

the McWANE way

Working Together On Innovative Ways
To Deliver Our Most Valuable Resource

A PUBLICATION OF McWANE, INC. • 2019



A NOTE FROM PRESIDENT G. RUFFNER PAGE, JR.

Through the years we have worked hard to make our plants and communities better places to work by making them both safer and environmentally sustainable. I have written about our efforts to continually improve our culture to better support all team members at work and at home. I am pleased to report that we have seen these efforts pay off as our businesses have become stronger and more efficient while producing the quality products our customers have come to expect. In this message I'd like to celebrate and focus on those involved in the next step of our products' cycle—the sales and marketing team members who travel, solve problems and work hard to deliver our products to the market.

As we approach the crest of the economic cycle, our businesses have experienced cost increases in excess of price increases. In fact, in 2018 McWane's business gross profit as a percentage of sales, our gross profit margin, fell. Our gross profit margin declines when the costs of our raw materials, transportation, and the conversion of the raw material into finished products, all increase faster than our selling prices. For example, at Manchester Tank, steel prices rose last year 33% from \$619 to \$828 per ton in the US (per Focus Economics). Also, steel scrap rose from \$200 to \$350 per ton between September 2017 and September 2018, a 75% increase.

Since last year, our sales and marketing teams at all our business groups have focused on how to recover these rising costs from our customers while remaining competitive in the marketplace. These efforts often lead to higher prices, which in some cases tend to strain our relationships with customers. However, our customers must understand that we are in this together—unless manufacturers are financially strong, their sources of supply are at risk, and so are they. And it is not easy for our sales and marketing team members to communicate that message. But they are doing an excellent job and working hard to sustain our businesses.

We have reduced our costs over the past decade by becoming more efficient in our manufacturing processes through continuous improvement projects. Service levels of on time delivery and quality are measured by every one of our businesses. I have asked each operating plant to provide a quarterly report on these metrics. The good news for our sales team is that our response times for delivery meet or exceed industry averages for all our businesses. Our sales teams work closely with our manufacturing teams to schedule production to ensure we continue this high level of service to our customers.

Some customers ask us if increases in production volumes in our plants reduce our costs. They assume that adding a second shift would reduce our costs. We do add additional team members when demand requires so that we can meet our customers' needs. For example, we have increased our total team members by 556 over the last two years. However, it is incorrect for our customers to assume this necessarily reduces our costs per unit. A second shift can increase our costs because of second shift wage premiums, the need to recruit and train new team members who are not familiar with our operations and moving maintenance to third shift or even deferring maintenance. Our sales and marketing teams are asked to explain these economics to our customers. They do a great job year after year. Still, satisfying a customer who needs our products but does not understand why they are costing more to manufacture, is a challenge for our sales teams across the company. If we do not charge a fair, appropriate price for our water works products (pipe, valves, fittings, hydrants), our plumbing products (pipe, fittings, couplings), our steel tank products (LPG, air receivers, storage tanks), and our fire protection products (fire extinguishers, pre-engineered systems, kitchen systems), then we will not have the financial resources to invest in training team members, environmental health and safety performance, capital improvements, maintenance, and expansion. All these investments are required to not only sustain our business operations but also to satisfactorily service our customers and the end users of our products in communities across the United States and other countries, now and for years to come.

Our business has a critical purpose in sustaining the quality of life every American expects and every citizen outside of the US envies. What we make—products for water and wastewater distribution, fire protection, and heating and cooking—is not optional for a civilized society. When we are facing long hours, tough decisions, and hard conversations with customers, please remember what each of you do is serving a greater purpose. We make the systems that provide safe drinking water. We provide the products that keep sanitary sewer systems functioning and keep our communities healthy. We heat homes and provide propane for businesses. And we protect the homes, businesses, and property of our customers across this great country and internationally. Thank you to each of our team members, both hourly and salaried, for your individual contributions to our purpose. It is certainly one I am proud of and hope you are as well.

And to our sales and marketing teams in each of our operating businesses, thank you for your commitment to both our customers and our team members producing these important, life sustaining products.

McWane's Digital Task Force discusses the Industrial IoT

In April, McWane's Digital Task Force (DTF) held its second annual meeting in Atlanta. The main focus of the meeting was environmental, health, and safety data applications of the Industrial Internet of Things (IIoT). The topics included how it can help support existing systems, and ways in which to implement new functionality.

At the meeting, McWane's President, Ruffner Page, stressed how important the DTF is to the overall McWane IIoT strategy. Also in attendance was Microsoft representative, Tim Smith. Tim talked about how the IIoT is changing the competitive landscape with new technologies like artificial intelligence and blockchain—a new cutting-edge technology designed to reimagine key business processes.

Led by Avanade, a consulting group that specializes in new product development, team members from corporate, technology and manufacturing met in break-out sessions to brainstorm about how to work more efficiently through data utilization and analysis. Through hard work, creativity, and great ideas, the sessions resulted in many actionable new product ideas.

Rod Reisner and Vic Modic will take the feedback from the DTF, and, working with our technology companies and partners, develop practical solutions to the EHS opportunities highlighted by the attendees.

Thank you to everyone who attended. We look forward to seeing these exciting new ideas in action!



Retirements

Bill Marshall retires from Corporate Legal Team

On May 1st, Alexander Joseph Marshall, III, or Bill, as his friends call him, retired from McWane after 16 years in the Corporate Legal Department. Bill came to McWane in 2003 from Maynard, Cooper & Gale, and used his knowledge and expertise to help with contracts, antitrust questions, international and domestic compliance issues and record retention.



While Bill has spent most of his life practicing law, his true love and passion is music. He is a professional guitarist and songwriter who has played with and opened concerts for acts as diverse as Charlie Daniels, John Prine, Alabama, the Allman Brothers, Jimmy Buffett and Foreigner. He recently celebrated the forty-fifth anniversary of the Locust Fork Band with a concert at Birmingham's WorkPlay Theatre, and he can be found most Mondays playing jazz at the Crestwood Tavern with the Birmingham Nouveau Reinhardt Group. For the last several years he has spent as much time as possible in France and plans to spend more time there, traveling and playing jazz manouche guitar with the locals. "Bill has been a great friend and teammate," said Jim Proctor, McWane's general counsel. "Over the years he has been a terrific resource for McWane, and we will all miss him greatly."

Au revoir, Bill. Nous vous souhaitons une longue et heureuse retraite.

Jim Loos retires from McWane Ductile

After a 38-1/2 year career, Jim Loos retired from the McWane Ductile foundry in his home town, Coshocton, Ohio. His long and storied career began at Clow Water Systems (now McWane Ductile) in 1981. The young husband and father of two found himself unemployed following a layoff. That's when Clow gave him a job that eventually turned into a lifelong career. "If you worked for Clow in those days, everybody felt sorry for you," Jim said. "But I didn't have any college, and it was my honor to finally be able to get that job."



Jim started in the labor pool as a bell grinder. Over the next several years, he held other hourly positions in the same department. At that time, a lot of changes were taking place after McWane acquired Clow Water—changes that renewed his faith in the company. These continued improvements encouraged Jim to stay, and he eventually became a group leader—progressing through the pipe foundry as the finishing foreman, cement line foreman, pipe shop foreman and general foreman, plant superintendent, maintenance manager, finishing superintendent and shipping superintendent. Jim instituted the continuous improvement program and finished his career as the CI Manager. Additionally, Jim had the honor of working on Tom Crawford's leadership team as the Sr. Strategic Manager.

When reflecting on his time at McWane Ductile, Jim said, "The opportunities at McWane are endless if you do the right thing, treat people with respect, hold them accountable, and let them take ownership over their job—even for a guy like me who only has a high school education."

Jim has been a leader at work and in the Coshocton community his entire life. He plans to do some coaching and continue to mentor the team members he met at McWane whenever possible. Jim said, "God pulled me through it all for a reason, and that reason is to coach and mentor other people."

Jim is a testament to the great things that can happen to those following the principals within the McWane Way. From all of us at McWane, thank you for everything, Jim!

Leon McCullough retires from the Valve & Hydrant Group

Team members came together for a blowout retirement party for Leon McCullough, Executive Vice President of the Valve & Hydrant group, who retired on March 31, 2019.



Leon enjoyed a distinguished career at McWane that spanned more than 45 years. After graduating from college in 1973, he interviewed with Sales Manager T.L. Johnson at McWane Cast Iron Pipe Company in Birmingham, Alabama, and was offered a job on the spot. A year later, he married his wife Dorothy and shortly thereafter relocated to Indianapolis, Indiana, as a Sales Representative. Over the next 20 years, Leon and Dorothy would move six more times as Leon pursued an exemplary sales career that took him from Indiana to Alabama, Missouri to Ohio, and, finally, Utah to Oskaloosa, Iowa.

When asked what he would take away from his time at McWane, Leon said it would be his pride in, and evolution of, the products we make. "Back in '73, we were producing two-inch and two and a quarter-inch pipe when nobody else was making that size because it was difficult to make," he said. "Today, we not only manufacture world class pipe, valves and fittings, we continue to forge new ground, making a 96-inch rotating disc gate valve at Kennedy Valve, and McWane ductile-iron utility poles. Our processes have evolved as our businesses have evolved. Today M&H Valve supplies rubber coated wedges to all McWane valve and hydrant divisions, eliminating the need for an outside vendor. Our processes, along with our company, have expanded from the legacy businesses to the metal fabrication and technology industries."

Des Moines, Iowa, will be Leon and Dorothy's "home base," but they plan to do some traveling starting in August when they take a River Cruise from Zurich to Amsterdam. Their oldest daughter, Meagan Corcoran, also lives in Des Moines, and their youngest daughter, Morgen Calgaard, lives in Denver, Colorado.

We appreciate Leon's ongoing commitment and tireless efforts to help make McWane the company it is today, and wish him a long and happy retirement.

"The things I wanted to do in the future, I've already done in the past. I hope to be somewhat engaged with McWane going forward, as my wife Dorothy has made it abundantly clear that she is not having lunch with me every day. That, and it's too much trouble to clean out my desk, and I just know I'll continually need help from IT for my various gadgets." - Leon McCullough

"I would like to extend my sincere appreciation to Leon for his dedication and diligence, which have been integral to the success of our valve and hydrant business. His innovative leadership has been an asset to the McWane team, and his impact on our business will be visible for years to come." - Phillip McWane

2018 McWane Environmental, Health & Safety Awards:



M&H Valve Company
EHS Excellence (Screaming Eagle)
Outstanding Environmental Performance – Foundry
Top Quartile Award Club



Clow Canada
Outstanding Environmental Performance – Fabrication



MTE Cemcogas
Outstanding Environmental Progress – Fabrication



McWane Ductile Ohio
Exemplary Environmental Achievement*



Tyler Xianxian
Exemplary Environmental Achievement*



Tyler Coupling
Outstanding Health & Safety Performance
Top Quartile Award Club



Tyler Union
Top Quartile Award Club



Clow Corona
Top Quartile Award Club



McWane India Private Limited
Top Quartile Award Club



McWane Gulf
Top Quartile Award Club

* This is a new award category introduced in 2018 and is presented to recognize a noteworthy achievement in furtherance of McWane's industry leading EHS performance.

Announcing the Winners of the 2019 McWane Scholarship

We started the McWane scholarship program to provide backing for deserving students looking to better themselves through higher education. To date, McWane has contributed more than \$1 million to help students within the extended McWane family pursue their dream of a college education.

Jillian Gilchrist

Bowdy Gilchrist – Tyler Pipe

Monica Carrasco

Rosalina Orantes – Anaco

Grayson Marlowe

Joshua Gunning – M&H Valve

Cheyenne Ribble

Mervin Ribble – Kennedy Valve

Conner Soady

Todd Soady – McWane Ductile New Jersey

Jackson Pollard

Jonathan Pollard – Amerex

Jared Hall

William Hall – McWane Ductile Ohio

Jadah Trimmer

Jason Trimmer – McWane Ductile New Jersey

Alierra Bradford

Bryant Bradford – M&H Valve

William Pauly

Sanford Pauly – Kennedy Valve

See it. Report it. Stop it.



If you are aware of, or even suspect, any **unethical or illegal conduct**, call the McWane Access Line at **877-231-0904** or text at **205-518-9547**. Your report will be handled swiftly by a neutral third party and will remain **100% anonymous**.

At McWane, our #1 priority is your safety, but we cannot take action without information. The McWane Access Line lets us confidentially address your concerns—even if they're just suspicions—in a discrete and timely manner.

Your confidential report will be instantly submitted for review, and you will be able to anonymously send and receive messages concerning your report. McWane will investigate each report swiftly, thoroughly, and fairly.

THE MCWANE ACCESS LINE IS:

- 100% ANONYMOUS
- AVAILABLE 24/7
- EASY-TO-USE
- FAST
- HERE TO HELP

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877-231-0904

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REPORT ANY KNOWN OR SUSPECTED ILLEGAL OR UNETHICAL CONDUCT

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McWane does not tolerate acts of retaliation against anyone who makes a good faith report of known or suspected ethical or illegal conduct.