

Bulletin: 18-18

TO: Greenheck Business Partners
FROM: Tim Kilgore
President, Sales and Marketing
DATE: April 6, 2018
SUBJECT: Greenheck Update – Upward Price Action



To our valued Representative Partners:

THANK YOU ALL!

I am happy to share, as a result of your strong efforts, on March 31 Greenheck closed FY18 with another strong year of growth. Your sales results enabled us to achieve record order intake and sales at growth rates that exceeded market growth rates. Together we continued to gain market share at our competitors' expense. We could not have done this without you, our trusted rep partners, and we are very proud of your performance! And, in today's world of acquisitions and change, it's comforting to know our partnership remains strong and is the envy of the HVAC industry. As partners, we are an unbeatable team and one I certainly would not want to compete against.

Now for some less positive news... MATERIAL & FREIGHT INFLATION IS UP SIGNIFICANTLY!

As you are well aware, for several reasons steel and aluminum inflation has spiked upwards, well beyond our expectation and ability to absorb. Although the Trump administration tariffs became effective March 23, the cost of steel has been rising since January. Our steel costs have increased nearly 30% since January and we are seeing increases of two per month from key suppliers. Aluminum costs began rising in the fourth quarter of 2017 and continue their upward movement. In addition to material cost escalation, freight and line-haul charges continue to rise and reliable service is more difficult to obtain due to the nationwide driver shortage.

Despite our best predictions, these increases are beyond the 3% price increase recently implemented on April 2. As a result...

GREENHECK IS ANNOUNCING AN ACROSS-THE-BOARD PRICE INCREASE OF 2.5% EFFECTIVE JUNE 4, 2018. All orders not released for manufacture before June 4, 2018 will be subject to this multiplier increase. The increase will be included in a special CAPS® release on June 4.

It is our sincere hope that further price increase action is not necessary. You will notice several of our competitors have announced much larger increases and with shorter implementation dates. We value your partnership more than that and are trying to be as accommodating as possible with a June 4 effective date.

Please feel free to contact me if you would like to discuss this matter or share your "crystal ball" predictions on future commodity moves. Despite the fact that we have a very talented team of supply chain experts, these market conditions are difficult to predict and challenging to manage.

Once again, congratulations and thanks for an outstanding selling year. We expect good growth to continue in FY19.

Tim Kilgore
President, Sales & Marketing