



Retail warehouse / Inventory
management system



State-of-the-art retail warehouse & inventory management system

Pharmapacks operates a ~230,000 square feet state-of-the-art warehouse system, of which ~140,000 square feet is equipped with advanced fulfillment automation and technology

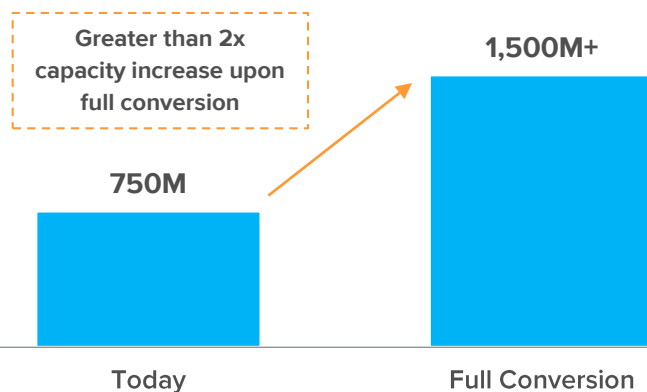
Broad 2-day shipping reach



Pharmapacks is able to reach the entire continental U.S. and Canada with economical 2-day shipping, enabling broad North American Amazon Prime penetration.

Warehouse configuration combined with low cost shipping arrangements with major carriers enables Pharmapacks to reach the entire continental U.S. cost-effectively.

Fulfillment center weekly order capacity



Current supply chain

- ~80 sources of inventory
- \$65M inventory on hand
- Average 45k orders per day
- 25k prime orders per day

Fulfillment automation



Warehouse optimization

- 31K+ SKUs
- Currently operating at less than 40% capacity



Exclusive shipping contracts

- Competitive pricing from UPS and USPS partnership
- Amazon shipping opportunity
- FBA service opportunities: Prime campus, 1-day delivery, 1-hour delivery, etc.



Amazon Shipping statistics: March 2019 – January 2020

9.4M

Total orders

~0.4%

Pre-fulfillment cancellations

Amazon target: 2.5%

~1.7%

Late shipments

Amazon target: 4.0%

~1%

Negative
feedback¹

~0.1%

Order defect rate

Amazon target: 1.0%

0%

Chargeback
claims¹

¹ Components/factors in calculating “order defect rate”

Current supply chain



Islandia (Warehouse One)



- 140k sq. ft
- Fully automated order fulfillment
- 23K picking locations
- 2,200 overflow locations
- Contains ~60% of on hand inventory

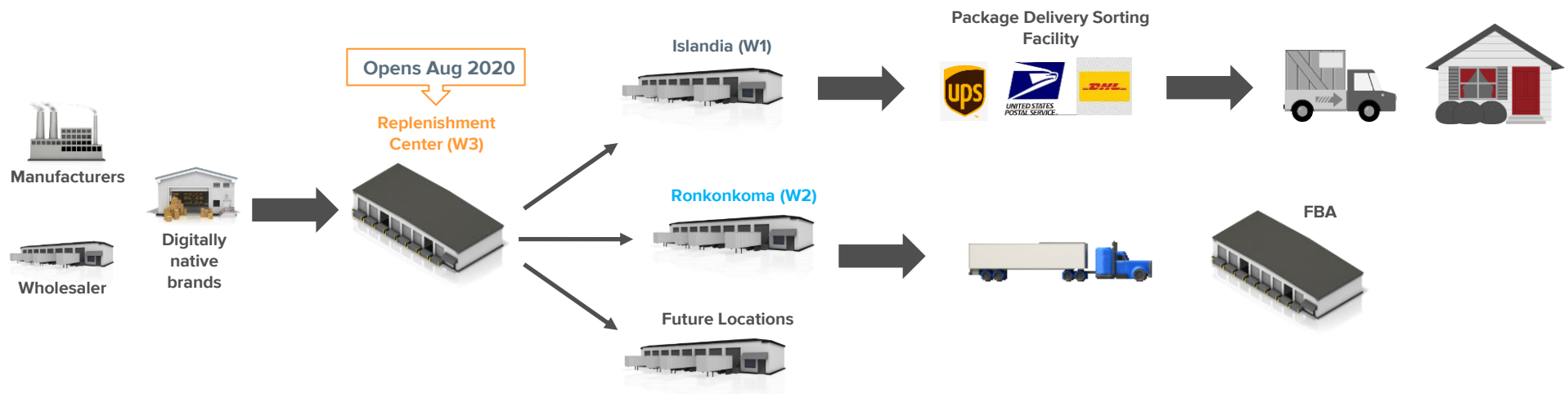
Ronkonkoma (Warehouse Two)



- 89k sq. ft.
- No core sales channel order fulfillment
- Automated / manual FBA process
- 2,800 picking locations
- 5,000 overflow locations

Future supply chain

*Simplified to increase efficiency, enhance visibility and support future growth;
replicate to west-coast geography*



Replenishment Center (Warehouse Three)

- Introduce additional 230k sq. ft. replenishment center
- Right-size network positioned for growth & strategic initiatives
- Create hub and spoke model for inventory and eliminating split inventory across facilities
- Maximize labor efficiencies by reducing redundancy

Warehouse One

- Transform WH1 into pure fulfillment center
- Free up space to increase order fulfillment capabilities
- Maximize picking / scanning efficiencies
- Implement 3rd shift, aligning labor to customer order flow, reducing cycle times and reduce shipping costs
- Eliminate shuttles between warehouses

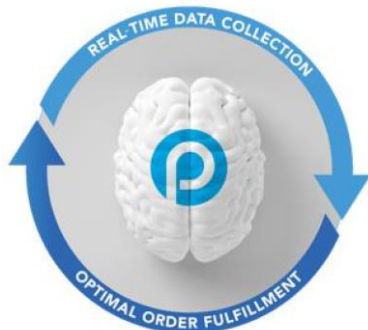
Warehouse Two

- WH2 to support all Fulfilled by Amazon (FBA) and non-core business activities (Pairly, Greenpharm, etc.)
- FBA inventory to come direct from source
- Scale FBA automation to drive efficiencies and growth
- Improve labor efficiencies through consolidation of job functions and centralization of inventory

Best-in-class, tech-enabled platform

The “Brain”

Internally developed software platform acts as the nexus for information to and from multiple vendors, sales channels and shipping carriers



The “Scanner”

Delivers streamlined fulfillment, fast order processing, real-time reporting and superior customer service



- **Real-time access** to data on distributor catalogs
- **Taxonomic** sales channel data
- **KPI reporting system** with thousands of unique reports
- Custom **fulfillment software** that optimizes shipping costs
- **Product creation and listing** across all sales channels
- **Ordering** via price-shop by SKU / supplier and dynamic re-stocking
- **Inventory management** dictates proprietary “floating bin” slot management system
- **Data collection**
- **Pricing algorithms**
- **Pick ticket** multi-SKU pairing software
- **Reverse UPC** scanning logic allows “product to find the order”
- Warehouse employee monitoring such as **employee productivity reporting**
- **Order queue** (order batching and management)
- Customer service **interface**
- **Foreign UPC detection** with ability to detect updated products

Data shared with our partners



Customer data

- Customer reviews
- Geographic data



Performance

- Product level sales data
- Inventory lead time / turns
- Taxonomical sales data



Platform

- Performance marketing data
- Market / category insights

Pharmapacks Brain Functionality

Product listing lifecycle

Inventory management & ordering tools

Reporting & data

STEP 1

- Users review products based on imported data and images imported from one or more sources or via a manual process
- The product queue is prioritized by Amazon Sales Ranking

STEP 2

- The Brain searches all supplier/CPG catalogs for the product and automatically maps them to the new product

STEP 3

- Using direct API integration, we search for listings matching the product
- If none exist, it is created on the marketplace, which includes Amazon, Walmart, eBay, Pharmapacks.com, Jet.com, Overstock, Sears, Shopify Merchant Platform and Google Shopping Actions (in development)

STEP 4

- The Brain's AI repricing system uses supplier pricing/inventory cost, predicted/historical shipping rates, existing offers, sales trends and competitor pricing to maximize revenue, buy box wins and sales volume
- The system price is then verified to make sure it falls within a targeted GP% range
- If the system price is outside the range, then the GP% based minimum or maximum is selected

STEP 5

- In near real-time, the Brain processes price change events from other sellers (about 2 million a day) on Amazon to be used during next reprice/inventory sync

STEP 6

- Every 30-60 minutes the Brain adjusts listing pricing and available units across all marketplaces based on new orders, and/or inventory received from suppliers
- Available inventory levels are adjusted based on new sales, receiving, and confirmed next-day inventory deliveries
- Pricing is adjusted based on the AI repricing system

STEP 7

- Authorized Users can manage product listings, suppliers, pricing overrides and inventory levels in one location

Pharmapacks Brain Functionality



- The Brain manages all Inventory including quantity, location, age and cost – it enables products to be in multiple locations in each warehouse
- When inventory values are low, the Brain automatically orders from the cheapest available supplier to maintain a specific inventory level determined by product and previous/expected sales volume
- For Pharmapacks.com and other marketplaces, an automated on-demand ordering system is used to list products for sale that are available from suppliers for next-day delivery to our warehouse or via dropship direct to customer
- Users have the ability to supplement the automated ordering process with other products or extra quantities
- Supplier update feeds are processed automatically by the Brain – the feeds are delivered via FTP, EDI VAN, or by emails with attachments

Pharmapacks Brain Functionality

Product listing lifecycle

- Real-time sales forecasting reports that monitor inventory and multiple sales related data points to identify under stocked items and projected revenue / lost revenue
 - These reports also calculate the ideal acquisition cost for the product to be able to achieve the forecasted movement and amount of inventory to stock (incorporation of buy box % and seasonal trends is in development)
- Real time alerts that both email and text (based on severity) stakeholders for unexpected sales volumes and/or order rates

Inventory management & ordering tools




- Detailed Sales/Movement reports combining order data from all sales channels that can be grouped/filtered multiple ways including:
 - Destination state
 - Order date range
 - Brand
 - Week over week / month over month
 - Market pace
 - Listing or SKU
 - Average order quantity

Reporting & data

- Shipment expenses and warehouse throughput rates including packages per minute, weight, package size, and cost averages by method and destination zone
- Monitor supplier price changes and daily/hourly inventory levels to identify potential data feed issues and identify buying opportunities
- Identify possible pricing issues or listing quality issues on Amazon and Walmart
- Scan Supplier Feeds for new products and report sales opportunities based on Amazon sales rankings and category

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- ✓ Over 100 automated/manual reports used by different departments that drive business processes
 - ✓ Anonymized sales data since company inception with demographics (in development)

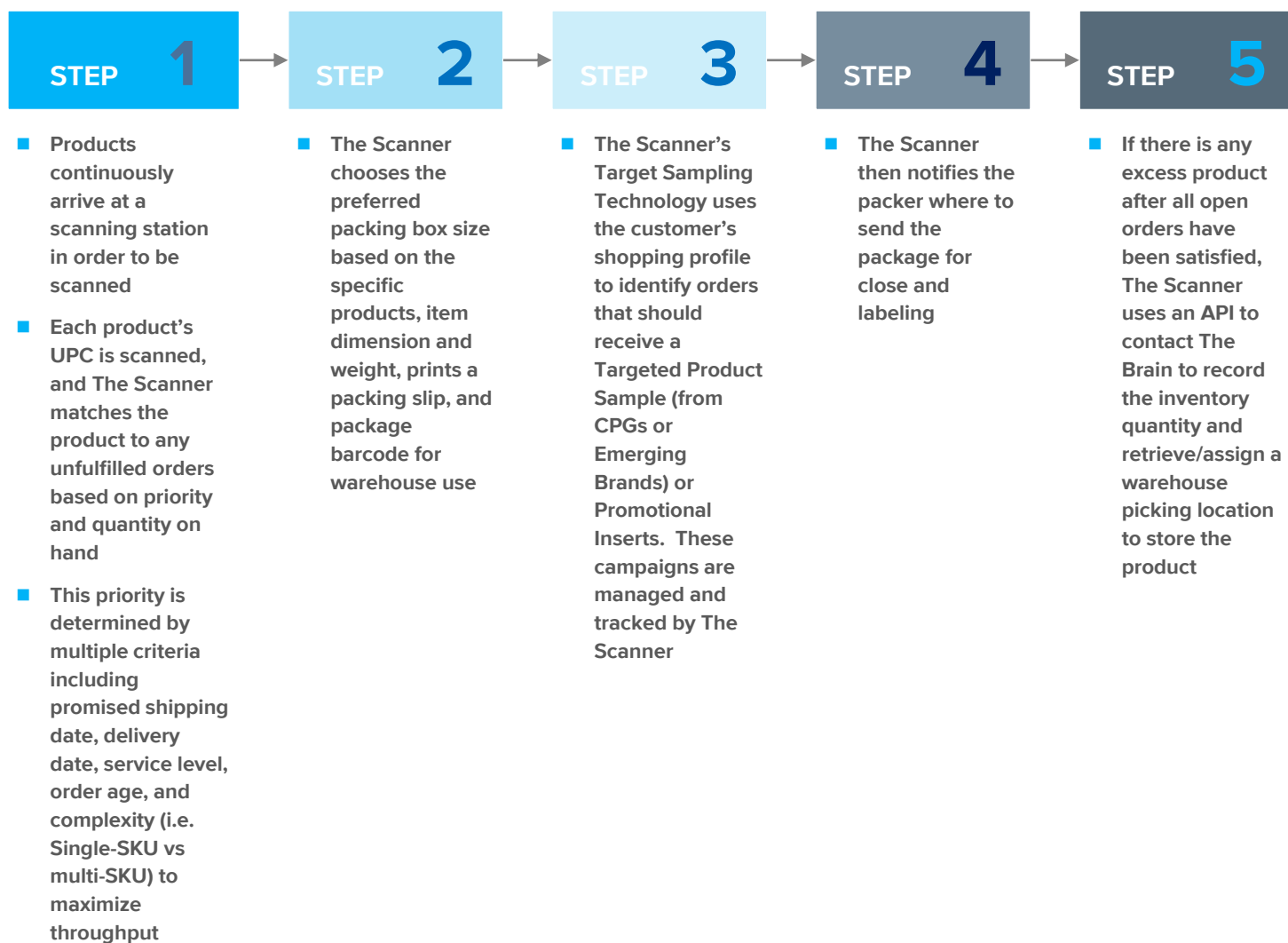
Pharmapacks Brain Functionality

Consolidated Marketplace and Vendor API Integrations	
 Marketplaces	<ul style="list-style-type: none">■ Amazon MWS API (Feeds, Reports, Merchant Fulfillment, Products, Orders, Sellers, Subscriptions)■ Amazon Beta API (By Invitation Only. Pharmapacks is only merchant invited. All others are Solution Providers)■ Shopify Platform for Multiple D2C websites and Pharmapacks.com■ Walmart Marketplace<ul style="list-style-type: none">■ Channel Advisor■ Walmart Marketplace API (and Beta program)■ Sears Marketplace via Channel Advisor■ Overstock (Order, Inventory, Pricing)
 Shipping and services	<ul style="list-style-type: none">■ UPS API■ USPS via Endicia for labeling<ul style="list-style-type: none">■ Subscription direct with USPS carrier network package update feeds via SFTP for all packages.■ DHL via Endicia for labeling and tracking■ Amazon Buy Shipping API for Prime Fulfillment■ Amazon Shipping Service via Amazon Buy Shipping API<ul style="list-style-type: none">■ Amazon Shipping API direct integration scheduled for Q4
 Vendors / Suppliers	<ul style="list-style-type: none">■ EDI Providers TrueCommerce and OpenText■ Multiple Suppliers with varying technological and formatting capability<ul style="list-style-type: none">■ Email, FTP, SFTP, Browser Automation

Pharmapacks Scanner Functionality

Reverse Scanning Technology Driving Primary Order
Fulfilment and Inventory Receiving Workflow

Secondary Capabilities and Features



Pharmapacks Scanner Functionality

Reverse Scanning Technology Driving Primary Order
Fulfilment and Inventory Receiving Workflow

Secondary Capabilities and Features

- 1 An API that communicates with The Brain application in order to transfer order, product, and shipping data between the two systems
 - Product, shipping, and order data are imported into the Scanner from the Brain multiple times daily.
 - Order data is processed within the Scanner and updates are sent back to the Brain as the fulfillment process progresses

- 3 Customer Experience Dashboard and Service Center
 - Robust Search functionality used to assist in tracking order progress and shipping status
 - Product management
 - Order management
 - Vendor recognition

- 2 Reporting and analytics tools which provide insight to management into warehouse and scanning efficiencies
 - Tracked daily, weekly and monthly data:
 - Individual scanning station performance
 - Sales
 - Product movement
 - Statistics tables pertaining to sales, orders and employee performance generated daily

- 4 Multi Line Order Management Tools and Reporting
 - Allows products to be married to orders that are incomplete (for whatever reason)
 - Generate Product List needed to complete orders
 - View live contents in consolidation locations
 - Monitor live throughput and available capacity



Thank You.

