

What It Takes to Partner with a National Builder

Chad Nuessle, Lennar

Kemp Gillis, Lennar

Doyle Headrick, Production Framing

Jason Walsh, California TrusFrame LLC



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Handout Sponsor

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Kemp Gillis, VP of National Purchasing, Lennar
Doyle Headrick, Owner, Production Framing, Inc.
Chad Nuessle, Regional VP of Purchasing, Lennar
Jason Walsh, VP of Sales and Design, California TrusFrame



Who Is Lennar?

LENNAR

Founded in 1954 and listed on the NYSE (LEN), Lennar has delivered homes to more than **one million families** across the nation.

Lennar delivered **45,627 new homes** in fiscal year 2018.

Lennar is now **America's largest homebuilder** with \$20 billion in revenues, approximately 1,300 active communities in 49 markets across 21 states - where 50% of the U.S. population lives.



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Who Is Lennar?

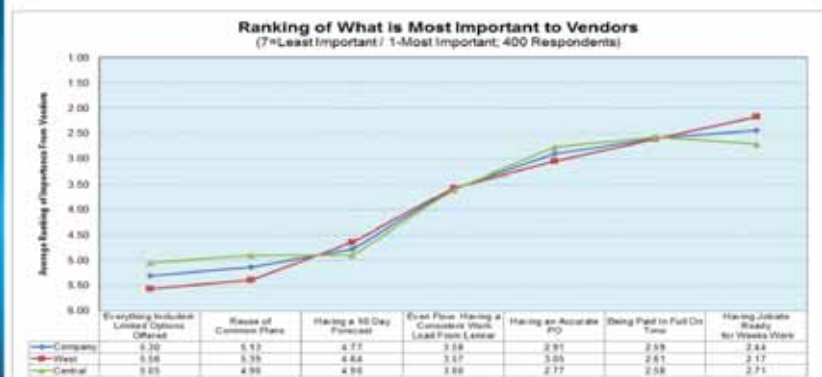
- Lennar primarily sells single-family detached and attached homes in communities designed for **first-time, move-up, active adult** and **multi-generational homeowners**.
- Lennar's **Everything's Included** platform maximizes our purchasing power and efficiency and enables us to include the most desired connectivity, energy efficiency and luxury features as standard in our homes to provide the best possible value to our homeowners.
- Lennar's **Financial Services** segment provides mortgage financing, title insurance and closing services for both buyers of Lennar's homes and others.
- Lennar's **Multifamily** segment is a nationwide developer of high-quality multifamily rental properties.
- Lennar is a company that always does the right things, for the right reasons, with an over 65-year history of **Quality, Value and Integrity**. These are our founding principles, and they continue to guide us today.



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What's Important to our Trade Partners

TICKLED & DELIGHTED TRADE PARTNERS



Lennar strives to be the “Builder of Choice” for its trade partners.

We do this by understanding what’s most important to them (see graph), executing strategies to lower their cost to serve (even flow production, paying for extra trips/jobsite readiness, forecasting our production, etc).

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Lennar's Classification of Trade/Supply Partners

<p>Strategic -></p> <p>Preferred -></p> <p>Approved -></p>	<ul style="list-style-type: none"> Shared Values and Objectives, Proven Performance Proven Performance, growing relationship Unique offering or Strategic and Preferred can't handle 100% 	<p>Bidding:</p> <ul style="list-style-type: none"> 3 bids and a cloud of dust Community duration based Limited ability to leverage volume Limited ability to take costs out over time Lennar is like other builders <p>Proposal</p> <ul style="list-style-type: none"> Costs are known (overhead, operating expenses, delivery, etc.) Understand division's volume and what it means to the trade Leverage desired volume & geography for reduced costs and labor planning Ability to work with suppliers and labor to "take cost out" of the process Lennar is "Builder of Choice"
<p>Volume and Geography Based Commitment</p>	<ul style="list-style-type: none"> Strategic – 2 year plan to grow business <ul style="list-style-type: none"> Make commitments based on competitiveness / MFN Lennar commits volume by geography & schedule Strategic Trade Partner commits to volume, schedule and price 	
<p>Shared Value - Transparency</p>	<ul style="list-style-type: none"> Creating & Claiming Value Share productivity gains Invest in relationship Transparency: Material, labor, costs 	

With strategic partners we can move away from "bidding" and towards a more collaborative "proposal" approach



Framing Methods – We've Studied them All

Stick Framing	Optimized Framing	Simple Wall Panels	Value Add Wall Panels	Advanced Framing
<p>WALLS</p> <ul style="list-style-type: none"> Lumber shipped bulk to homesite All cutting, sizing and framing done on site <p>FLOORS</p> <ul style="list-style-type: none"> Engineered wood or open web floor trusses Shipped in bulk to homesite Individual members placed on-site Subfloor cut and fastened on-site <p>ROOFS</p> <ul style="list-style-type: none"> Could be stick framed (Houston) or individual trusses shipped & placed on site. Roof sheathing applied on site once roof trusses are in place 	<p>WALLS</p> <ul style="list-style-type: none"> Plate material pre-cut and marked and packaged as kits in plant Studs & sheathing shipped in bulk to homesite Kits used with studs to assemble wall panels on site. Sheathing applied on site <p>FLOORS</p> <ul style="list-style-type: none"> Same as stick framing <p>ROOFS</p> <ul style="list-style-type: none"> Same as stick framing, typically using trusses 	<p>WALLS</p> <ul style="list-style-type: none"> Plate material and studs assembled as wall panels in plant Wall panels shipped to homesite Sheathing shipped in bulk to homesite and applied on site <p>FLOORS</p> <ul style="list-style-type: none"> Same as stick framing <p>ROOFS</p> <ul style="list-style-type: none"> Same as stick framing, typically using trusses 	<p>WALLS</p> <ul style="list-style-type: none"> Plate material, studs, and sheathing assembled as wall panels in plant May be enhanced with additional value add components such as windows, rough plumbing, rough electrical, insulation <p>FLOORS</p> <ul style="list-style-type: none"> Same as stick framing <p>ROOFS</p> <ul style="list-style-type: none"> Same as stick framing, typically using trusses 	<p>WALLS</p> <ul style="list-style-type: none"> All walls, floors and stairways are fabricated and assembled as panels & components in plant Panels & components shipped to homesite Home is assembled with use of a crane on-site, in accelerated timeframe <p>FLOORS</p> <ul style="list-style-type: none"> Floor joists (can be either open web floor trusses or EWP), are assembled with sub-floor as floor panels, and shipped to homesite as completed floor panels <p>ROOFS</p> <ul style="list-style-type: none"> Use individual roof trusses, or Assemble roof sections on site to be lifted in place by crane <p>STAIRWAYS</p> <ul style="list-style-type: none"> Prefabricated in plant <p>ACCELERATED ON SITE ASSEMBLY</p> <ul style="list-style-type: none"> Just-in-time delivery of materials Use of crane to place assemble all components on site. 2 story, 2500sf homes framed to top plate of 2nd story in 1 day



Cost Transparency

Plan 2020-A Roof Trusses	BF	Lumber cost / m	Freight / m	Total / m	Lumber Cost
2x4 #50	80.00	\$ 542.00	\$ 25.00	\$ 577.00	\$ 48.98
2x4 #100		\$ 668.00	\$ 25.00	\$ 693.00	\$ -
2x4 #3	744.00	\$ 315.00	\$ 50.00	\$ 365.00	\$ 371.58
2x4 #2	1579.00	\$ 384.00	\$ 50.00	\$ 434.00	\$ 685.29
2x6 SYP #2	50.00	\$ 345.00	\$ 55.00	\$ 400.00	\$ 200.00
2x8 SYP #2		\$ 268.00	\$ 80.00	\$ 328.00	\$ -
2x10 SYP #2		\$ 310.00	\$ 25.00	\$ 335.00	\$ -
2x12 SYP #2		\$ 545.00	\$ 75.00	\$ 620.00	\$ -
BF Total	2453				\$1,023.01
Plates / Lbs	138.00				
Misc. Blocks, Vents, HDW		\$ -			
Program Pricing					
Labor per bd ft		\$ 392.91			
Plates		\$ 207.00			
Lumber BF Random Length		\$ 1,023.01			
Misc. Blocks Vents		\$ -			
Total Direct Cost		1,622.91			
Sale Price @ Margin		\$ 2,193.43			
Delivery Cost/Freight		\$ 225.30			
Grand Total		\$ 2,418.43			
Plate Cost / LBS	\$ 1.50				
Labor per bd ft	\$ 0.16				
Margin %	38.0%				
Margin Dollars					
		\$ 570.24			
Price/Unit					
		\$ 0.99			
Labor calculator					
BFT/mh		115			
Labor ave cost per mh		\$15.42			
		\$ 0.16			

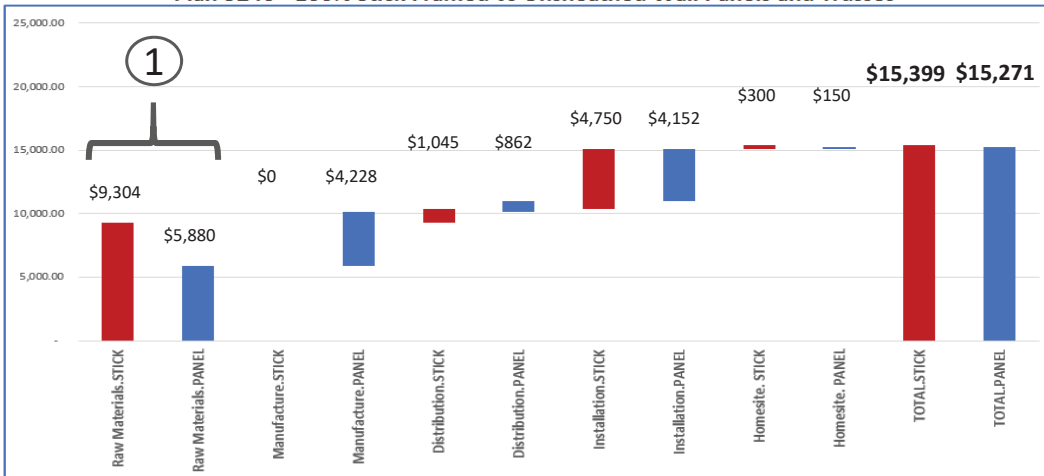
Keys to Success

- Understand the pricing structure in the template so a longer term pricing model can be developed and managed
- Understand the component manufacturers capacity and the "optimal" starts per week they can take before they have to raise margins.
- Book out the table time for a one year or a two year deal and focus on VE and process and improvement to remove costs
- Be disciplined. If another supplier comes in with a lower price, understand it might be a short term solution for them to fill in before a larger project comes on board and they are planning on increasing your price within 3-6 months
- Put what's been agreed to in writing and review every quarter (DFW Example). Include weekly commitments, communication schedule and SLA



Components – Total Cost of Ownership Comparison

Plan 3240 - 100% Stick Framed vs Unsheathed Wall Panels and Trusses

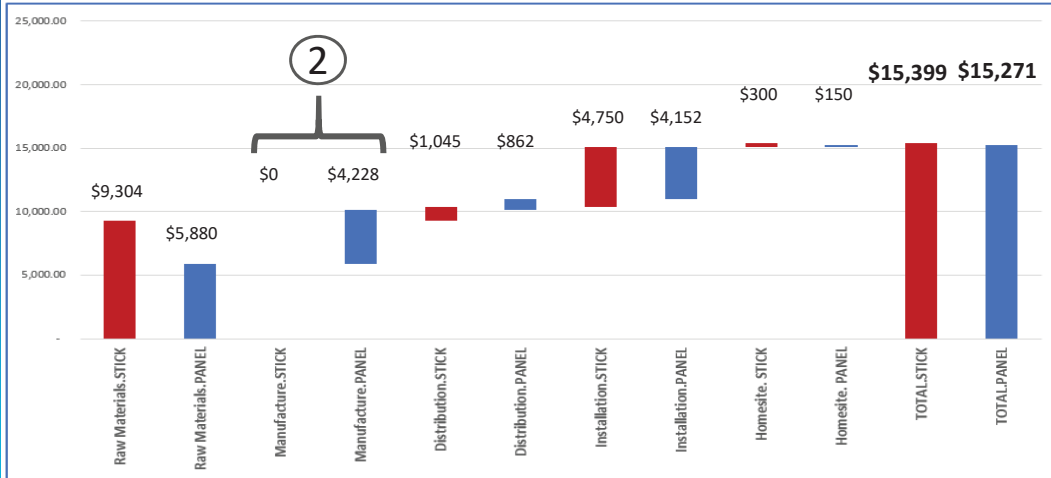


- ① Material for wall panels and trusses is 37% (\$3,424) less than regular stick frame when EPO's are included.



Components – Total Cost of Ownership Comparison

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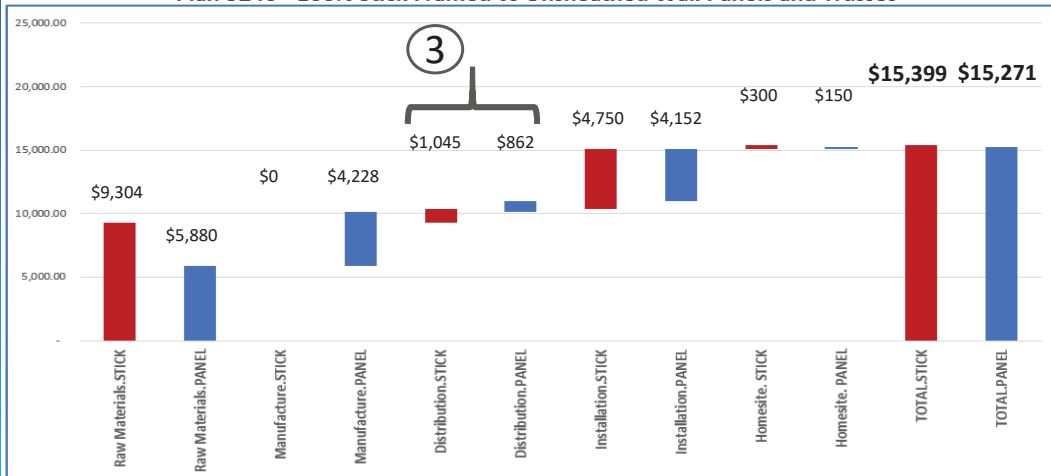


- ② With components there is an added manufacturing cost of \$4,228 (includes table time, SGA and overhead).

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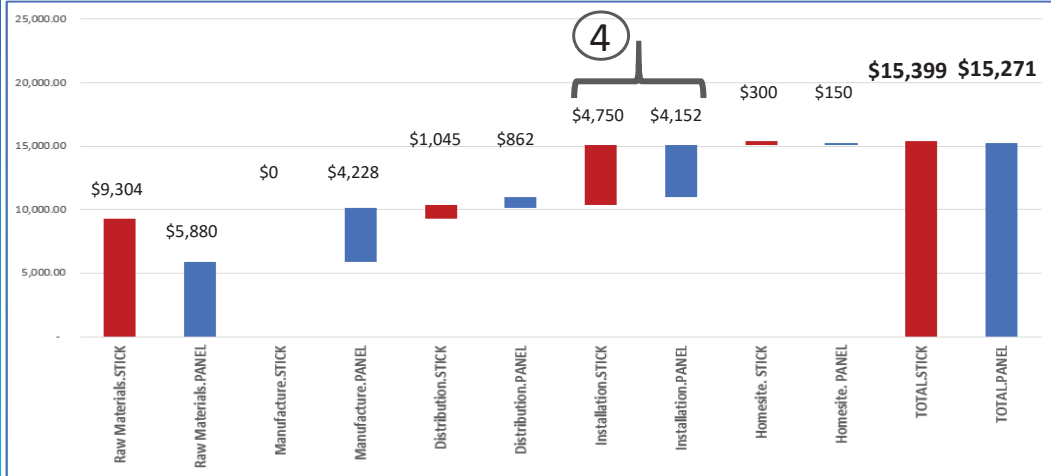


- ③ Delivery for wall panels and trusses is 17.5% (\$183) less than regular stick frame when EPO's are included.

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Components – Total Cost of Ownership Comparison

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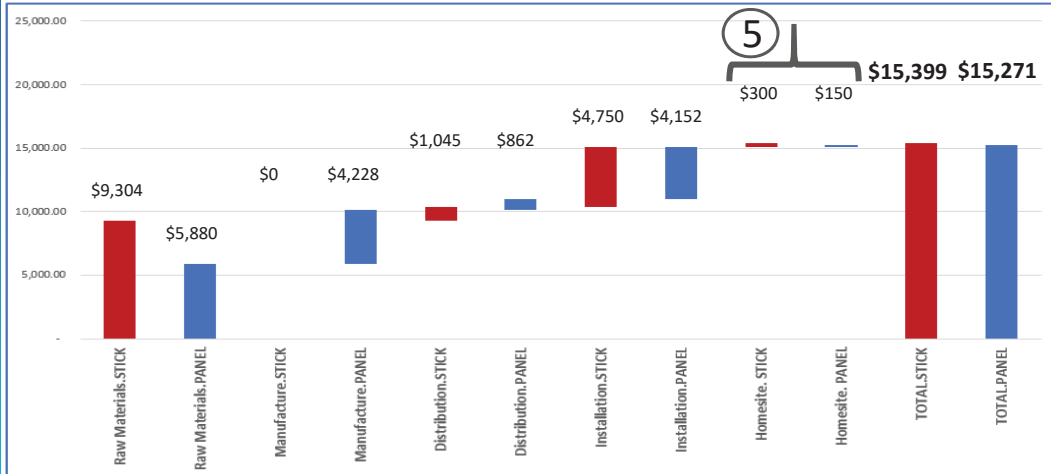


- ④ Installation is \$598 (13%) less for wall panels and trusses (Framer discount of \$.30/SQFT for components). Efficiency gained in labor hours in the field were 47%.

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Components – Total Cost of Ownership Comparison

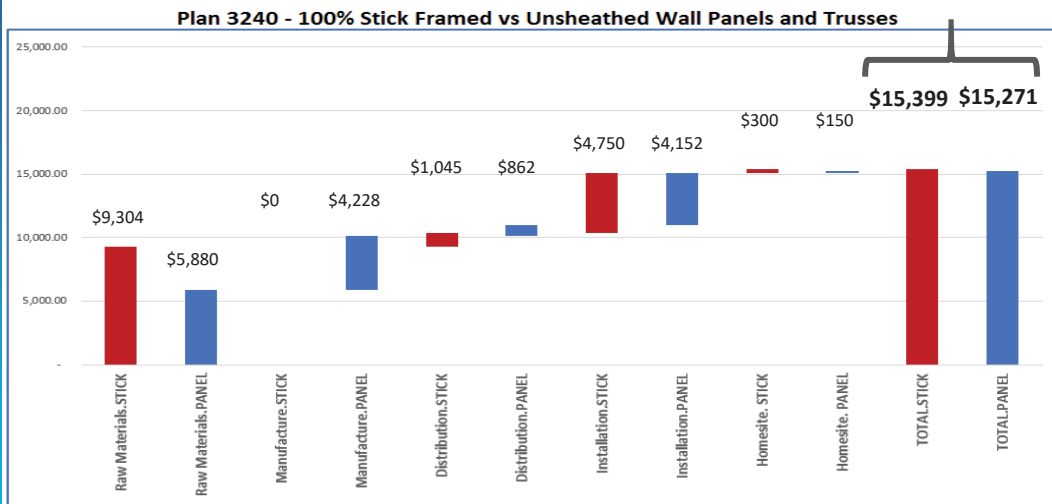
Plan 3240 - 100% Stick Framed vs Unsheathed Wall Panels and Trusses



- ⑤ Estimated two less trash hauls are needed for components saving an estimated \$150. Final savings will have to be determined when negotiations have concluded.

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Components – Total Cost of Ownership Comparison





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Listen.. What are your clients concerned about or asking for?



-  Concerned About Workforce
-  Reducing Cycle Time
-  Material Waste
-  Site Cleanliness
-  Same Effective Total Price
-  TCO: Total Cost of Ownership



Labor **Lumber**

Trusses



Labor **Lumber**

Trusses **Wall Panel Manuf.**

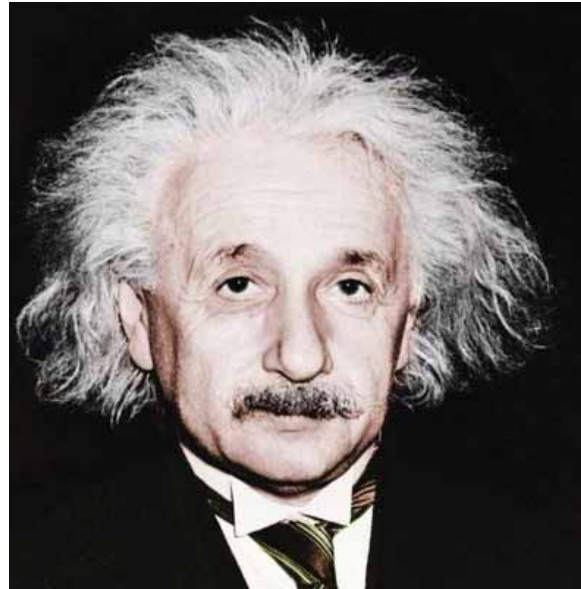




	<u>Wall Panels</u>	<u>Kits</u>
 Labor – REDUCED	\$\$	\$\$\$
 Cycle Time – REDUCED	\$\$	\$\$\$
 Waste – REDUCED	\$\$	\$\$\$
 Cleanliness –	\$\$	\$\$\$
 Interest Carry - REDUCED	\$\$	\$\$\$
 Wall Panels – Kits	\$\$\$	\$\$\$\$



“Insanity: doing the same thing over and over again and expecting different results.” – Albert Einstein



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Building and Maintaining Relationships Are Key



- Framers
- Builders

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Evaluation of Operations

- Volume
- Capacity (Current vs. Increased)
- Machinery & Efficiencies
- Crews

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Transparency

- Broke Down Line Items
 - Engineering
 - Delivery
 - SG&A
 - Profit Margin
 - EBITA

Earnings Before Interest, Taxes, Depreciation & Amortization

EBITDA =	E = Earnings
Net Income	B = Before
+ Taxes	I = Interest
+ Interest Expense	T = Tax
+ Depreciation & Amortization	D = Depreciation
	A = Amortization

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Volume vs. Margin Balance

- Re-evaluate bidding
- Three-tiered system
- Consistency is huge



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Final Thoughts

- There are many benefits to panelization/components – but it has to reduce total cost. Higher efficiency should mean lower costs for the builder and its partners.
- To achieve a net cost savings, it's imperative that there is transparency with costs and productivity drivers, and, the pricing reflects those drivers. For example, if framing time is significantly reduced as a result of panels, pricing needs to reflect that.
- The builder has a responsibility as well to be a low cost-to-serve model for its trade and supply partners.

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Questions?

- Kemp Gillis
 - Email: kemp.gillis@lennar.com
- Doyle Headrick
 - Email: doyle@productionframing.com
- Chad Nuessle
 - Email: chad.nuessle@lennar.com
- Jason Walsh
 - Email: jasonw@caltrusframe.com

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Learning Labs

Wednesday

- 1 pm – Partnering with a National Builder
- 2:30 pm – Best Practices for Developing a Local Workforce
- 4:00 pm – Designing for the Code

Thursday

- 12 pm – Knowing Your People to Keep Your People
- 1:30 pm – Safety
- 3 pm – Cybersecurity

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Please Fill Out Your Session Evaluation

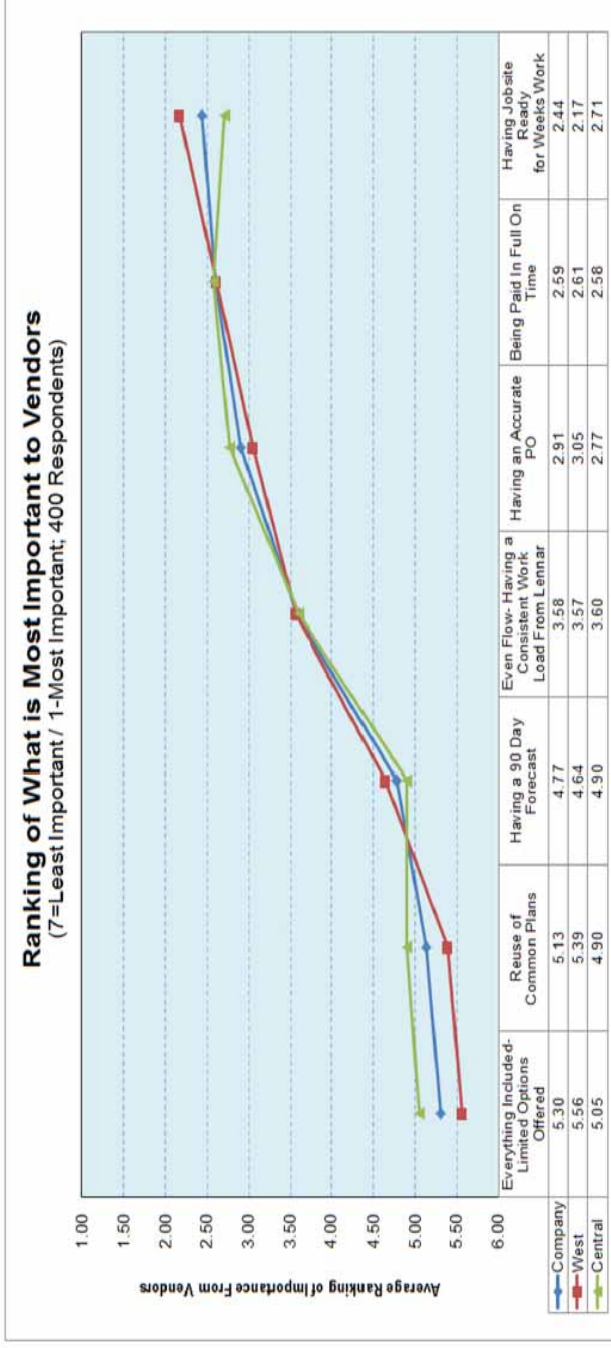
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How **BCMC** Contributes to Your Business Success



Best practices are shared by industry experts in every educational session.

Conversations with peers lead to ideas that transform individual businesses.

Meetings with suppliers give insight into opportunities for further innovation.

Coming together for one week every October generates ideas and energy that drive the industry forward throughout the year.

2020

KNOXVILLE

WASTE LESS. BUILD MORE. SELL MORE.

MATCHPOINT® DIRECTDRIVE™ SYSTEM

WASTE LESS LABOR, SPACE, LUMBER AND PRODUCTION TIME.

MiTek's MatchPoint® DirectDrive™ System is a fully integrated software and material handling system boosts roof truss cutting and assembly for greater plant productivity.

The MatchPoint® DirectDrive™ System:

- A cellular approach to truss manufacturing that takes multiple manually managed processes and coordinates them as a whole
- Utilize software and machinery relationship to stabilize the manufacturing schedule – thus allowing for better planning and less variability
- Pick, cut, and deliver material to a build station with no hands touching the material
- Designed to address labor shortages, complex truss designs, material handling issues, and productivity demands

Achieve a new standard of performance for you and your customers with the strongest, most complete commitment to support your success at every step.

Learn more at [MiTek-US.com/DirectDrive](https://www.MiTek-US.com/DirectDrive) or call us at 800-325-8075

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