

INFLATION AND SUPPLY CHAIN UPDATE

Never has the issue of inflation and supply chain management been front and center the way it is in today's environment. Foodservice experienced **13%-16% inflation for Q1 of 2022** and economists anticipate similar levels through the year.

Unprecedented challenges in **six core areas of business** are projected to impact the food service industry through the rest of the year, causing longer lead-times, severe product shortages, increased costs and added frustration. We realize the significant impact that these challenges have on your business and we greatly appreciate your ongoing patience and collaboration as we navigate through these unique circumstances together.

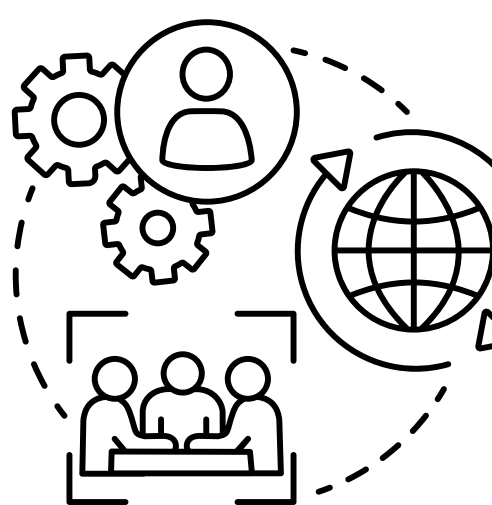
Below we have detailed these six areas of business being affected while providing insight into practices Martin Bros. is putting into place to minimize the impact to our customers.

1 LABOR

Wage and salary inflation has had significant impact across the supply chain in critical, hard-to-fill manufacturing roles. These labor shortages continue to present challenges for factories who are unable to run full shifts, therefore reducing output and contributing to SKU rationalization.

STEPS WE'RE TAKING

Labor shortages are impacting all industries across the nation. We know many of our customers are also facing these challenges. At Martin Bros., we have adjusted some of our at-risk positions to offer increased flexibility. We are also exploring automation options where it makes sense and have enhanced our benefits packages as well as our recruitment strategies.



STEPS WE'RE TAKING

Martin Bros. has responded to these challenges by offering flexibility for our own drivers while exploring load options with our manufacturers. We also closely monitor carriers and reduce additional pick-ups to provide more efficiency while seeking plant direct options to minimize multiple transfers. In addition, there has been ongoing analysis on routes, deliveries and the number of cases going on our trucks daily to ensure we are being as efficient as possible with our drivers and the miles they are driving.

2 TRANSPORTATION

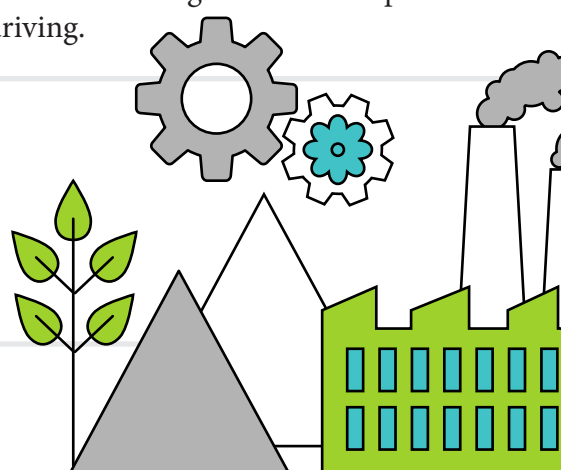
The industry is experiencing a shortage of supply to meet product demands in part due to a lack of drivers, shortages of vehicles for hauling, and the effects of an economic rebound across the country. Fuel pricing increases contribute to additional product inflation. Congestion at worldwide seaports continues to create delays lasting months. The cost of ocean freight is at record highs with no sign of declining.

3 ENERGY

Supply is at its lowest stock level in 5 years due to a global demand spike, weather impacts and global unrest, which in turn have caused increases to the cost of energy.

STEPS WE'RE TAKING

When we maximize efficiency, we reduce our energy used. Making sure our trucks are full, inbound as well as outbound helps. We've invested heavily in our operations to have movement-controlled lighting throughout our warehouses and offices. We've recently upgraded our refrigeration and freezer to be more efficient and reduce energy consumption. We monitor our electric usage to identify issues and resolve spikes quickly.



4 COMMODITIES

Products have been impacted by inflation, increased demand, weather events, shortages in raw materials, labor and a supply/demand imbalance with the consumer.

STEPS WE'RE TAKING

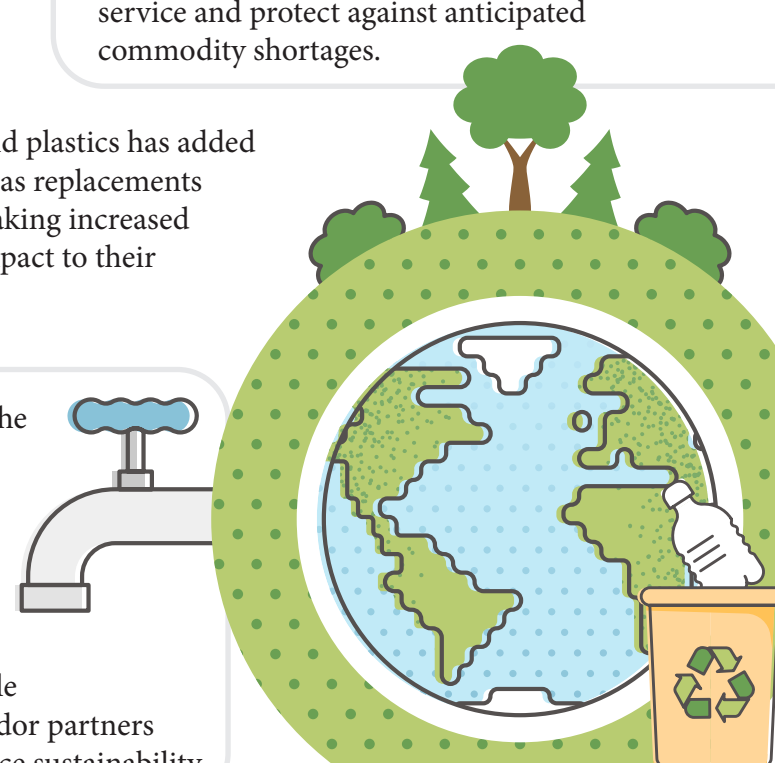
Our merchandising team keeps a close watch on the commodity markets. We use market insights to maintain attractive positions on high-volume items while working to protect supply and pricing in severe market conditions and shortages. We've heavily increased inventory to provide better service and protect against anticipated commodity shortages.

5 SUSTAINABILITY

Growing legislation banning foam and plastics has added to demand for paper-based products as replacements while adding cost. Companies are making increased investments in to achieve net zero impact to their carbon footprint.

STEPS WE'RE TAKING

We understand the importance and the significance of doing our part to protect our planet for generations to come. Which is why we have put multiple systems in place within Martin Bros. to use environmentally friendly products, save energy, minimize emissions, and recycle while improving work closely with our vendor partners who are also making efforts to enhance sustainability.



6 PACKAGING

Increased demands are impacting all segments due to growth in at-home delivery as well as the need for single service and grab & go. Furthermore, raw material shortages such as resin, lumber and corrugate have contributed to supply issues of all items using those goods for packaging

STEPS WE'RE TAKING

We continue to work closely with our vendor partners and as products are available, working with them to purchase more than our immediate needs to reduce the inconsistent supply. We look for alternate solutions, including seeking out new vendor partners to fill the gaps we are incurring.

As an organization, our teams keep close watch on these six affected business pillars. We leverage market information and vendor partner relationships whenever possible to maintain attractive positions on high-volume items while working to protect supply and pricing.

Please notify your account representative if you have any impending changes to your buying patterns that can help our teams to be prepared. If you have any specific questions or would like clarification on anything mentioned above, please do not hesitate to contact your sales or customer service representative. Despite the challenges within the industry, we remain committed to being flexible while thinking outside of the box to provide solutions that will aid in your ongoing success.

Thank You!