| **Total Opex** | **2,975** | **3,088** | **(113)** | **(3.7%)** | **1,566** | **1,409** | **90.0%** | **2,975** | **3,088** | **(3.7%)** | **1,566** | **90.0%** |
| **EBITDA** | **(8)** | **(566)** | **558** | **98.5%** | **715** | **(724)** | **(101.2%)** | **(8)** | **(566)** | **98.5%** | **715** | **(101.2%)** |
| *EBITDA %* | *(0.1%)* | *(5.4%)* | | | *7.1%* | | | *(0.1%)* | *(5.4%)* | | *7.1%* | |
| **Adj. EBITDA** | **431** | **(107)** | **538** | **504.2%** | **219** | **212** | **97.0%** | **431** | **(107)** | **504.2%** | **219** | **(97.0%)** |
| *Adj. EBITDA %* | *3.8%* | *(1.0%)* | | | *2.2%* | | | *3.8%* | *(1.0%)* | | *2.2%* | |
| **Net Income (Loss)** | **$ (845)** | **$ (1,476)** | **$ 631** | **42.8%** | **$ (360)** | **$ (485)** | **(134.8%)** | **$ (845)** | **$ (1,476)** | **42.8%** | **$ (360)** | **(134.8%)** |

| $'000 | MTD | | Variance | | PY MTD | Variance | | YTD | | | PY YTD | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Act | Bud | $ | % | Act | $ | % | Act | Bud | % | Act | % |
| **Opex Overview:** | | | | | | | | | | | | |
| Payroll | $ 1,127 | $ 1,129 | $ (2) | (0.2%) | $ 1,057 | $ 70 | 6.6% | $ 1,127 | $ 1,129 | (0.2%) | $ 1,057 | 6.6% |
| Benefits | 326 | 270 | 56 | 20.7% | (257) | 583 | (226.8%) | 326 | 270 | 20.7% | (257) | (226.8%) |
| Bonus | 163 | 166 | (3) | (1.8%) | 96 | 67 | 69.6% | 163 | 166 | (1.8%) | 96 | 69.6% |
| Marketing | 11 | 51 | (40) | (77.7%) | (90) | 101 | (112.7%) | 11 | 51 | (77.7%) | (90) | (112.7%) |
| Commissions | 224 | 183 | 41 | 22.3% | 134 | 91 | 67.8% | 224 | 183 | 22.3% | 134 | 67.8% |
| Travel and Entertainment | 144 | 189 | (45) | (23.9%) | 80 | 64 | 79.7% | 144 | 189 | (23.9%) | 80 | 79.7% |
| Rent and Facilities | 68 | 73 | (4) | (5.7%) | 68 | 0 | 0.1% | 68 | 73 | (5.7%) | 68 | 0.1% |
| Insurance | 71 | 57 | 14 | 23.7% | 35 | 36 | 101.3% | 71 | 57 | 23.7% | 35 | 101.3% |
| Professional Fees | 52 | 124 | (72) | (57.8%) | 78 | (26) | (32.8%) | 52 | 124 | (57.8%) | 78 | (32.8%) |
| Utl., Repair, Maint., & Sec. | 30 | 38 | (8) | (22.0%) | 28 | 1 | 4.5% | 30 | 38 | (22.0%) | 28 | 4.5% |
| Office Expenses | 6 | 6 | 0 | 1.0% | 5 | 2 | 33.1% | 6 | 6 | 1.0% | 5 | 33.1% |
| IT | 79 | 76 | 3 | 3.7% | 55 | 23 | 42.4% | 79 | 76 | 3.7% | 55 | 42.4% |
| Bad Debts | 26 | 29 | (2) | (7.4%) | 64 | (38) | (58.9%) | 26 | 29 | (7.4%) | 64 | (58.9%) |
| Supplies | 16 | 17 | (1) | (3.6%) | 25 | (8) | (33.7%) | 16 | 17 | (3.6%) | 25 | (33.7%) |
| FX | – | – | – | N/A | – | – | N/A | – | – | N/A | – | N/A |
| Other Expenses | 630 | 679 | (49) | (7.2%) | 188 | 443 | 236.0% | 630 | 679 | (7.2%) | 188 | 236.0% |
| **Total Opex** | **$ 2,975** | **$ 3,088** | **$ (113)** | **(3.7%)** | **$ 1,566** | **$ 1,409** | **90.0%** | **$ 2,975** | **$ 3,088** | **(3.7%)** | **$ 1,566** | **90.0%** |

## Management Discussion:

### Revenue

- Approximately $1.0 mm ahead of forecast ($11.4 mm actual vs $10.4 budget) driven by performance in the U.S.

### Gross Margin

- Increased Material costs (+0.8% of revenue vs budget) offset by Labor productivity (-1.0% of revenue vs budget). Primary benefit in Other COGS (-1.6% of revenue vs budget, principally domestic supplies & repairs/maintenance)

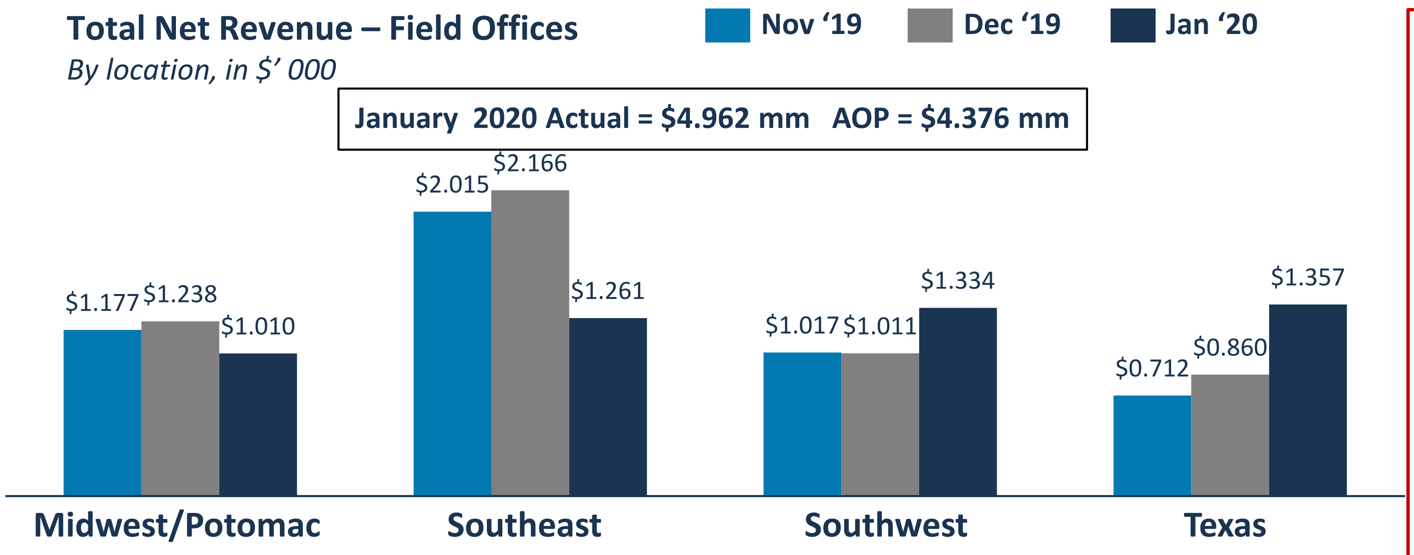
### OPEX

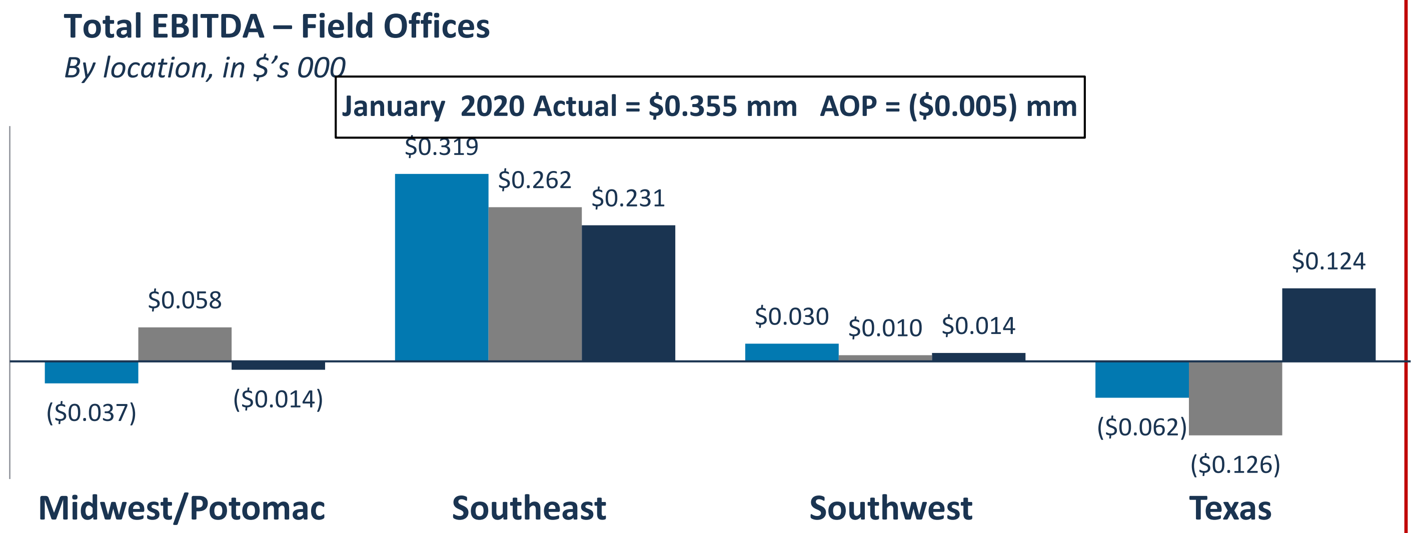
- Opex in line with expectations, inclusive of consultant costs of $439k.

### EBITDA

- ($8k) of Reported EBITDA vs. ($566k) Budgeted EBITDA
  - International = ($185k) vs ($36k) Budget
  - Domestic = $176k vs ($530k) Budget
- As adjusted add-backs, $431k of Adj. EBITDA vs. ($107k) Budget
  - International = ($185k) vs ($36k) Budget
  - Domestic = $616k vs ($71k) Budget

# Hufcor Domestic Office Contribution Detail



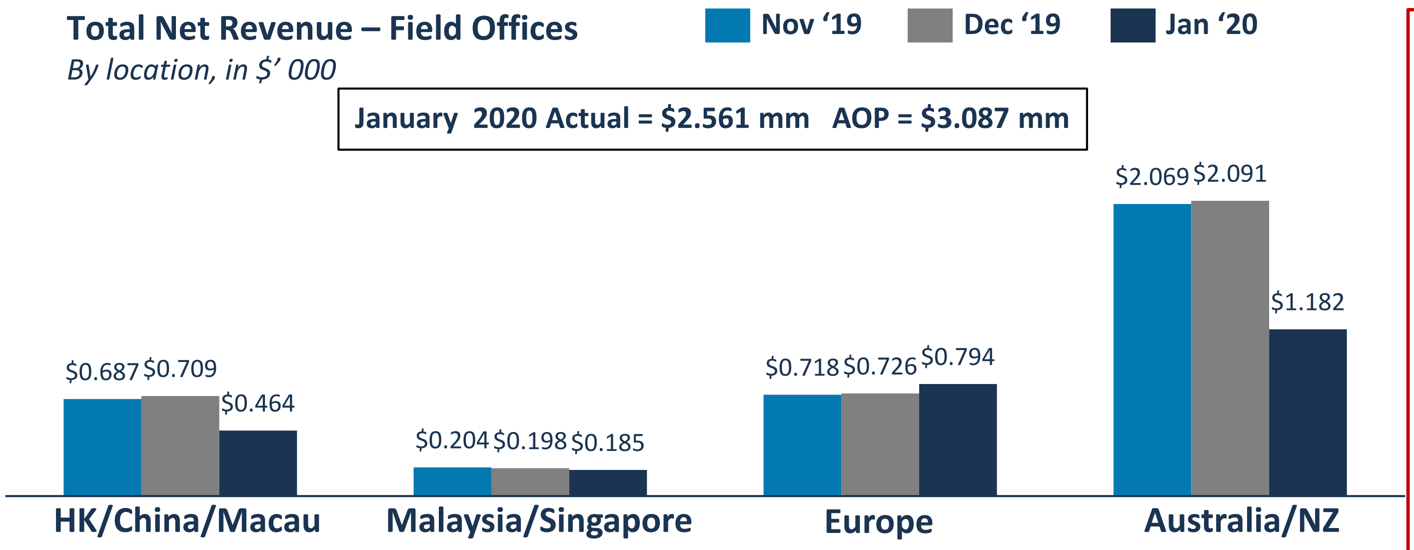

**Management Discussion:**

- January 2020 service center revenue actual of $5.0 mm vs budget of $4.4 mm. $0.4 mm of EBITDA in January, exceeding budget of approximately breakeven.
- New installation projects pushed out of Jan and was backfilled by high margin service projects
- Southeast secured a $660k service project with ~50% GM. $50k of unaccounted for margin was billed in Jan
- MW loss driven by Minnesota office and is expected to continue into February. Backlog gets stronger in March/April and projected offset losses
- Texas anticipated breakeven in Feb and projected to have EBITDA of $70k in Mar
- Southeast having an explosive start and is on track to have another $200k+ EBITDA month in Feb
- Interviews in-progress for sales replacement in Chicago
- Begin execution plan for WI sales after loss of JWC
- A&D Sales are beginning to show impact where they have been in place for last 12 months resulting in an increase of Hufcor specifications

# Hufcor International Office Contribution Detail

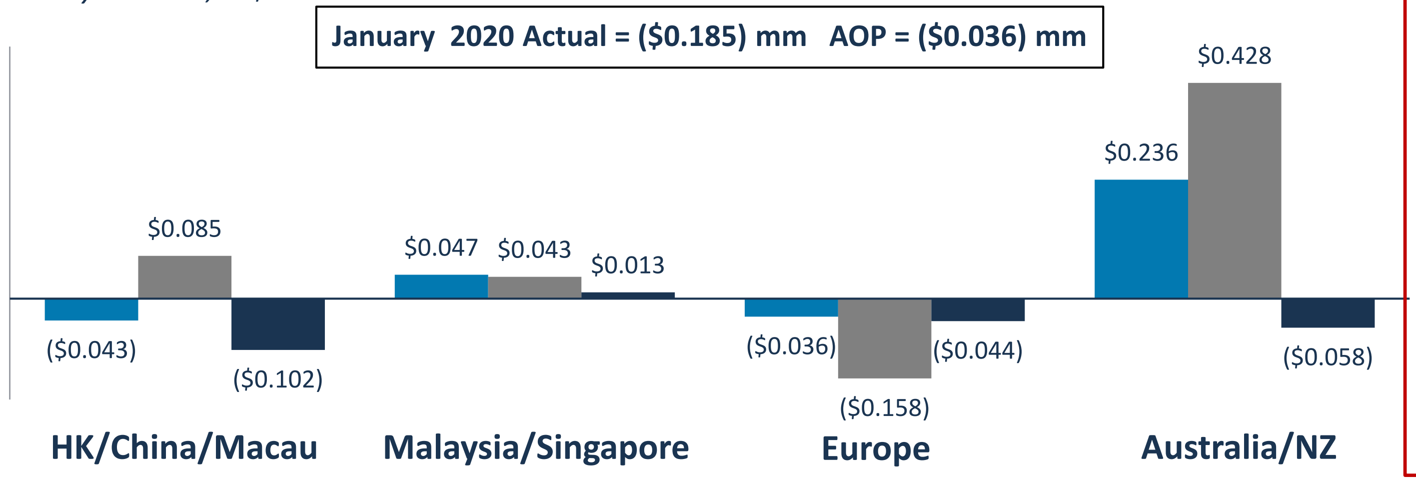
**Total Net Revenue – Field Offices**

*By location, in $' 000*




**Total EBITDA – Field Offices**

*By location, in $'s 000*




**Management Discussion:**

- January 2020 International divisions revenue actual of $2.6 mm vs budget of $3.1 mm. ($0.2) mm of EBITDA in January, missing budget of approximately breakeven.
- EBITDA miss driven by lower revenue and high warranty costs associated with Celtic Manor project in Europe ($51k)
- Revenue target in Hong Kong 64% below plan, impacted by Hong Kong jobs pushed out once again.
- China exceeded revenue and EBITDA targets for the month, but anticipate significant impact through remainder of Q1 and into Q2 with Coronavirus outbreak.
- Malaysia/Singapore: Revenue miss but hit target EBITDA from material % and labor % better then expected.
- Europe: $54k in revenue pushed into February. $51k in warranty costs from Celtic Manor with the lower revenue caused an EBITDA miss of $64k.
- Australia: Below aggressive revenue plan ($185k below). Note that loss of New Zealand major projects drives decline vs prior months. Labor % elevated through OT worked due to vacations.

HUFCOR

# Covenant Compliance – Last Twelve Months

| Covenant Analysis- JPMC and LBC Credit Partners | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 |
| **$'000** | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual |
| **Fixed Charge Coverage Ratio (JP Morgan Chase- Monthly and LBC Credit Partners- Quarterly)** | | | | | | | | | | | | |
| **Net Income (Loss)** | $ (647) | $ (749) | $ 37 | $ (381) | $ 215 | $ 634 | $ 680 | $ (3,773) | $ 351 | $ (297) | $ (33) | $ (845) |
| **Bank EBITDA Calculation:** | | | | | | | | | | | | |
| Interest Expense | 347 | 358 | 349 | 371 | 365 | 373 | 355 | 396 | 342 | 310 | 342 | 327 |
| Income and Franchise Tax Expense | 43 | 19 | 36 | 88 | 36 | 146 | 85 | 99 | 94 | 75 | 87 | (14) |
| Depreciation and Amortization Expense | 495 | 495 | 569 | 507 | 507 | 510 | 510 | 240 | 239 | 240 | 332 | 257 |
| Losses (Gains) from Dispositions | - | - | - | - | - | - | 10 | 1 | - | 64 | 10 | - |
| Management Agreement fees and expenses | 18 | - | 250 | - | - | - | 250 | - | 250 | - | - | 250 |
| Losses (Gains) from Discontinued Operations | - | - | - | - | - | - | - | - | 17 | 17 | 117 | - |
| Non-cash FX, transaction, translation losses (gains) | 16 | 48 | 2 | 58 | (44) | 61 | 6 | 60 | (65) | 91 | 52 | 16 |
| Severance costs, subject to ABL | - | - | - | - | 423 | - | - | 732 | - | (139) | - | - |
| Other non-cash charges or non-cash gains | - | - | - | - | - | - | - | - | - | - | 120 | - |
| Other non-recurring fees and expenses - Consultants | - | 2 | 21 | 45 | 65 | 19 | 289 | 418 | 424 | 526 | 438 | 440 |
| Other non-recurring fees and expenses - All Other | - | - | - | - | - | - | - | 7 | 47 | - | 189 | - |
| Non-recurring inventory write-offs < $320k in total | - | - | - | - | - | - | - | 498 | - | - | (178) | - |
| Non-recurring A/R write-offs < $1.3mm in total | - | 753 | - | - | (233) | - | - | 1,737 | (31) | (98) | (879) | - |
| Non-recurring warranty claim payments: Mystic Lake < 400k | - | - | - | - | - | - | - | 75 | - | - | - | - |
| Non-recurring warranty claim payments: Non- Mystic Lake < 625k | - | 268 | - | 108 | (92) | (421) | (37) | 686 | (2) | (59) | (147) | - |
| Less Extraordinary gains and non-cash income | - | - | - | - | - | - | - | - | - | - | (628) | - |
| *Total non-recurring items* | - | 1,023 | 21 | 154 | (260) | (402) | 253 | 3,421 | 438 | 369 | (577) | 440 |
| **Bank EBITDA** | $ 272 | $ 1,194 | $ 1,264 | $ 797 | $ 1,242 | $ 1,322 | $ 2,150 | $ 1,177 | $ 1,667 | $ 730 | $ (178) | $ 431 |
| ***Less:*** | | | | | | | | | | | | |
| Unfinanced CAPEX | 256 | 175 | 250 | 117 | 125 | 289 | 91 | 134 | 132 | 46 | 80 | 219 |
| Cash income and franchise taxes | 43 | 19 | 36 | 88 | 36 | 146 | 85 | 99 | 94 | 75 | 87 | (14) |
| Cash Monitoring fees (including expenses) | - | 2 | 21 | 45 | 65 | 19 | 234 | 363 | 369 | 471 | 383 | 385 |
| **Numerator** | $ (28) | $ 998 | $ 957 | $ 546 | $ 1,016 | $ 868 | $ 1,739 | $ 580 | $ 1,071 | $ 138 | $ (728) | $ (159) |
| ***Fixed Charges:*** | | | | | | | | | | | | |
| Cash Interest | 301 | 311 | 349 | 371 | 365 | 373 | 301 | 343 | 289 | 256 | 288 | 272 |
| Regularly scheduled principal payments | - | - | 209 | - | - | 209 | - | - | 209 | - | - | (292) |
| Capital Lease payments | 3 | 3 | - | - | - | - | - | - | - | - | - | - |
| **Total Fixed Charges** | $ 304 | $ 314 | $ 558 | $ 371 | $ 365 | $ 582 | $ 301 | $ 343 | $ 497 | $ 256 | $ 288 | $ (20) |
| TTM Numerator | 5,110 | 5,873 | 7,333 | 8,320 | 6,707 | 7,508 | 8,386 | 8,295 | 9,154 | 9,450 | 9,118 | 6,998 |
| TTM Fixed Charges | 4,464 | 4,480 | 4,565 | 4,660 | 4,762 | 4,859 | 4,870 | 4,940 | 4,788 | 4,733 | 4,691 | 4,160 |
| **Fixed Charge Covenant Ratio** | 1.14 | 1.31 | 1.61 | 1.79 | 1.41 | 1.55 | 1.72 | 1.68 | 1.91 | 2.00 | 1.94 | 1.68 |
| **Required Fixed Charge Covenant Ratio** | | | | | | | | | | | 1.15 | |
| **Leverage Ratio (LBC Credit Partners- Quarterly)** | | | | | | | | | | | | |
| **Total Debt for Leverage Calculation** | $ 43,739 | $ 41,814 | $ 41,771 | $ 41,456 | $ 42,744 | $ 42,745 | $ 41,174 | $ 40,689 | $ 40,241 | $ 40,794 | $ 37,361 | $ 41,594 |
| **TTM Bank EBITDA** | $ 7,899 | $ 8,789 | $ 10,278 | $ 11,245 | $ 9,674 | $ 10,561 | $ 11,483 | $ 11,613 | $ 12,061 | $ 12,130 | $ 11,854 | $ 12,066 |
| **Leverage Ratio** | 5.54 | 4.76 | 4.06 | 3.69 | 4.42 | 4.05 | 3.59 | 3.50 | 3.34 | 3.36 | 3.15 | 3.45 |
| **Required Leverage Ratio** | | | | | | | | | | | 4.75 | |

## Management Discussion:

### Covenant Compliance as of FYE 2019

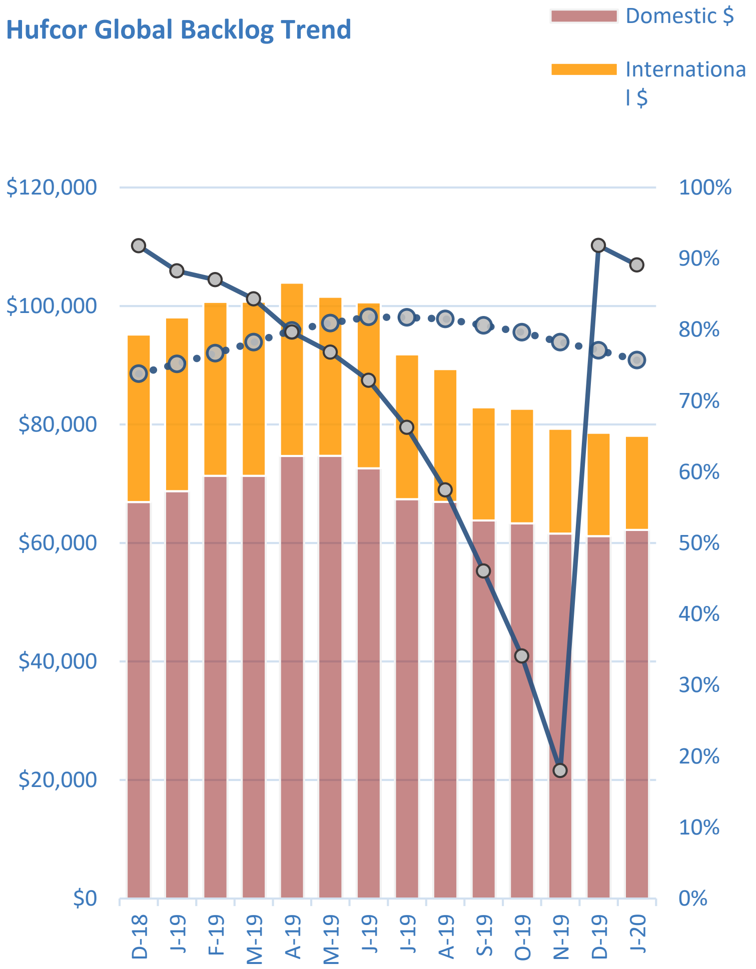
- Along with meeting production goals, other areas yielded better results than expected.
  - Successfully managed AP at year end to maximize cash on hand & pay down revolver.
  - Other addbacks in historical periods were identified and entered.
- Note that numbers may improve once 2019 audit adjustments are completed, but final numbers won't be completed until Q1 reporting.
- Leverage covenant accounts for 3rd party consultants as add-back.
- Fixed charge coverage ratio incorporates the cash consultant costs, in process of reviewing for accuracy.

# Backlog

Overall the 01/31/20 backlog decreased by $1.4 M from January 15, 2020 ($199K Domestic, $1.2M International)

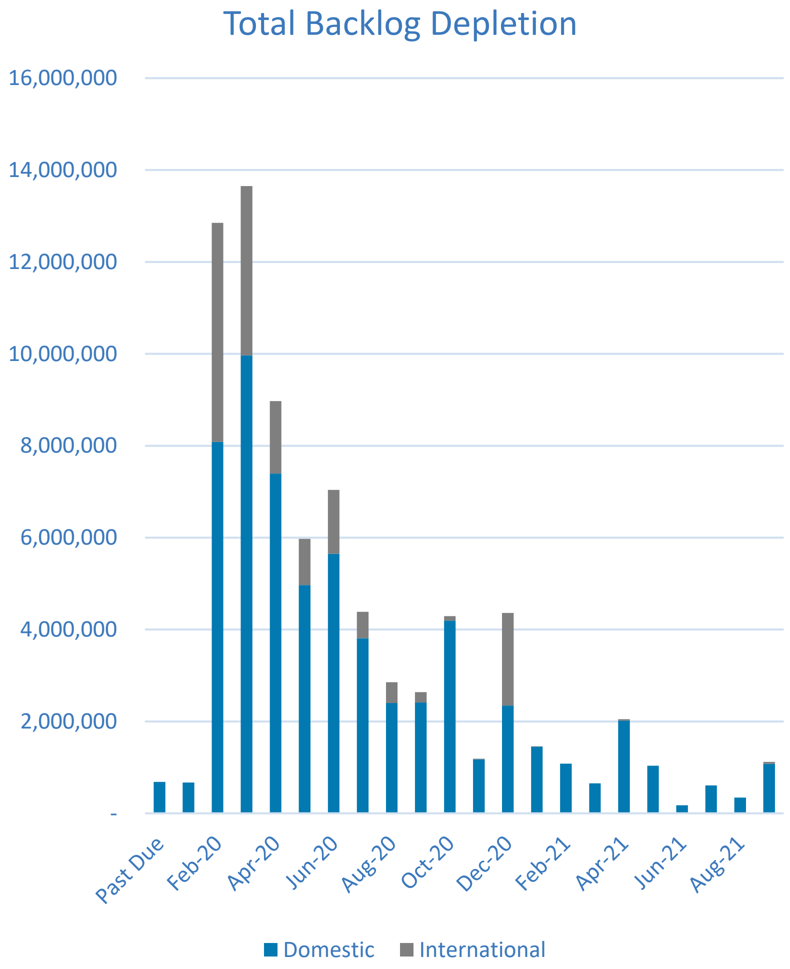
**Historical backlog**

*Thousands USD; 1/31*




**Backlog roll-off**

*Millions USD; 1/31*




**Management Discussion:**

- There were four projects that drove the backlog decrease:
  - Hillcrest HS, Utah - $248K
  - Portland Community Center, Texas - $233K
  - Verona HS, Janesville - $226K
  - DISD Eduardo Mata E.S., Texas - $210K
- Lead times have significantly improved since Q3.
- Quality is still number one priority for improvement to secure additional backlog.
- We are beginning to some signs that our major U.S. competitor may have capacity issues that may increase our opportunities for day-to-day business as well as consideration of major projects.

# HUFCOR Forecasted 13-Week Cashflow

## Availability & Net Operating Cashflow primarily dependent on continued progress with customers & vendors on NWC project (see page 20)

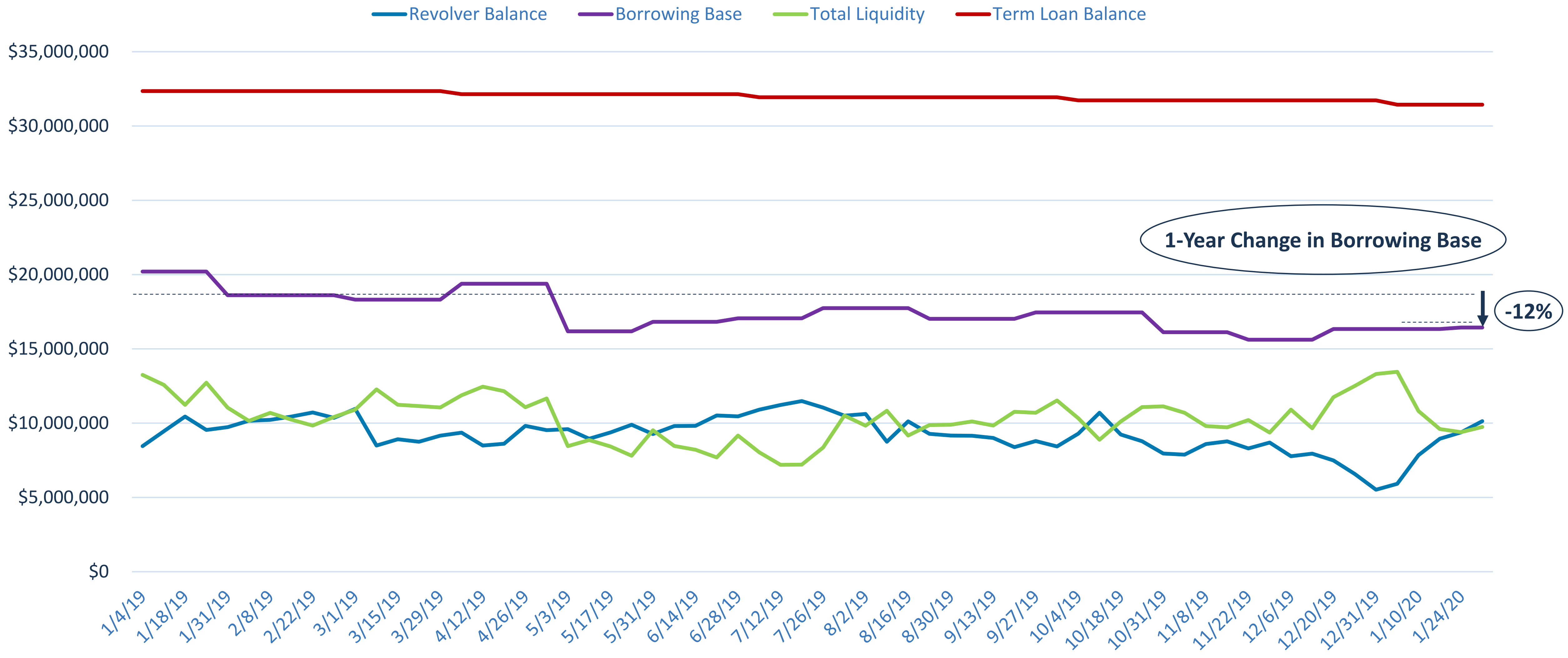
**Hufcor Inc. Global Consolidated 13 Week Cash Flow Forecast**

**$ 000's**

| *Week Ending:* | 21-Feb | 28-Feb | 6-Mar | 13-Mar | 20-Mar | 27-Mar | 3-Apr | 10-Apr | 17-Apr | 24-Apr | 1-May | 8-May | 15-May | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Inflows** | **2,370** | **3,014** | **2,997** | **2,740** | **2,766** | **2,848** | **2,496** | **2,575** | **2,289** | **2,615** | **2,757** | **2,838** | **2,420** | **34,724** |
| **Total Operating Disbursements** | **(1,977)** | **(2,872)** | **(2,285)** | **(2,597)** | **(2,170)** | **(2,748)** | **(2,450)** | **(2,832)** | **(2,469)** | **(3,121)** | **(2,302)** | **(2,769)** | **(1,904)** | **(32,496)** |
| **Net Operating Cash Flow** | **393** | **143** | **711** | **143** | **596** | **100** | **46** | **(257)** | **(180)** | **(507)** | **455** | **69** | **516** | **2,228** |
| Interest Expense/Principal | - | - | 39 | - | - | - | 1,105 | - | - | - | 38 | - | - | 1,182 |
| Taxes | 99 | 140 | 22 | 76 | 132 | - | 17 | 36 | 39 | 146 | - | 53 | 40 | 800 |
| CapEx | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Non-Op | 6 | 5 | 6 | 6 | 3 | 3 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 67 |
| **Total Non-Operating Disbursements** | **105** | **145** | **66** | **81** | **136** | **3** | **1,128** | **41** | **44** | **152** | **43** | **59** | **45** | **2,049** |
| **Total Net Cash Flow** | **288** | **(2)** | **646** | **62** | **461** | **97** | **(1,082)** | **(298)** | **(225)** | **(659)** | **412** | **10** | **470** | **179** |
| Beginning Bank Cash | 1,708 | 1,477 | 1,130 | 1,178 | 1,208 | 1,183 | 1,265 | 1,077 | 1,025 | 849 | 1,006 | 651 | 599 | 1,708 |
| Net Global Cash Flow | 288 | (2) | 646 | 62 | 461 | 97 | (1,082) | (298) | (225) | (659) | 412 | 10 | 470 | 179 |
| Transfers In / (Out) | - | (150) | - | - | - | - | (150) | - | - | - | (200) | - | - | (500) |
| Draw / Sweep | (519) | (195) | (597) | (32) | (486) | (15) | 1,044 | 247 | 48 | 816 | (567) | (62) | (328) | (646) |
| **Ending Bank Cash** | **1,477** | **1,130** | **1,178** | **1,208** | **1,183** | **1,265** | **1,077** | **1,025** | **849** | **1,006** | **651** | **599** | **741** | **741** |
| **Term Loan Balance** | **31,438** | **31,438** | **31,438** | **31,438** | **31,438** | **31,438** | **31,146** | **31,146** | **31,146** | **31,146** | **31,146** | **31,146** | **31,146** | **31,146** |
| Beginning Revolver Balance | 10,086 | 9,572 | 9,377 | 8,792 | 8,761 | 8,275 | 8,260 | 9,327 | 9,574 | 9,622 | 10,438 | 9,896 | 9,834 | 10,086 |
| Domestic PIK Interest | 5 | - | 13 | - | - | - | 23 | - | - | - | 25 | - | - | 66 |
| Draw / Sweep | (519) | (195) | (597) | (32) | (486) | (15) | 1,044 | 247 | 48 | 816 | (567) | (62) | (328) | (646) |
| **Ending Revolver Balance** | **9,572** | **9,377** | **8,792** | **8,761** | **8,275** | **8,260** | **9,327** | **9,574** | **9,622** | **10,438** | **9,896** | **9,834** | **9,506** | **9,506** |
| **Borrowing Base** | **16,426** | **17,267** | **16,722** | **16,878** | **17,063** | **17,720** | **17,907** | **17,989** | **18,624** | **19,411** | **19,914** | **19,711** | **19,812** | **19,812** |
| **Total Debt** | **41,010** | **40,815** | **40,230** | **40,198** | **39,713** | **39,698** | **40,473** | **40,720** | **40,768** | **41,584** | **41,041** | **40,980** | **40,651** | **40,651** |

# Treasury & Liquidity

Total liquidity (availability + cash) recovered in December with more aggressive AP management at year end. Proposal on borrowing base calculations with JPM to come week of 2/24/20.



# HUFCOR Initiative: Improve Quality in Domestic Operations

*Owner: Kyle Patterson*

## Business Case

For the past two years, Hufcor has routinely delivered below-average quality to its customers. Unfortunately, a myriad of reasons are to blame for defective product spanning the entire value chain from supplier-provided raw material to the installation process at the customer job site.

This poor record of quality performance has significantly damaged long-standing customer relationships and has prohibited Hufcor from meeting its potential in the marketplace while driving up rework costs.

## Status Update

**% Implementation Completed:** 15%

**Activities:**

- Digital SIM Boards and TCAR module feeding new Quality Database and Power BI analytics dashboard
- “Traveler” inspection process and Andon lights on final assembly lines
- Non-conformance / “Red Tag” process
- Preventative Maintenance program
- Various Capex initiatives
    - Cut & Punch PLC upgrade
    - Research into elimination of glue and incorporation of pressure-sensitive adhesive replacement
    - Face Area Straightener and 600 Shear & Roll Form repair

**Issues:**

- Line-level discipline
- Faulty equipment
- Quality team resources

## Progress and KPIs

**EBITDA Impact:** ~$436K (2020); $929k over time

**Realized EBITDA:** [In Process]

**<u>KPIs</u>**

**TCAR $:**

*Baseline:*

*Current:*

**TCAR Count:**

*Baseline:*

*Current:*

**DPK:**

*Baseline:*

*Current:*

# Initiative: Domestic Operations Production Efficiency Gains

*Owner: Kyle Patterson*

## Business Case

The Janesville facility must improve its overall production efficiency so that it can return to a 5-day, 8-hour work week thereby eliminating recurring overtime and discontinuing running production at Janesville's capacity threshold.

This improvement in production efficiency will enable the business to keep lead times low and optimize production costs throughout the year.

## Status Update

**% Implementation Completed:** 20%

**Activities:**

- Full Kaizen events on each final assembly line
- Creation of material transition areas ("depots") between support groups and final assembly
- Optimization of scheduling practices in support groups
- 5S implementation
- Development of material replenishment process (i.e. water spider, Kanban)
- "Visual" production environment
- Preventative Maintenance program

**Issues:**

- Labor continuity (i.e. attendance issues, new hires/inexperience)

## Progress and KPIs

**EBITDA Impact:** $412K (2020)

**Realized EBITDA:** [In Process]

**KPIs**

**Labor Productivity (Units/Direct Labor Hour):**

*Baseline: .88 (1/13-2/7)*

*Current: .87 (2/10-2/14)*

*Goal: 1.10 (+25%)*

# Initiative: Domestic Net Working Capital & Cash Conversion

*Owner: Tom Gioia/Jared Franz*

## Business Case

Improvements to the cash conversion cycle through working capital has significant impacts on the balance sheet and cash position of the company. Areas of focus include Accounts Receivable, Inventory and Accounts Payable. A strategic plan built on decreasing days sales outstanding (DSO), and days of inventory on hand (DIO), while selectively increasing days payable outstanding (DPO) will enhance the financial health and operational success of the business.

## Status Update

**% Implementation Completed:** 10%

**Activities:**

Initial kick off meetings have been completed for both AR & AP. Improvements to DIO are anticipated through inventory SOP's to be implemented in conjunction with new hires in operations, such as cycle counts, re-order points with min/max, etc.

We've met with 8 key suppliers, and initial reaction to extended terms was received well and all are open to discussion. Have approached select vendors proposing 90 day terms through Q3. Second phase of this initiative includes coming to an agreement with payment terms and we expect that to happen the week of 2/24/20.

A Collections structure has been put in place, rolled out to the field offices, and implementation is in affect. Through this initial phase we have seen several "wins" with cash in the bank as a direct result of the plan.

**Issues:**

Quality, Service, and Completion/follow up appears to be the main issues in collecting cash. We are also encountering timing issues around billing that delay cash receipts. An initiative to improve the invoicing process is in place.

## Progress and KPIs

**EBITDA Impact:** Improving each of these areas by 5% will have a $3 million impact on cash.

**Realized EBITDA:**

**KPIs for Impact**

**Decrease DSO:**

*Baseline (2019 4th Qtr): 85.5*

*Current: (January): 86.2*

**Decrease DIO:**

*Baseline (2019 4th Qtr): 55.5*

*Current (January): 58.7*

**Increase DPO:**

*Baseline (2019 4th Qtr): 41*

*Current (January): 37*

# Initiative: AUS/NZ Increase Operable Wall production Output

*Owner: Clint Morgan*

## Business Case

We have increased our basic output for operable wall units from around 25 to 45 over the past few years with process improvements and efficiency gains. With continued process gains we can maintain a 50 per day average.  Lead time needs to be 6-8 weeks to continue to secure new work.  Scheduling 50 units per day will help keep our lead time down.

## Status Update

**% Implementation Completed:** 30%

**Activities:**

- Ramping production back up to pre-holiday levels.
- Starting to schedule more starting in March
- Motorized conveyor to be installed in March
- Saw to have automated stop in May

**Issues:**

- Skeleton Crew for January.
- Lost production because of high heat and smoke from the fires

## Progress and KPIs

**EBITDA Impact:** $400-$560k

**Realized EBITDA:**

**<u>KPIs</u>**

**Units per day:**

*Baseline: 43 (2019 avg)*

*Current: 29.01*

# Initiative: AUS/NZ Increase Kyissa Production

*Owner: Clint Morgan*

## Business Case

This is a large market that is handled as a separate fit out not attached to any other trades. We currently lose work due mainly to lead time. Lack of investment has meant that our machinery is old and unreliable, resulting in lost days of production, and increasing lead time.

## Status Update

**% Implementation Completed:** 15%

**Activities:**

- Capex for new CNC machine submitted and approved
- Order will be placed for new machine
- Lead time is 12 weeks from date of order
- Exceeded scheduled demand for January

**Issues:**

- Long lead times in 2019 has allowed customers to lose some confidence
- Will require shutdown for installation and testing of new machine
- Skeleton crew for January

## Progress and KPIs

**EBITDA Impact:** $100-150k

**Realized EBITDA:**

**KPIs**

**Daily output:**

*Baseline: 30*

*Current: 28.38 (January Avg)*

# Initiative: China/HK/Macau Channel Strategy

*Owner: Clint Morgan*

## Business Case

The main channel by which operable wall manufacturers in China get into the hotel segment is through contractors, since most developers (who hire contractors and can override an contractors' decisions) do not currently make decisions on operable walls. However, we are severely disadvantaged in this channel due to contractors' overwhelming preference for low cost, so historically we've relied on old customer introductions and ad hoc relationships with designers to push our product. This is very inefficient and limit our sales potential, and therefore we need be able to more systematically manage our channels in China

## Status Update

**% Implementation Completed:** 5%

**Activities:**

- Due to Chinese New Year and Coronavirus, activity has been slow on this front
- Obtained green light to go ahead with the hire of the business development manager
- Received contracts from both recruiters we've been talking to (Profile Asia and Michael Page) for the position of business development manager
- Next step is to evaluate the contracts, sign, and get the searching process formally started

**Issues:**

- The Coronavirus epidemic has significantly reduced business activities in China. As of 2/20/2020, roughly 50% of China's population still live in areas being locked down
- Originally scheduled to start the searching at the end of January and complete by April, it is now likely to start in March and end in June/July
- Our Guangzhou plant is back to production, but many customers have delayed deliveries. Latest forecasted February shipments for Hong Kong is down 21% vs. budget, and China is down 14% vs. budget. China's macro indicators suggest a return-to-normal in May/June

## Progress and KPIs

**EBITDA Impact:** $500K-$710K No immediate impact. 2 years out

**Realized EBITDA:** $0

**<u>KPIs</u>**

**Leads:**

*Baseline: TBD*

*Current:*

# HUFCOR Initiative: Sales Improvements in Low Profit Regions

*Owner: Mike Kontranowski*

## Business Case

Maintain leadership and growth domestically by improved sales revenue and margin capture in regions currently producing low EBITDA results.

## Status Update

**% Implementation Completed:** 10%

**Activities:**

- Increased markups on projects by 5+% effective December 1, 2019 for future backlog margin growth.
- Mandated that all non-Hufcor products meet minimum of 30% margin.
- Initiated large project reviews to ensure all contracts, margins, execution, and communication between field and JVL are in place to minimize delays and mistakes.
- New Price Book launch in February – product cost updates, product list price updates, freight cost updates.

**Issues:**

- Communication still remains an issue among all functions but will improve project by project with focus on consistent meetings vs email communications on larger projects.

## Progress and KPIs

**EBITDA Impact:** $1.9MM

**Realized EBITDA:**

TBD on future sales. Current win rate on projects with new adjusted markups have not seen major decline in securements.

**KPIs**

**Leads:**

*Baseline:*

*Current:*

**Securements:**

*Baseline: **January goal: $2,300,683***

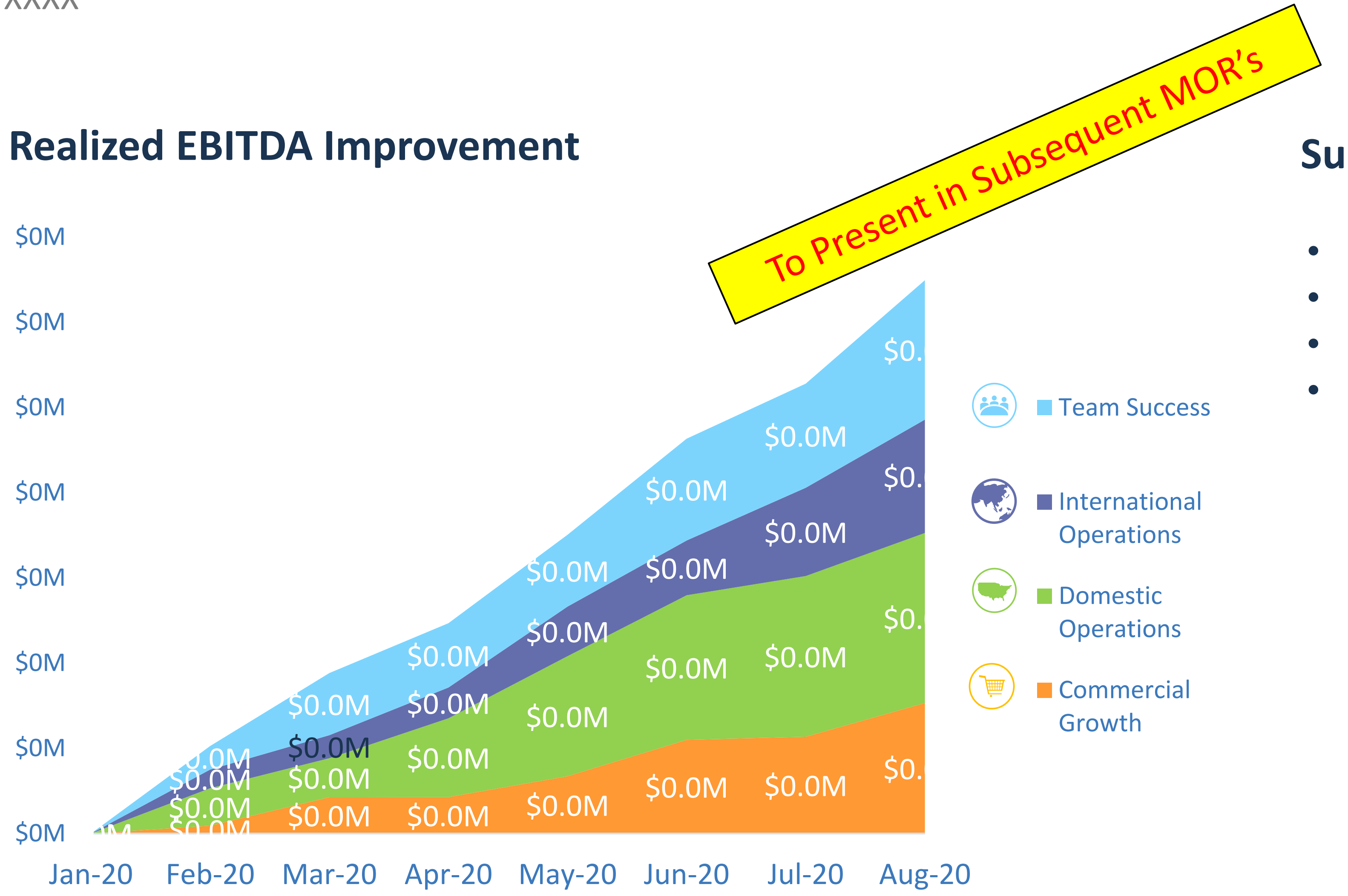
*Current: **January Actual: $2,304,277  100% of goal***

# A Appendix

# Summary of Progress

XXXX

## Realized EBITDA Improvement




## Summary

- XXX
- XXX
- XXX
- XXX

# Major Initiatives: Team Success

| Pillar | Initiative | Owner | Status | EBITDA Impact[1] | Realized EBITDA[2] |
|---|---|---|---|---|---|
| Team Success | Standard Operating Procedures in Accounting & Finance Group | Tom Gioia / Jared Franz | | Enabler | *TBD* |
| | Build Virtual Shared Service Center for Accounting & Finance | Tom Gioia / Jared Franz | | $150k | *TBD* |
| | Reinvestment in Malaysia | Clint Morgan | | Enabler | *TBD* |
| | Re-establish Project Design Team and Innovation team returning members to their respective teams | Gary Southern | | Enabler | *TBD* |
| | Upgrade Human Resources Staff | Scott Dobak | | $25k | *TBD* |
| | Organization Development | VP of HR | | $25k | *TBD* |
| | Human Capital Total Pay | VP of HR | | $25k | *TBD* |
| | Human Capital Life Cycle Policies | VP of HR | | $25k | *TBD* |

1. Steady state, annualized
2. Annualized

# Major Initiatives: Domestic Operations

| Pillar | Initiative | Owner | Status | EBITDA Impact[1] | Realized EBITDA[2] |
|---|---|---|---|---|---|
| Domestic Operations | Improve Quality in Domestic Operations | Kyle Patterson | | $900-950k | *TBD* |
| | Domestic Operations Flexible Capacity | Kyle Patterson | | Enabler | *TBD* |
| | Data Warehouse & Reporting | Roger Andrews | | Enabler | *TBD* |
| | JVL Server Infrastructure | Roger Andrews | | Enabler | *TBD* |
| | Domestic Net Working Capital & Cash Conversion | Tom Gioia / Jared Franz | | $0 | *TBD* |
| | Domestic Operations Production Efficiency Gains | Kyle Patterson | | $1.6-1.7MM | *TBD* |
| | Implement Cost Accounting Solution in Janesville | Tom Gioia / Jared Franz | | $700-800k | *TBD* |

1. Steady state, annualized
2. Annualized

# Major Initiatives: International Operations

| Pillar | Initiative | Owner | Status | EBITDA Impact[1] | Realized EBITDA[2] |
|---|---|---|---|---|---|
| International Operations | AUS/NZ Increase Operable Wall production Output | Clint Morgan | | $500-600k | *TBD* |
| | Europe Product Strategy – Cost reduction | Clint Morgan | | $210-270k | *TBD* |
| | Europe team rebuild | Clint Morgan | | Enabler | *TBD* |
| | China/HK/Macau Common Parts Sourcing | Clint Morgan | | $300-750k | *TBD* |
| | AUS/NZ Increase Kyissa Production | Clint Morgan | | $100-150k | *TBD* |
| | China/HK/Macau Channel Strategy | Clint Morgan | | $500-$710k | *TBD* |
| | China/HK/Macau 600 series USA and China the same | Clint Morgan | | $150-300k | *TBD* |
| | Malaysia Product Strategy | Clint Morgan | | $250-300k | *TBD* |
| | Malaysia Channel Strategy | Clint Morgan | | $250- 350k | *TBD* |

1. Steady state, annualized
2. Annualized

# Major Initiatives: Commercial Growth 1/2

| Pillar | Initiative | Owner | Status | EBITDA Impact[1] | Realized EBITDA[2] |
|---|---|---|---|---|---|
| Commercial Growth | Launch Partition Studio 5 | Roger Andrews | | Enabler | *TBD* |
| | US Domestic PSA | Roger Andrews | | Enabler | *TBD* |
| | Major Project Backlog Growth - 2020 | Scott Staedter | | $250k | *TBD* |
| | Increase Sales to Licensees | Scott Staedter | | $400k | *TBD* |
| | Accordion Program | Mike Kontranowski | | TBD | *TBD* |
| | Exit 630 Series Product and migrate all to 640 Series | Mike Kontranowski | | TBD | *TBD* |
| | Marketing Initiatives | Mike Kontranowski | | TBD | *TBD* |
| | Sales Improvements in Low Profit Regions | Mike Kontranowski | | $1.9MM | *TBD* |
| | Update Core 600 Product | Gary Southern | | TBD | *TBD* |

1. Steady state, annualized
2. Annualized

# Major Initiatives: Commercial Growth 2/2

| Pillar | Initiative | Owner | Status | EBITDA Impact[1] | Realized EBITDA[2] |
|---|---|---|---|---|---|
| Commercial Growth | Restructure German Sales & Pricing Model | Scott Staedter | | $325k | *TBD* |
| | Restructure Field Sales Incentive & Commission Plans / Processes | Mike Kontranowski | | $290k | *TBD* |
| | Global ERP | Roger Andrews | | Enabler | *TBD* |
| | Reinstate Vertical Folding Wall Product Development | Scott Staedter | | $1.25MM | *TBD* |
| | Identify and test Rivet-less Construction for 600 Series | Gary Southern | | Enabler | *TBD* |

1. Steady state, annualized

HUFCOR

# Appendix: 2020 Financial Statements

| BALANCE SHEET | 12/31/2019 | 1/31/2020 |
|---|---|---|
| | 1M | 1M |
| **Current Assets** | | |
| Cash and cash equivalents | $ 3,118 | $ 3,335 |
| Short term investments | $ - | $ - |
| *Accounts receivable, gross* | $ 37,343 | $ 35,051 |
| *Accounts receivable, reserves* | $ (3,256) | $ (3,275) |
| Accounts receivable, net | $ 34,086 | $ 31,776 |
| *Inventory, gross* | $ 16,329 | $ 16,396 |
| *Inventory, reserves* | $ (314) | $ (376) |
| Inventory, net | $ 16,015 | $ 16,021 |
| Prepaid expenses and other current assets | $ 1,448 | $ 1,593 |
| Current portion of deferred taxes | $ 5,281 | $ 4,894 |
| Revenue in excess of billings | $ - | $ - |
| Other current assets | $ 546 | $ 577 |
| **Total Current Assets** | **$ 60,494** | **$ 58,195** |
| | | |
| **Non-Current Assets** | | |
| *Property, plant & equipment, gross* | $ 40,450 | $ 42,446 |
| *Accumulated depreciation* | *$ (24,382)* | *$ (24,907)* |
| Property, plant & equipment, net | $ 16,068 | $ 17,539 |
| Goodwill | $ - | $ - |
| *Identifiable intangible assets, gross* | $ 15,148 | *$ 15,133* |
| *Accumulated amortization* | $ (8,753) | *$ (8,832)* |
| Identifiable intangible assets, net | $ 6,395 | $ 6,301 |
| Deferred financing cost | $ 1,745 | $ 1,691 |
| Deferred tax asset | $ - | $ - |
| Other non-current assets | $ 1,156 | $ 1,137 |
| **Total Non-Current Assets** | **$ 25,364** | **$ 26,669** |
| | | |
| **Total Assets** | **$ 85,858** | **$ 84,863** |
| | | |
| **Current Liabilities** | | |
| Current portion of long-term debt | $ 1,349 | $ 1,373 |
| Line of Credit | $ 5,658 | $ 10,128 |
| Accounts payable | $ 11,879 | $ 10,101 |
| Accrued liabilities | $ 12,420 | $ 10,685 |
| Accrued compensation | $ 2,255 | $ 1,578 |
| Income taxes payable | $ 632 | $ 172 |
| Short-term unearned revenue | $ - | $ - |
| Other current liabilities | $ 3,493 | $ 2,975 |
| **Total Current Liabilities** | **$ 37,685** | **$ 37,012** |
| | | |
| **Long-term liabilities** | | |
| Long-term debt less current maturities | $ 30,728 | $ 31,456 |
| Capital lease | $ - | $ - |
| Debt owing to OpenGate | $ - | $ - |
| Deferred income taxes | $ 31 | $ 31 |
| Long-term unearned revenue | $ - | $ - |
| Deferred liabilities | $ - | $ - |
| Other non-current liabilities | $ 46 | $ 44 |
| **Total Long-Term Liabilities** | **$ 30,805** | **$ 31,531** |
| | | |
| **Total Liabilities** | **$ 68,490** | **$ 68,543** |
| | | |
| Commitments and contingencies | $ - | $ - |
| | | |
| **Shareholders' Equity** | | |
| Common stock | $ - | $ - |
| Preferred stock | $ - | $ - |
| Capital in excess of stated value | $ 36,350 | $ 36,350 |
| Retained earnings | $ (18,771) | $ (19,615) |
| Accumulated other comprehensive income | $ 523 | $ 517 |
| Other equity transactions | $ (734) | $ (931) |
| **Total Shareholders' Equity** | **$ 17,368** | **$ 16,321** |
| | | |
| **Total Liabilities and Shareholders' Equity** | **$ 85,858** | **$ 84,863** |

| CASHFLOW STATEMENT | 1/31/2020 |
|---|---|
| | 1M |
| **Cash flow from operations** | |
| Net Income (Loss) | $ (845) |
| Depreciation, amortization and other | $ 257 |
| Capitalized fees & expenses | $ 55 |
| Gain (loss) on sale of fixed assets | $ - |
| Non-cash interest expense | $ - |
| Non-cash dividends | $ - |
| Deferred income tax | $ (0) |
| *Change in operating assets and liabilities:* | |
| Accounts receivable | $ 2,279 |
| Inventory | $ (6) |
| Prepaid expenses and other current assets | $ (142) |
| Accounts payable | $ (1,786) |
| Accrued expenses | $ (3,241) |
| Accrued income taxes | $ - |
| Other changes in operating assets and liak | $ (435) |
| Other cash flow from operations | $ - |
| **Total Cash Flow from Operations** | **$ (3,863)** |
| **Cash flow from investing** | |
| Additions to property, plant and equipment | $ 132 |
| Acquisitions of companies, net of cash acqu | $ - |
| Investment in intangibles | $ - |
| Earnout payments | $ - |
| Other cash flow from investing (goodwill) | $ - |
| **Total Cash Flow from Investing** | **$ 132** |
| **Cash flow from financing** | |
| Proceeds from the issuance (repayment) of s | $ 4,470 |
| Proceeds from the issuance of debt | $ - |
| Repayment of debt | $ (292) |
| Capital lease | $ - |
| Common stock issued (repurchased) | $ - |
| Common stock cash dividends paid | $ - |
| Preferred stock issued (repurchased) | $ - |
| Other cash flow from financing costs | $ (27) |
| **Total Cash Flow from Financing** | **$ 4,151** |
| | |
| **Effect of FX rates on cash and cash equivalents** | **$ (203)** |
| | |
| **Net change in cash** | $ 217 |
| Beginning cash | $ 3,118 |
| Change in cash | $ 217 |
| **Ending cash** | **$ 3,335** |

# Appendix: A/R & A/P Ageing

$ '000

| AR Aging | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Days** | **Aug-19** | **Sep-19** | **Oct-19** | **Nov-19** | **Dec-19** | **Jan-20** | **%** |
| 0-30 | $ 23,278 | $ 22,168 | $ 20,757 | $ 20,760 | $ 18,404 | $ 18,307 | *52.3%* |
| 31-60 | 3,880 | 4,460 | 4,886 | 3,473 | 3,532 | 2,902 | *8.3%* |
| 61-90 | 2,131 | 2,430 | 2,752 | 3,627 | 2,269 | 2,531 | *7.2%* |
| >90 | 10,986 | 10,375 | 10,944 | 11,331 | 11,577 | 11,249 | *32.1%* |
| **Total Gross AR** | **$ 40,275** | **$ 39,432** | **$ 39,340** | **$ 39,192** | **$ 35,782** | **$ 34,990** | ***100.0%*** |
| Reserves | (1,854) | (4,238) | (4,257) | (4,171) | (3,256) | (3,275) | |
| **Total Net AR** | **$ 38,421** | **$ 35,194** | **$ 35,083** | **$ 35,020** | **$ 32,526** | **$ 31,715** | |
| Change in AR Reserve | (2) | (2,384) | (19) | 85 | 915 | (19) | |
| Actual Bad Debt P&L Charge | 28 | 2,370 | 43 | (51) | (211) | 29 | |
| **LTM Bad Debt P&L Charge** | **$ 785** | **$ 3,335** | **$ 3,337** | **$ 3,244** | **$ 2,738** | **$ 2,645** | |

| AP Aging | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Days** | **Aug-19** | **Sep-19** | **Oct-19** | **Nov-19** | **Dec-19** | **Jan-20** | **%** |
| 0-30 | $ 8,107 | $ 9,621 | $ 10,944 | $ 10,185 | $ 8,275 | $ 7,686 | *73.9%* |
| 31-60 | 695 | 1,119 | 1,569 | 1,011 | 1,013 | 348 | *3.3%* |
| 61-90 | 145 | 33 | (161) | 340 | 325 | 112 | *1.1%* |
| >90 | 2,322 | 2,296 | 2,196 | 2,288 | 2,250 | 2,260 | *21.7%* |
| **Total** | **$ 11,269** | **$ 13,069** | **$ 14,548** | **$ 13,824** | **$ 11,863** | **$ 10,406** | ***100.0%*** |

**Management Discussion:**

**Accounts Receivable**

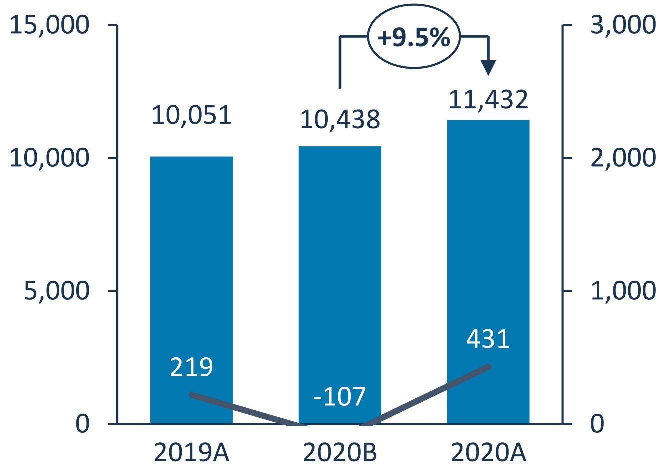
- Increase in current AR through Sept driven by billings for Dubai & New Zealand
- Retainage listed at $5.4 mm
  - $3.4 mm of Domestic Retainage
  - $2.1mm of International Retainage
- Reserves of $2.314 mm taken in September (of which $2.0 considered one-time)

**Accounts Payable**

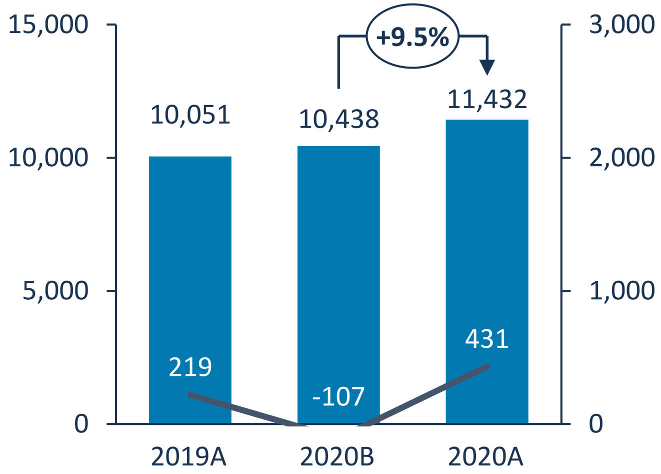
- $5.2 mm adjusting entry made in August to correct multiple errors made in the intercompany accounts that had incorrectly over-stated AP by $5.2 mm from April - July
- A/P > 90 consists of OpenGate management fees and other legal fees received late

# Monthly financial metrics

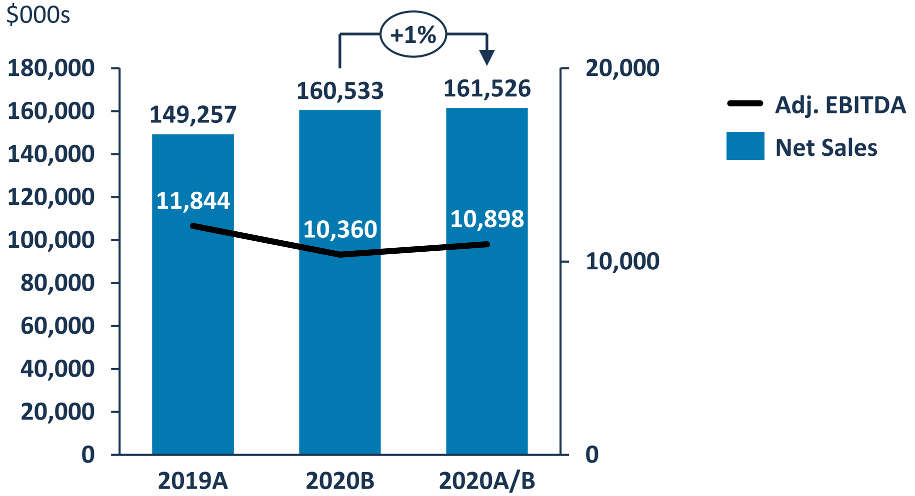
## January MTD
$000s



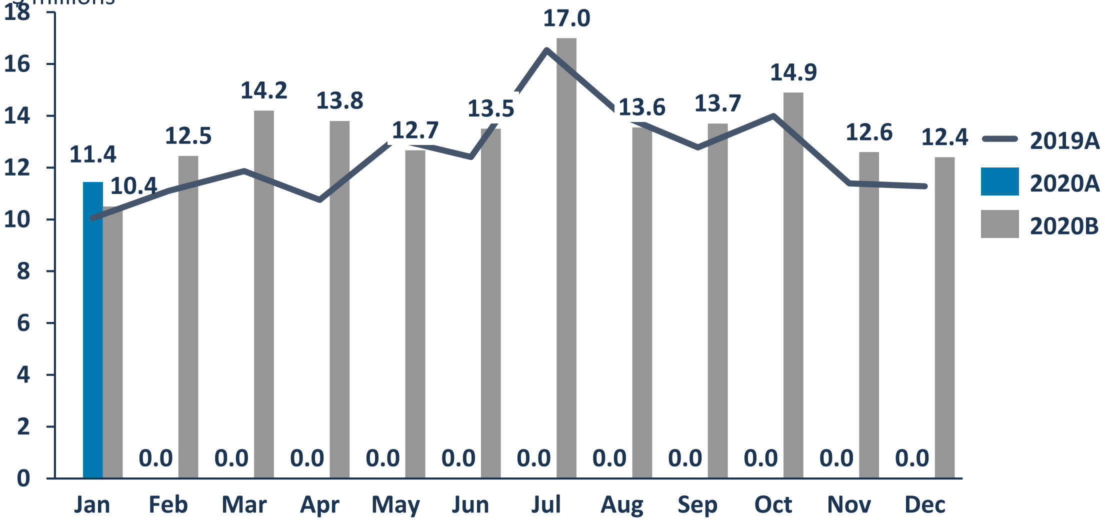

## January YTD
$000s



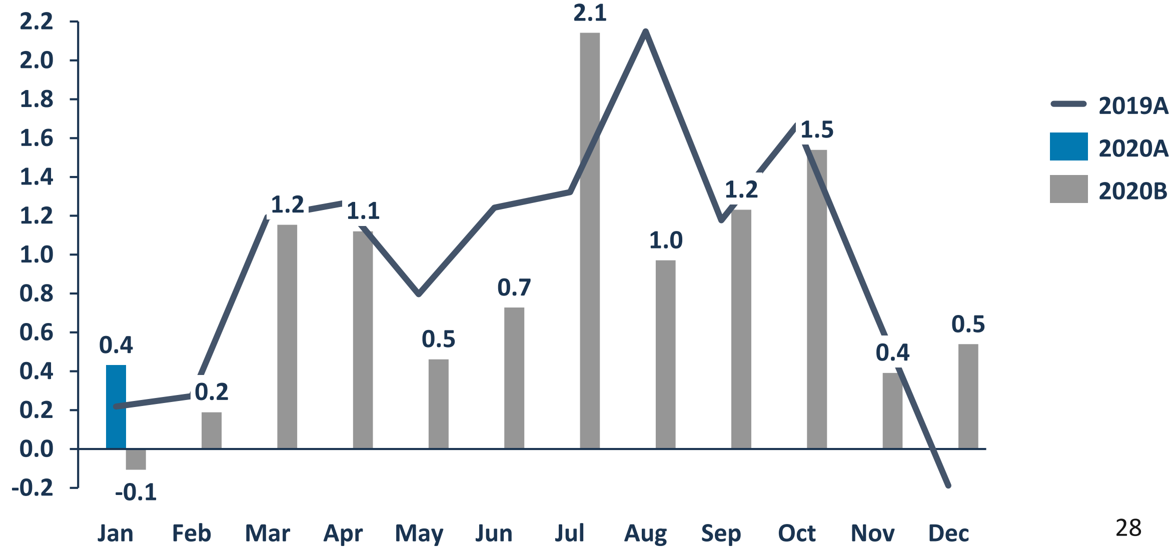

## Full Year
$000s




## Monthly Net Revenue
$ millions




## Monthly Pro Forma Adj. EBITDA
$ millions

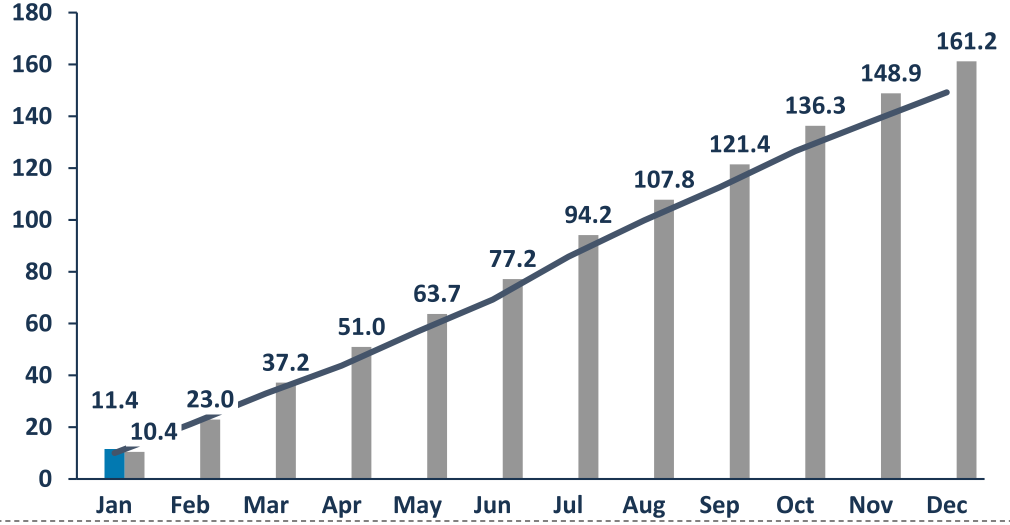


HUFCOR

# Monthly financial metrics

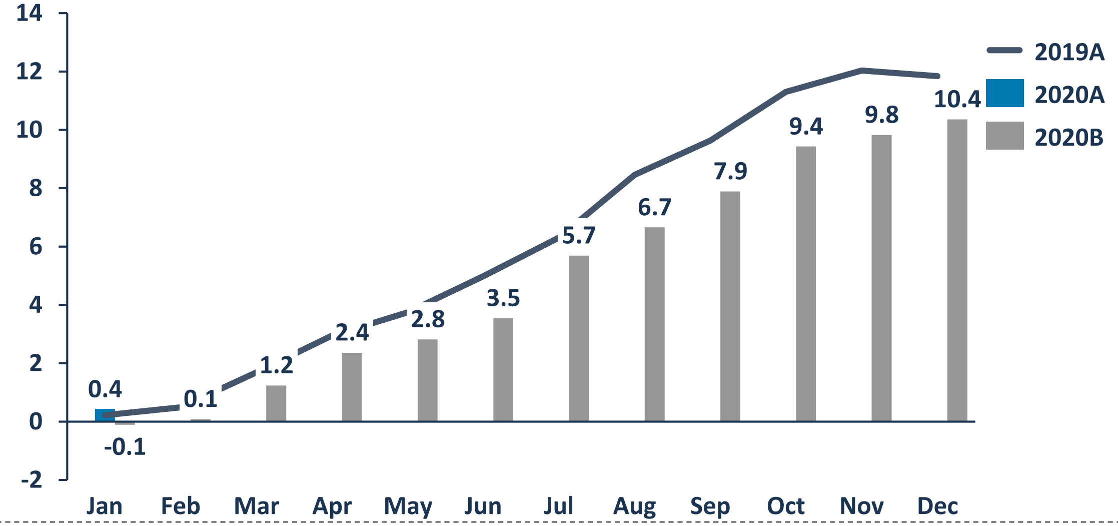
## Monthly Net Revenue

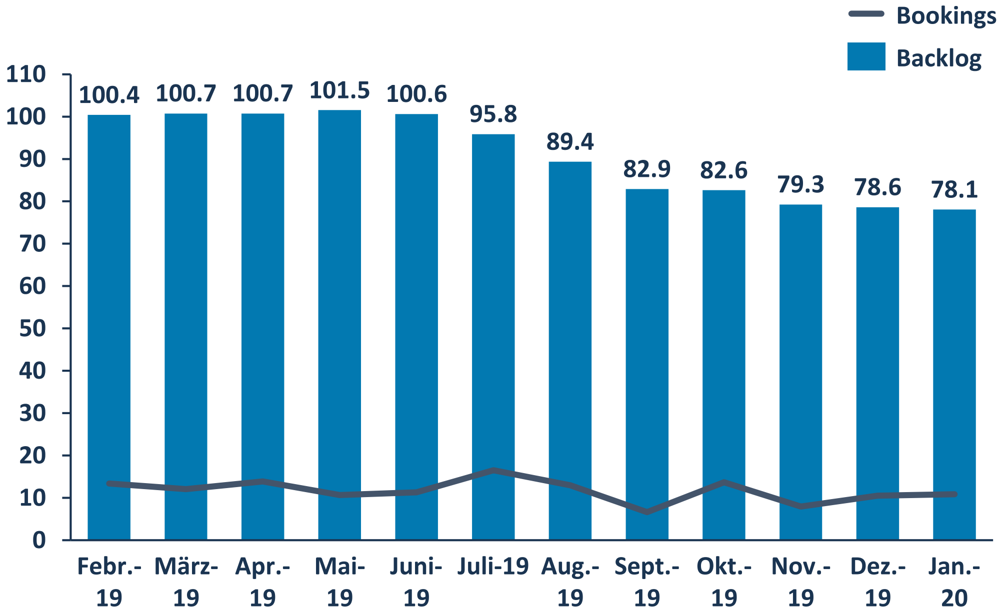
$ millions

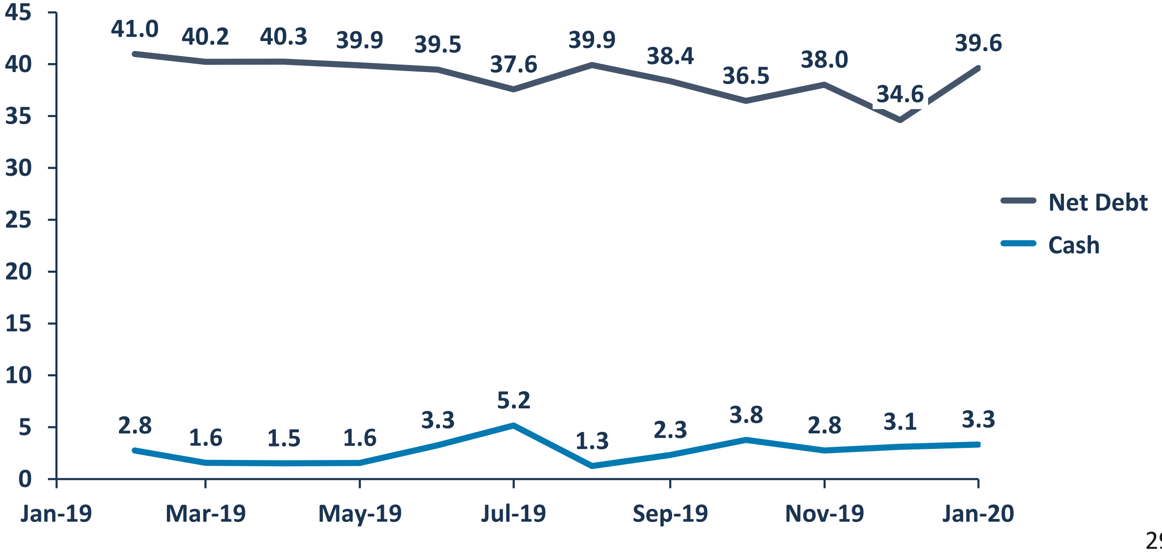



## Monthly Pro Forma Adj. EBITDA

$ millions

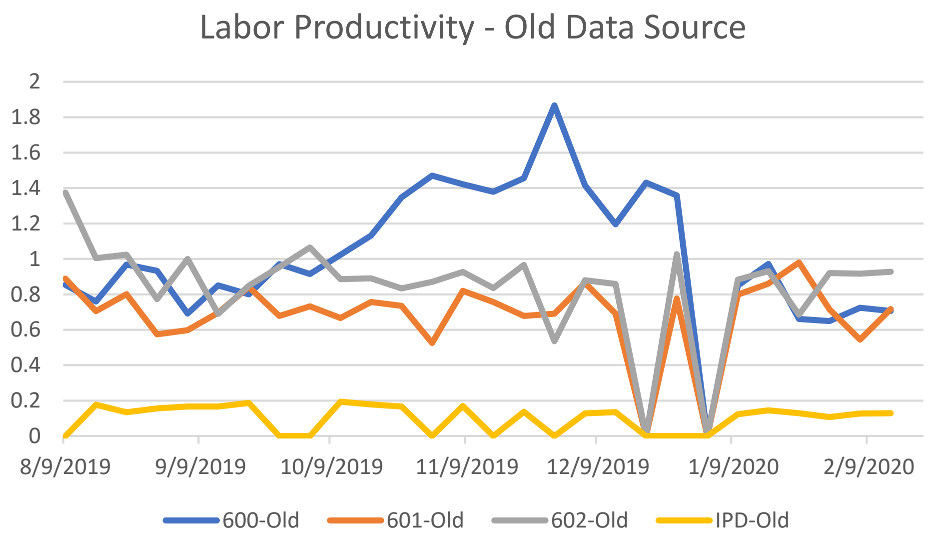


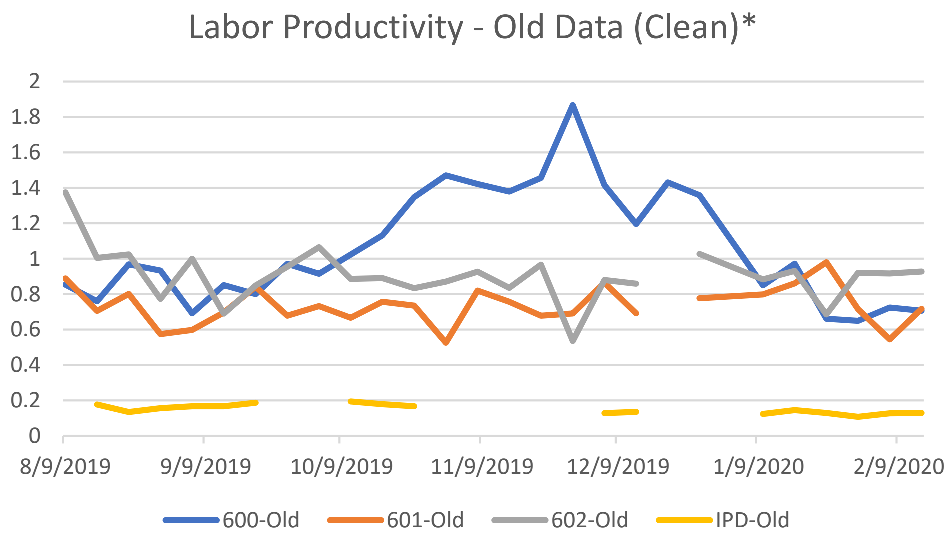



# HUFCOR Labor Productivity

Historic Labor Productivity data has not been reliable as it fails to accurately count for direct labor hours due to frequent turnover, trainees' contribution, and farm-out/farm-in practices




*removed zeros from data table

*As part of the ME Blitz initiative, Labor Productivity will be measured and tracked much more efficiently and accurately to ensure reliable productivity data*

# Labor Productivity – ME Blitz

To establish a baseline for the ME Blitz, 4 weeks of labor productivity data was tracked by line (using the new method for tracking) leading up to the ME Blitz go-live date – February 3rd; labor productivity tracking is manual today based on calculated staffing requirements but an automated solution is being planned for implementation in the near future