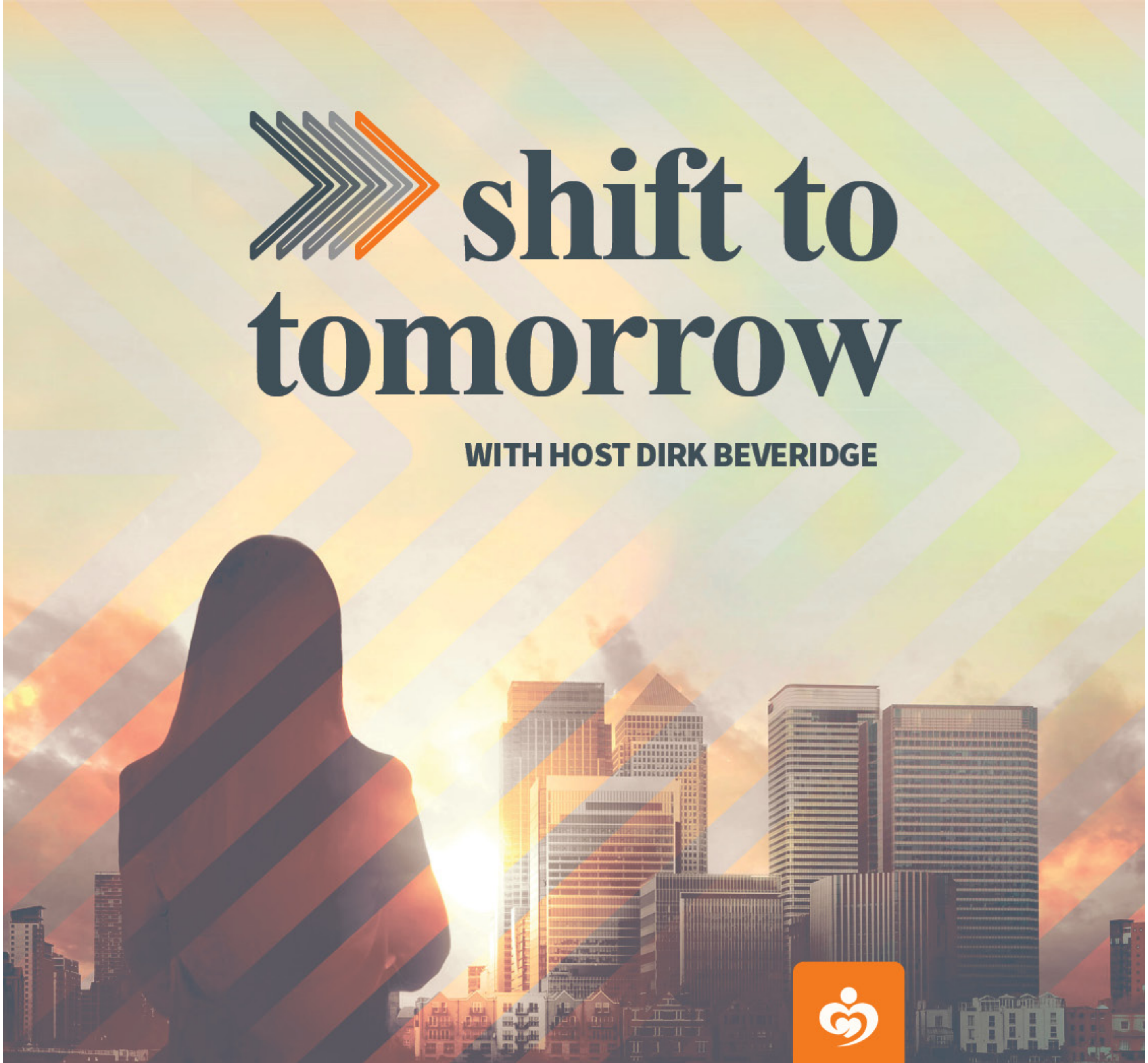

How To Frame Decisions For Recovery

WITH GUEST

RICK FANTHAM

PRESIDENT & CEO, HAJOCA

Dirk: So what I'd love to do is, Rick, thank you for joining us. I'd love to introduce you to Rick Fantham, who is the President and CEO of a Hajoca, Hajoca is the nation's largest privately held wholesale distributor, plumbing, heating and industrial supplies, they operate under 62 different names throughout the country, and it's just an amazing business model led by an amazing leader, Rick Fantham. Rick, welcome and thank you for joining us on this Mother's Day. As we talk about shifting to tomorrow.

Dirk: Hey, Rick, we've got 30 minutes together and I really appreciate you joining me. Your wisdom is, it inspires me all the time, so can we start with the premise that I put up on the screen, when you see that premise that, You know, I suggest that the world is gonna change and unfold ways and **we've got to enhance our strategic foresight to really understand what our customers and our employees and even our suppliers are going to value on the other side of this pandemic**, when you see that premise... What comes to your mind, if you don't mind.

Rick: We're certainly going through a lot of profound and dynamic change right now in both in the immediate term and medium term, there's two factors through this turbulence has helped shape my thinking. And we have the benefit. Our older son works for Morgan Stanley and they're living with us right now because of this, and so I... Even as paper or in that have struck me, based on some of the reading a dinner one, is not to do the deep recession, but the federal ____ gonna be a major jolt, a fairly short term with some after shocks, and **so an increased focus on speed an action.** And then the second part is, **and probably our biggest foe is uncertainty that none of us are a pandemic veterans, and so we're gonna be going through a bit of navigating and the fog for a period of time,** and so **I think as leaders that will be rewarded for creating clarity**. **A little counter-intuitive, but one thing I've been working at is actually trying to slow down... Once we went through that frenzy period, you actually try to slow down my thought process and very much from a student perspective, and so asking a lot of questions in terms of curiosity, elevating my observation skills** are writing down and then trying some stuff for us in non-critical areas.

Rick: In terms of looking at and looking up, I'm gonna actually try to slow down my thinking and maybe for any hockey fans are good, metaphor is Wayne Gretzky... one of the best player in hockey and I saw Gretzky play a few times, he was the biggest, he wasn't the fastest, he wasn't the best skater, he wasn't... It didn't have the best shot, but they often talked about his ability with the slowing down and slow down the game in his head, and then see where that... And pass the puck where the player was going to be going to be, and so I've actually tried to slow my thinking down and be more like Wayne Gretzky. We start to figure out how to navigate the turbulent.

Dirk: Cool, well, I appreciate that, and you can't see it, but on the other side of that wall is a New York Rangers 99 jersey signed by... Wayne Gretzky, four teams that he's played on his jersey signed by him, so you can use Gretzky as an alloy any time you want. Right, that brings me to a question, and we didn't talk about this beforehand, but Rick, how is your day changed since the covid... If you wanna sit down, if you're asking a lot of questions, you're elevating your observation skills, and we didn't talk about this before, and I'm just really curious, how has your day and time management and all that changed over the course of this, if you don't mind.

Rick: Well, to your earlier point, certainly from a technology perspective, we've been up here a cottage, we've been up here, students may be or within mark18, and I'm used to spending 47-48 weeks a year on the road. So that has changed radically. The video conference has become a way of life, and really try to create even not face-to-face to... Trying to create connections with people. So we've actually done, and this is always face-to-face, and part of our culture, we have these forecast reviews, which are more business planning or reviews that are each manager to a manager where we have 45 minutes a year with myself and the division manager, we've actually done six weeks of that by video, and so in the first couple of weeks, we were kind of money and it felt more like a chat, but I'll ask you, we've all got comfortable with it, and now they truly are more business planning meetings.

Dirk: Okay, so Rick, as you started to move into the leadership through this Covid-19, I understand that you framed your decision-making around four phases, and I think it provides really good context, can you walk us through those four phases, and then I really wanna drill down with you on the re-calibration phase, but can you walk us through those four...

Rick: So in the first week to 10 days of the pandemic, so how do I add value? And so I was, I starting to talk to more of our local managers, it was to try to **create a framework for them setting your priorities and a context for them making decisions** and so both respond down into four phases, resilience, readiness, re-calibration and recovery. I apologize through alliteration, that number got my style, but it worked out that way. I really see March 12th, which happened to be the day of the NBA postponed the season at being day one. **In the resilience phase, which for us ended up being about 10 days, the overriding priority was safety, safety and safety, and at that point in time, emotional leadership was the most prominent.** And so from a natural perspective, we spend a lot of time on Team, customer communication, with support, are we gonna provide with operational guidance that we in a pride around the showroom and the counters and whatnot, and in **that first 10 days, it really is locking down the safety of our people**, unfortunately, North America, we would have close day thousand people had one positive case of covid 19 and that person is fine, and **so in that first phase of resilience, it is really creating clarity and comfort so that our people feel confident working their way through it**.

Rick: And as I look back on, it lasted about 10 days before ever gonna settle down and felt good about going into the... Going into the local location, for me. **The readiness phase started March 22, lasted about 30 days, and that's when it just not to focus on protecting our people, but also protecting our business**, **and at that point, the rational becomes more prominent, so emotional is there,** and it's clear that the market is gonna take it, kinda like my comment about natural disaster, clearly market's gonna take a hit, and then location by location, and on a natural basis, **how are we gonna reset our business to first survive, first survive through that early days and then thrive through the next cycle decisions are really tough because people are still have one foot on the emotional side**, once they run on the functional side, the readiness provides guidance on the what, but the how much and the wind is still tough, and for us, it was actually a great time to have local decisions, because as we've seen dramatic difference in variability, as I look at our North American landscape in first two weeks of April, One branch in Canada down 93%, Arizona was up, and New England was down like 40%.

Rick: So we really pushed the local decisions, and because of that need for clarity, what the guidance we provided our folks is unlike 2008, where it was a gradual decrease, you are to look at the O. In this one, we said, make an assessment, take some risk, and then make the decisions you think you need to make in the first 30 days in that speed and action. I will give you an opportunity to move to clarity and confidence. And so we didn't move one by one, but we moved with speed, and one of the early documents I read said that the downturn would be nasty, brutish, but short, with 33 million Americans out of work in seven weeks, I think the nasty has ended up being true, we'll find that about the short, I believe in April 22, which happened to be our board meeting, **we moved into re-calibration and I actually think this is gonna be the toughest path, not from a leadership perspective, certainly the hardest decisions were in the readiness phase but I think the toughest for my leadership will be in a three-calibration because you've got bumps, you've got conflicting forces, you want your people to be in that play to win.**

Rick: It's important to stay really close to people and customers, joy and adaptability key, and one thing that's been really good from a wholesale distribution is what's happened is if we ended up in most jurisdictions being the last one down and the first one out, from a construction perspective, the government wants to get construction going, and so the re-calibration phase, which will circle back to, I think is actually the toughest of the phases, both in terms of the impact of the different influences and the duration, the phase. Well, who knows when it's really gonna happen is the **recovery phase, and when positive economic growth does resume in a sustained basis, I think the risk here is a lot of a personal company and government debt.** I think it could favor our sector, I think of ———- and importance of clean air, like we do at everywhere on whether it's a V or or you, or W or a Nike swoosh. But I don't think it will be like the walk of 2010. Interesting, I mentioned our board meeting on a 402, and the guidance we got from our board is to treat the next 12 months of RE-calibration probably like a rounded W, and so they don't want us to behave as if recovery is in...

Rick: And I think part of that is a concern of a second wave, and the only thing I know in all of our forecasters, I know that I'm gonna be wrong.

Dirk: No doubt about... But you're gonna be wiser than me, Rick. Somebody asked me yesterday, actually, on a call, what do I see it? I say whatever I tell you, don't listen, 'cause there's other... Alright, so thanks. Right, so let's talk about this re-calibration phase because, hey, that's where we are, B, it's gonna be the toughest on the longest you suggest it, and I believe this is where that strategic foresight really comes into play, I really **re-calibrating the business for what we see happening on the other side.** So can you tell us a little bit more about how you are going through this re-calibration phase and what you're suggesting to your managers across North North America, and as you... And as you do that, I'll remind people, if anybody has any questions for Rick, put them in the question box, and I'll try to work those in as well to cut the re-calibration phase, if you don't mind.

Rick: Great. Good. I was asked how I spend my days. The good news, it is certainly in that first 10-day resilience and the early side, arrest felt like we really didn't have control over my day, I felt very, very reactionary. I got up in the morning, get going, and to do this that I'm working, and then finish at the end of the event, really attacked any of them. And so at that point, it really felt like hours and days, as we've now moved into the re-calibration phase, the good news is, is we are in our art thinking for the days and weeks and even potentially month, Brian, hours. So that's a very positive thing. **I increasingly see across the company and I see it in myself, we're adapting to our covid 19 world. People are getting used to working from home, it's interesting**, we have a major ERP project in the middle of this actually in Canada, and in the last seven weeks, four of those weeks have had better productivity than any other time in the last three years, and we're actually... We have a back office go live on July 13. The great news is we're now back on track, we came into covid 19 being a yellow, we now back on track and believe that will be a green.

Rick: The bad news is no one may be in the office for back office co, you can see people adapting, and I think one of the beneficiaries of us saying, **Hey, whatever you think you need to do, do it, fast, do it in that first three days is I now see more and more of our people going from a survival mindset to play to win mindset,** the big challenges as I look at it and the re-calibration phases, there's so many factors out there, and many of them are conflicting. On the health side, I continue to be all of our top priority, and we have to stay disciplined on physical distancing, figure our folks on the front line, what you're seeing very conflicting, a social behavior or Xanthe need for human connection. Not stuff in Michigan and hunting in beach and for and what not. So for the health side, you're seeing conflicting messages on the government side, and I absolutely think this is the time for local decision-making, much like our business model, so I'm pleased that it's the government, the governors and the mayors that are making the students, 'cause it's so different by jurisdiction, by a lot of ex-messages on that side, how important health is, how important economic recovery is, and then we get the challenge of the mounting public debt on the customer side of...

Rick: Fascinating, you see, talking to the customers, I've talked to the apprehension of productivity, health, there, their own recovery and cash flow, and so it's a bit of a foot on the brake and a foot on the gas from the customer side, on the consumer side, that fear continues and we see that in our showrooms, for sure. And yet that need for human connectivity, and then the emotional and financial health is in here, and I'll come back to the emotional health, and then on our vendor site with a lot more at stake with a lot of people in one location and a plan focused on teaching plan safe and open, a challenging supply chain right now in terms of tracking and then questions on what sales coverage and sales and support paperwork lot of uncertainty in the re-calibration phase, and as I talk to our manager is... **Agility is important, adaptability and local**, and again, try stuff that is not critical, but is non-safety as it sees works in terms of the crude pick up and take that, so a great time for a joy in inability.

Dirk: Cool, I appreciate that it... Can we drill down on two of those just for a moment, so **the way I interpret this, you've talked about health, government, customers, consumers and vendors**, and so my interpretation, Rick, is this concept of strategic foresight, this concept of peering into the future... **What I hear you saying is, these are like five key categories that we gotta continue to feel the pulse of, continue to look out to the future and say, How are these going to be changing, what are going to be the new requirements to each one of these five pillars**. Is that a fair... Essays customers, so you talk about apprehension on productivity, health, their recovery and cash flow, so as you look at those, how are you in your leadership team taking those data points, if you will, and using those to drive investment decision-making services, if you will, knowing that you're driving those decisions down to the local level... Does that make sense?

Rick: I think it's a great time for all wholesalers, and you are a wholesaler to get closer to our customers, I think what's different today is our customers, I think I've never felt on there, you think of all the stuff coming down from DC and from the States on support and on programs on what around the job site with not allowed on the job site. So what we try to do is, early on, again, to provide that comfort and clarity and confidence is we set up our business continuity team, and as soon as a local manager had a question, they dove deep and issued back to the field, things like the counter things at the program seems like mask PPE. And so what we started to do in the last few weeks, I made that business continuity team, material BCG team, available to our customers, wounds, **we see that as a big opportunity to get closer to our customers, and many of our customers are small to medium size, and so we feel like they're navigating in the fog, it probably seems like a wall for them at times, and even a high level of loneliness and safety, and so we're trying to use this as a way not just to walk a financial mile in the shoes of our customers, but also an emotional and safety more..**.

Dirk: I love it. Thank you. Two things there, if you don't mind, to me, **it just really hit home when you say our customers have never felt lonely, I'll just hang that out there for everybody**, right. There's something that we can all rally around. I think in each of our individual companies, and then when you talk about bringing this team to your customers to help them think through their business... It reminds me on Thursday, I hosted the National Association of Electrical Distributors, National salesmen, Mike Marks was on it, talking about stress testing the business, and one of the things that came out of that was one way that we could get closer to the customer in a very similar sense of what I hear are you doing is bring some of the stress testing to our business or for our customers to help them through it and like just as you're saying, I love it in... I'm gonna forgo the question I had their... Brent is asking the question here, Rick, he says, Thank you for the comment. He says, What does wildly successful look like at the end of re-calibration and how will you know when to pivot to recovery? Is a great question.

Rick: I'll come at that totally through our core team fields. This is probably the fifth downturn that I've worked through or led through, and one thing in the first ones dating myself here about 1989, and **one thing I had to learn as a young manager is your own more to the people that are part of the enduring solution and you do to the whole team, and so sometimes to make everything work, you can't carry on everyone over the hill.**

Rick: And so it's really... **To me, wildly successful is our core team picking their head are to the foxhole six months from now, 12 months now and say, Wow, we stay true to our core values. I was treated fairly, might have taken a hit through it, and I was treated fairly, or leadership provided guidance, our leadership shared in the pain, and I'm proud of the company I'm part of, and yeah, I would come at it totally through how our core team... I would feel at the end of the calibration.**.. Cool.

Dirk: I appreciate it. Thanks, Rick, then I know you talk about this play-to-win mindset, and you talk about thriving right through this, and on the other side, can you share with us some of the thinking that you have to help your team really think about thrive, not just surviving, but thriving through this, and generally, Paul from Quebec asked the question, Do you have any strategies for stealing market share, so thriving, finding those opportunities for sales and market share as well?

Rick: I'll start with the front end of your question, and Dirk, this is really me observing and listening to our top leaders across lines, across and the first thing, and this is one that only in the last couple of weeks is getting a lot of attention, but I think we were fortunate, we put a priority on it early. **And number one, paying attention to the emotional well-being of our folks and staying connected to their family, to their teammates, however they're doing that, whether it's in the driveway or whether it's on video, helping people get accustomed to working from home, setting short-term realistic goals for that sense of achievement.** I invite our people to think about the weekend and find an island that Aja and the news don't move on, and then... I'm not really a big board game fan, but 30 to play some board games on the weekend, and so paying attention to your emotional well being... I see number one. Number two, don't blink on safety. Absolutely.

Dirk: I interrupt just for a second. Sorry, and I know time too, but what do you mean? Find an island that Hakka and the news is at one day

Rick: On the weekend, just forget or JOA one week, just freedom as number four on a list of three, and really step back and... 'cause you really see and not just with our team, leadership to stop anti on email on the weekend, 'cause I can be of some folks are okay with that, and so I can see it's detrimental to... So that provided a career...

Dirk: Yeah, it does, and I appreciate that those that have been with me the last couple of weeks, I was on it last Monday and two, I think it was last unani crashed. I absolutely lost it all and my energy was gone, my focus was gone, and I had to unplug, it was on a Monday and a Tuesday, so I don't think I did that well enough for the newest does.

Rick: Yeah, thank you. And I see that, I see that. You don't know what... I see it with some veteran leader that I go, Holy smokes, like they didn't have any challenge in 2009, 2010, so what's going on? And maybe they've got on an A that's going through it, so you don't know what's going on. So I really have tried to be a little more children on the weekend, I never to... Don't blink on safety. We're getting a lot of mixed messages from government, probably more on the phone, I'm watching the number of fatalities a day, yesterday was a good day around 1400, but in a lot over 2000, concerned about the second wave, concerned about how we adopt the new guidelines on the physical distancing at the counter in the showroom, and then I do a self in-home, just from an exercise perspective, you Bauer three interview how we do things in our business, and you talked about this upfront at Deron, terms of technology, with the need to see... I've seen some vendors already put on ice with valve training via WebEx, so taking advantage of people being accessible and from what I can see, listening across the country, I see ___ have done a better job than retailers on perfecting groups, I pick up.

Rick: So I see that as a way of innovation that I have one customer, curbside pick pickup is a reward, the efficient customer doesn't penalize them for sitting in the tanning and account behind the inefficient customers and now we open love it. And creating new opportunity with their customer in things like order entry, PPE, virtual sales call, both post in terms of things like training, and I found caring just picking up the phone, trying to get a video call with a customer to talk about Caring... So during the four qualities for getting people into that thrive mindset on the market share, probably the biggest thing we're doing is try to be boring, the consistent is... We've got a strong balance sheet, so having lots of inventory and making sure we continue to the right product the right time, and adapting with our customers, we're not wait, not, but we're absolutely trying to or providing that locating in that sense of safety and caring to our pastor?

Dirk: Yeah, can't believe 30 minutes is already gone by, and we could do a lot more and I really appreciate... I will end with a question that as scare and maybe... 'cause I think this will be really good. Yeah, ask the question, what's your secret for slowing down one's brain, how do you discipline yourself to do that? I think it's a great question.

Rick: What I would say, reading a lot hitting our desk, you have to decide, I just say I am my son and being a better my filter red now, 'cause he has to file across his desk and then he said, Hey, you might wanna read this, so reading... And maybe just maybe the number one thing is subordination, ego tendencies, and **so being clear that I don't have the answers, and so maybe that's the big part, is not assuming I'm gonna have the answers, and so the moment you put yourself into that student mindset, all of your other senses can open.**.. So yeah, maybe that said. I don't come into this saying, Hey, I'm a general pattern, and I can navigate this better than anybody else is I'm used to downturn, so I have some smart here on outside and some scores, but the pandemic is new, is a new curve or a cruel... **And so, yeah, I don't assume that I have to have all the answers. It probably helps me slow down**

Dirk: S1: A... Fantastic, I really appreciate it. Rick, bottom, my heart. Thank you for your time, thank you for your wisdom. Thank you for your leadership. And every time I'm with you, I learn from you, and for you giving up part of your Sunday, I'm grateful. Thank you. So we'll be in touch. Alright, sir, thank you. Thank You.