



2023 COMPANY UPDATE

It's hard to believe it's already September. In addition to our everyday efforts to grow and win business, we've spent much of 2023 trying to simplify the business and integrate Art 101 and DM Creations, the Art 101 Hong Kong business.

To help simplify the business, we paused acquisitions and initiated a Customer Rationalization and Classification project, which looked at order minimums, customer categories, and classifications. We established a process for vetting and approving IT and NetSuite enhancements. We formalized the process to rationalize SKUs. We have other projects in the works and will continue to look for ways to improve and simplify the business. The Art 101 integration team has done a terrific job, and while the project is essentially complete, the remaining items will be completed by year-end.

I have talked a lot about working capital, which we generally define as accounts receivable and inventory. Since Q4 2022, we've significantly reduced our working capital and remain focused on this initiative as we have more work to do. Managing working capital is always important, even more so given the Federal Reserve has raised interest rates 5.25% since March 2022 to the highest levels in more than 20 years. There is a direct correlation between that rate and our cost of capital. The Federal Reserve raised rates to slow the inflation we've all experienced, and in many areas, inflation is headed in the right direction.

I want to share our results through June. Our sales through June are 7.6% below budget. We've experienced softness in many areas due to weaker consumer demand and our large customers buying more conservatively and reducing inventory levels. The good news is that income is ahead of budget by 22.4%. We beat the budgeted income because import freight costs have been well below budget, we passed along price increases to customers where we could when we were experiencing higher input costs, renegotiated with vendors, and controlled expenses. Halfway through the year, we are one-third of the way to meeting our financial goal, so we have some work to do in the last half of the year.

As we work through the rest of the year, we must focus on eliminating self-inflicted wounds. Over the past few months, we have made too many internal mistakes that affected our customers. We must correct these immediately, or we risk losing business to our competitors. This is not about finger-pointing; everyone must talk openly about the mistakes, find the root cause, and implement whatever is necessary to ensure it doesn't happen again.

I want to thank everyone for all your work that allows us to continue to grow and succeed.



Financial Update:

YTD Sales 8% below budget, income 10% above budget. Last Quarter Sales 11% below budget, income 1% above budget.

Key Wins/Opportunities

- We are now set up and prepared to go into Rooms To Go patio locations for the 2024 season. Just their Patio locations. We worked on this account for 3 years and they have finally agreed to put our products in their stores.
- We started shipping to the Premier Franchise pool builders group, 175 builders, should be a key driver of sales in 2024.
- Continued 24-48 hour shipment on all in stock FL orders, including full truckload orders.

Lastly, we are changing the way we close the floats to make it much faster and easier for Petersburg. We are also consolidating items and eliminate 12 sku's in the FL line to make it easier to manage and without actually eliminating any sales.

- Charlie Frohman

Charlie & Brittani Underwood at the Casual Market Atlanta in GA.



Upcoming Customer Programs for Q4:

- Costco – 14 Pack Beauty Blending Sponges in all clubs setting Oct. 1
- Costco – New Dual Sided LED Compact Mirror in 350 Clubs
- Aldi – 26 lb. Food Bin Promo

Financial Update:

- Q2 revenue was 8% under budget and 1% under budget for the year.
- Q2 Income was over 30% above budget and for the year.

Main reasons for the higher income was lower freight and better costs from our suppliers.

We are forecasting ending Q3 higher on both revenue and income relative to budget.



- Chris Pitzo

Financial Update:

- Sales – down 8.1% to budget, down 16% to LYTD.
- Income – down 15% to budget, plus 111% to LYTD.

Reasons for the decrease:

- Almost every product category is down across the board.
- WFH – Work from home is still affecting the number of office workers actually in offices.
- Bluelounge continues to struggle with no new products.

Key Wins/Opportunities

- Staples sent out an RFP on desk pads and finally decided to stay with Artistic brand.
- Office Depot has an RFP out for desk pads and desk accessories which both COP and ADV North are participating in.
- Charles Leonard Acquisition
 - Cindy and her team have made several trips to Charles Leonard preparing for the transition to JAX. Charles Leonard sales have been strong since the acquisition, beating their budget every month.
 - We have already begun cross selling efforts with CLI customers. Their largest customer, Educators Resource, will be adding approximately 35 items from Advantus and 7 items from Art101.
- Some positive things for BL:
 - We are rolling out a 350 store program with Michaels with Bluelounge. This will be a big boost to BL sales.
 - Staples is adding 3 new BL items into their POG in about 800 stores
 - Staples place PO's for 2000 CableBox's to ship in November for a Tax time promotion.
- Our first containers of Rhinolin desk pads packed in China will be arriving in August. We should be able to shut down packing desk pads at 12th St. by September.
- Effective July 15, we have stopped shipping everything but CableBox's out of TRD. We are shipping all non-Cablebox's inventory to SHW and will be shipping the Euro customers from here. CableBox's will still ship to them from TRD.

-Harry Chernek



Our ADV team hard at work at the CLI facility in Long Island, NY, verifying items for a smooth transition of their products into NS

C&H (excluding Art 101)

- The first half of this year has been challenging for C&H, as we've seen reductions in demand for many of our customers and product lines. We will continue to face some headwinds for the remainder of the year, but we are seeing some new doors open and gaining traction at Walmart.
- We continue to look for new placement opportunities across all brands.
- Joann Fabrics financial struggles impacts affect our Sulyn, Wyla, and Tim Holtz lines.



Financial Update (without Art 101)

- YTD through June, Sales are 20.9% below budget, and Net Income is 181% below budget.
- For Q2 specifically, Sales are 22.2% below budget, and Net Income is 141% below budget.



Financial Update

- YTD through June, Sales are 33.4% below budget, and Net Income is 7.8% below budget.
- For Q2 specifically, Sales are 65.5% below budget, and Net Income is 22.1% below budget.

Key Wins / Opportunities

Joann

- Wyla received POs for new private label items with Planters from Brazil, Jute from Brazil, St. Patty's Tutus, and Holiday tulle spools, with planned shipments between Aug and Jan.
- They also have POS for Spring fabric buys that would ship in January. These are all incremental SKUs.



Walmart

- Early this year, we brought on a new Rep Group for Art 101.
- Our Walmart Rep has opened up new areas for Art 101 including Seasonal, Back to School, Collection, Impulse, Dollar Spot, Craft, and Private Label.
- We recently engaged the same sales rep to support our Sulyn business, and we are quickly gaining traction in new departments.
- Sulyn is also having conversations with buyers in the Kids, Impulse and Back to School departments.
- We expect we will see these efforts translate into material revenue beginning in early 2024.

• Michaels

- Wyla have secured POs for a new Mega POG.
- Sulyn has 2024 Valentines orders shipping in October.
- 2024 Jewelry Reset that looks solid. POs expected soon.

• 5 Below

- Art 101 has confirmation on a Spring DI order for 3 new SKUs that will ship late 2023/early 2024.

• TJ Maxx

- Art 101 received orders for two liquidate items:
 - One order for 10,000 units of 142 piece kit. We were sitting on 40,000 units of this kit.
 - One order for 565 pieces of item returned from BJs.



BJ's

- Art 101 has new business at BJ's, with a spring order in their Toy Dept.



HEB Supermarkets

- Art 101 has new business at HEB.
- Holiday pallets shipping DI in September.

NEW

Art 101 NetSuite Conversion

The conversion to Netsuite is complete! The project has transitioned into a steady state operation. The team is adjusting to the new system and we're excited to have this live have visibility to the business in NetSuite.

Thanks to the entire Shared Services and Art 101 teams!

- Andy Woods



PBG Cornhole Tournament



**Tournament Champs
Vanessa Brown & Stephanie Killmon**



Corporate Blood Drive was a Success!

- 14 people registered
- 10 units collected
- 30 lives saved!

Caveman Shaved Ice at Corporate



Financial Updates

Mercury YTD sales are 5% below budget and net income is 3% above budget.

- Sales are down simply due to recruit numbers being down by about 20%.
 - They are down to the point where they have started to call reserves back to active duty.
 - The military budget has been reallocated to the war in Ukraine.
 - We do expect August to be a strong month.

Seward YTD sales are right at budget and net income is 169% above budget.

- This is great news considering we were out of stock on our colored vinyl at the beginning of the season.
- Due to high MOQs, we discontinued several colors. As a result, we are offering only 5-7 total colors. Black still makes up about 50% of our sales.
- Unfortunately, we have lost a decent amount of business with customers who have filed for bankruptcy and are experiencing financial issues.

Inventory Updates

Mercury inventory

- We’ve made some really great progress on the Mercury inventory over the last 10 months.
- As of the end of July, we have reduced our inventory by about \$6.5M. Our goal is \$10M total.

Seward Inventory

- We only need to produce another 6,000 trunks to wrap up our 2023 season.
 - We will start producing for 2024 in mid-September.
- We expect August to be another big month and then sales will taper off for the remainder of the year. **- Miranda Freeman**

Advantus Principles

Customers First.

Do the Right Thing. Act with Integrity.

Hire and Develop Great People.

Embrace Growth and Change. Play Offense.

Be Relentless. Execution is Everything.

Be Accountable. Own It. Work Hard.

Add Value. Find a Better Way.

Avoid Waste. Be Frugal.



Customer Updates

AAFES

- Army recruit numbers are down, but our summer surge orders have been strong.
- We are preparing our 2024 POG updates and have 4 items for direct replacement.
- Our new recruit duffel bag exceeded the expected sales so we’re actually on backorder until September.
- The Army has changed their logo so we are working on depleting the old inventory to start shipping the new.

Navy

- We received our “Mission Ready” POG orders
- Stores are being reset and all new items have been added to automatic reorder.

Marines

- Recruit numbers have come back up since May and should remain strong through the rest of the year.
- We will ship the tactical stockings next week for a 4th quarter one-time buy.

Home Depot

- We were able to get them to agree to “Field Destroy” the trunks going forward.



MRC02556-BK

Missouri Military Academy

Order of 500 – MRCT3961-BK & 125 – SWD SWD5241-10

Wins



Awarded several bids for the **US Marshal Service Academy**

336 – MRC1132-BK

SHARED SERVICES UPDATE

Continuous Improvement:

We did receive the reimbursement of \$27,148.48 from ESS for fines assessed against us in 2022 for duster orders. We have also continued to see a decrease in the fill rate fines assessed against us for both ESS and Staples thanks to SCM and the division working with the customers to provide notices on back-ordered items.

Product Compliance worked with MTS location to obtain additional discounting for our account. We are also working on standardizing initial testing requests and the failed testing process by creating request forms to be completed by the division.

The Charles Leonard acquisition is in full swing. A contingency has made 2 trips up to Long Island. One part of the team has worked in the warehouse focused on the physical inventory. They have been verifying units, dims and UPC data on the items. The other part of the team has been focusing on gathering the data needed to complete the vendor, inventory, and customer imports into NetSuite. Our goal is to have the inventory moved in Q4 in anticipation of the end of the TSA at the end of the year.

Customer Service:

We continue to make updates to processes in efforts to streamline our department.

We completed rolling out the standards for manual order entry to all divisions. This has helped align expectations between the divisions and customer service.

We have been working with FL to help them streamline their manual order form and the submission process. We have also helped define expectations and to develop processes to provide additional customer support for 2 of the key customers. This includes the division setting up inventory feeds while customer service will help communicate inventory needs.

We have set up centralized customer accounts for several divisions to capture one-time customer orders. So instead of setting up a separate account for each one-time order customer, we have a divisional account that is used for all orders.

We have successfully transitioned Candace's full customer assignments over to Charles. We welcome Micaela to the team on 07/17/23. She will take over Gabby's accounts. This is all in preparation of Candace & Gabby's upcoming departures as they move on to Nursing.

IT has completed the Scripted Import project for CS. This allows us to use a standard CSV template to add multiple manual orders quickly for any customer. We feel this will be a large time saver for several of our divisions.



HR

- Determined and established Excel training for employees because of the Microsoft Simulation assessment from late last year. Currently have 22 members of staff training.
- Built out the Wiki 2 Training and Development page. Includes NS training videos, job aids, Advantus-specific training, and other resources for employee development.
- Redistributed people resources to assist with the company documentation goal. Katie's focus is on C/S while Aspen's is on Sales Ops.
- Established a new Safety Violations policy and updated the company credit card policy.

Material changes in structure/personnel:

- Adam has transitioned into the Commercial Office Products Business Manager role.
- Brandy has transitioned into the Sales Operations Manager role.
- Chris has transitioned into the Graphics/Web Supervisor role.

Projects that impact multiple departments/divisions:

- New task process for requesting changes or new pricing. This change will increase visibility, provide structure, and allow us to retrieve historical data. Training has been in each division except with the ADVII team. All training documentation and processes are on the wiki.
- Tim Holtz Christmas Launch is upon us. Two products will ship in late Sept, but everything else will be in stock.

Sales Ops

Cross-sell:

- Michaels Bluelounge and Superstacker PIABs: Total rollout 325 stores that shipped the first week of August with potential for future replenishment orders.

Acquisition related:

- We have received images and some packaging files from the Charles Leonard team, but have not cross referenced against the final sku list to ensure we have everything we need.
- Charlesleonard.com is in our possession.

Tim Holtz Halloween Launch:

- Launched new seasonal products to Key Accounts and independent retailers. 23 skus will be setting in Joann's stores this month.
- Tim promoted these products live on YouTube on Aug. 18th.
 - <https://www.youtube.com/watch?v=m-APd4MTOtE>

Amazon content clean-up and optimization projection:

- Project clean-up of 100 top-selling skus and optimized listing including keywords, content, and image decks on Amazon Vendor Central.



OPERATIONS UPDATE

Gun Club Road

- Racking installed creating 600 bins.
- Racking ordered and is to install by the end of August.
- Paw Print business is relocating currently.
- Art101 to arrive around Labor Day.
- 1k more pallets to transfer soon.

12th street

- Receiving up 36% QoQ (cartons).
- Manufacturing up 7% QoQ (units).
- Shipping down 11% QOQ (cartons).
 - This is part of the inventory constraint issues.
- Number of fines down 50% YoY.
- Headcount reduced by 25% YoY.
 - Even QoQ.

Shawland

- Taken receipt of all but 1 item of ML from GCR.
- Complete cycle count of H.
 - Includes consolidation of pallets and bins to free up space.
- Shipping up 13% QoQ (cartons).
- FINES DOWN 58% YOY.

Petersburg

- Recently completed Float season.
- Trunk production at steady pace with new/reliable vinyl vendor.
- Shipments up 24% QoQ (cartons).
- Reviewed all excess components/hardware to help create space.
- Headcount reduced by 18%.

Coming Soon

Safety Awards Program

A program to recognize and reward individuals for safe practices.

