



***We are here for another “Let's talk Carpenter” conversation with Brad Beauchamp. How are you, Brad?***

I'm doing great. How are you?

***I'm doing great as well.***

***Before we get into the submitted questions, let's talk about and CFI. Can you share a little bit about how we came to acquire their consumer products division?***

Yeah, I can certainly talk about it. So one of the things, probably roll it back, is I have been involved in the polyurethane and chemical industry for 30 some years now. And so I've known people at NCFI for about the whole time I've been in the industry. So there was a certain familiarity that I had with the company before all of this ever started, before I even came to Carpenter. And then certainly while we were at Carpenter in the chemical side, there were good customer of ours, not for flexible foam but for the business that they retained, which does things like spray foam insulation and concrete leveling and stuff.

So we had a high degree of familiarity with them in the process and throughout the Recticel acquisition, what we were learning was that Recticel business in the United States was largely built around importing foams from Europe here, and that Recticel didn't have an ability to pour flexible foams. They were doing some molded foams and some systems, but not flexible foam pouring. And when we got to know the Recticel business in Europe a little bit better, we didn't feel like the Carpenter locations were ideally suited up to make the products that Recticel would want here in the United States or we would want as part of Recticel.

So we started talking about it. We knew we would need to make some investments, and we are planning to make some investments ourselves, but we saw the NCFI process as a way to jumpstart our ability to make some of those products that we're bringing from Europe to the United States in the United States. Now, it's not going to happen overnight, but it gets us into that process.

And the other nice thing about it was NCFI was running a very good and profitable business, and so in and of its own right, it was an attractive business for us. But the additional value is being able to do more things in that.

We've already had some meetings with the teams talking about it from mainly from the sales side, but a lot of ideas and a lot of opportunities for different widths of foam, different types of densities, dare I say – I'm a little hesitant for our manufacturing friends – lots of different color options. That gets the sales force really excited because there have been times where our Carpenter sales team has turned down opportunities because it didn't fit what our current product portfolio was. So it's kind of a nice add-on, and people have asked me, we probably would have done the NCFI transaction even if Recticel had not gone all the way through. So it stands on its own right as being something that we wanted to do.

***I'm going to jump into the questions that were submitted by employees now, the first one: What are we doing to meet the demand for eco-friendly and sustainable products? Are there any innovative practices that we're currently using or have there been any successful cases that you could share?***

That's a big mouthful of a question because it's a very big and complex thing, and there's a lot of activity going on and sometimes maybe it's a little bit like, you know, the old analogy of a duck. You know, you don't really see how much is going on underneath the surface of the water, but there's a lot of paddling going on.

People like Joe Lowery, who some people know on this podcast, some people don't, has kind of been looking after kind of that bigger picture of sustainability for us from a more R&D standpoint. And then with the Recticel acquisition, they had their own R&D efforts around sustainability, as well, and it's a really big topic.

So one of the things that probably in North America people aren't really aware of is an initiative in Europe called CSRD, which is where you have to catalog what are called Scope 1 and Scope 2 emissions. So just think of it more simply as the emissions that we as a company are generating. And we need to monitor those, cataloged those, and then show how we're reducing them. And so we're working with the consultants as well as our own people in Europe. What we'll be doing this year is kind of dry running the data and then we need to actually collect the data in seriousness in 2025 to report in 2026 what we're doing to the European Union. So there's a lot of that activity going around.

There's a lot of initiatives that we've taken, big and small. So a big initiative we take, which we take for granted a lot, and I think a lot of people do at our plants, is the carpet cushion business. So the carpet cushion business is a great sustainability story. We have a little video to promote it more that that is hooked into the website. So if you want to learn more, you can check that out.

But that's great. So we take our own trim foam, which we don't make enough of because of the demand. We buy trim from our customers that we sell foam to, and they give us back the trim.

We buy trim on the open market. We actually get trim from our plants in Europe, and we buy old carpet cushion back, and we turn that back into new carpet cushion. And so, if you look last year, on a conservative estimate, we probably saved about 4 million mattresses from going into the landfill. You know, I wish to say that that was all the mattresses that could go into the landfill, but it's still just a fraction of it. But it's not nothing, right? Four million is a big number. So that's a big example of what we're doing.

A small example, I think most of the facilities would know we switched from traditional lighting to LED lighting. And so LED lighting, it costs money to make the switch, but it generates benefits and lower consumption of energy. So that's a small way that we generally may not think of because it's just it's a light switch, and we take it for granted. But it's ways that we're incrementally working toward lowering what's called our carbon footprint.

***Along those lines, someone asked if it would be possible to push for a paperless Carpenter, as we use, in their words, huge volumes of paper for tasks that could easily be digitized. What do you think about that?***

So actually, digitalization – it's a little bit of a tongue twister to say, but I think I pronounce that right – is a hot topic right now. It's become particularly hot in the chemical industry, and so there is a big movement to digitalize – sorry, I'm going to trip over that one, so I'll try to avoid using that word in the future here – but to put everything into an electronic format. The trick with that is the data has to be then accessible and usable, right? So it's not one thing to just say, “Hey, we can put everything into the cloud or into electronic format.” You've got to be able to get the data, what you need when you need it and in the right places, and that's still a little bit tricky.

But there's no doubt we would all like to use less paper. We could all be better at it, myself included. I try to use as little as possible, but I still find myself printing things sometimes, and I don't. And so yeah, there's a move for it, but in terms of saying, “Hey, we're going to set these kinds of goals for it,” it might be a little tricky. I think the best way is to look at a case-by-case basis or process-by-process, and then try to really ask yourself, “Do I need to print this, do I not?”

***Why does Carpenter require a degree for advancement at the Tech Center, for example, even if somebody might have the experience to make up for not having an actual degree?***

So I think that the best way I can answer this is that there's a little bit of a legacy effect with it. Traditionally, particularly in the United States, I won't speak specifically for Europe or other locations because I'm not an expert in that, but traditionally a degree had been kind of a default response, right? It's easy to say we believe that a person has the right basic level of skills if they have a degree. And that had held true largely for a long period of time in the U.S. society. Maybe it was 20, 30 years. And now, through different things and circumstances, people are looking at that and saying, “Is a degree really necessary?”

And so, we take a process when we're looking at, let's say, a job description or an opening, of really asking those questions now, where we might have taken for granted before just saying, "Well, a four-year degree, that's standard. You have to do that." So now there is a lot more questioning of what's going on and then what's needed.

And I do think that relevant skills usually trump paper skills, right? So if you have a piece of paper, that's nice, but that doesn't always speak to how well skilled somebody is. And so we want to try and take a holistic look at it. I don't know where we'll be at in terms of the process of saying, "Hey, it's a high school degree or equivalent," that type of scenario for everything. But there is a lot more thought into the relevant skills that somebody has. And then looking at how those apply for the future job that somebody wants to do.

***What are Carpenter's plans and measurements for talent development, and how is the company working to attract and retain outstanding employees?***

Good. So what we're hoping to do, sooner rather than later, although all things are relative, is kind of build the right infrastructure around skills development and training. And so part of that is training that you can direct on your own through, you know, let's call it a Carpenter-type university where there would be programs or modules that you could do and look at. You experience some of those today with some cyber training and things like that. But this would be more specific skills-related activities.

So let's say somebody wanted to pick up basic understanding of how to read a financial statement, let's say, and they felt like that would help them do better in another job that they may want to consider. Well, then do we provide them an opportunity where they can go get those skills? And are those skills learned online and then they achieve like we do with the cyber training, a certificate of completion, that type of thing? And then mixing that in with some continuing education that's maybe more formal, maybe you call it a night school or an online class that that is run through a university.

We're trying to build that infrastructure out as a way to make sure that we're giving the people who are at Carpenter the right opportunities to grow and improve and advance their careers within the company. And also a way that makes the company more attractive when you say, "Hey, you want to come work for us, we have, you know, these kinds of programs and opportunities for you. When you come in the front door, know that you're coming in here, but if you want to move up and through the organization, this is how we help you achieve those goals."

***Without an official budget, how does Carpenter set objectives for each region or division?***

Yeah, the budgeting question is something that I get quite a lot, and people outside of the company often hear that we don't do budgets and we would tell people inside that we don't do budgets. You always get kind of a quizzical look about that, like, well, how does that work because so many people are used to the budget process.

Before I came to Carpenter, the company I was at did the budget process as well. And I have my own opinions on it, and I've checked with other people at other companies who have similar opinions that the budget process typically in a typical company ends up being a large waste of time.

It ends up being a lot of effort for very little benefit. So what happens in a sales standpoint is the sales group may say, look, I'm in this business, it's a tough environment. We think the best case is we can grow the business 2 or 3%. So they submit that as their budget, their sales budget, for next year. While management says that's not good enough, you've got to grow 5 or 7%, and they put it back down and the people know – how are they going to grow 7% in a market that's in a recession, right? And so you get all this back and forth, negotiating back and forth, for what I would say is very little benefit.

And on the operations side, somewhat similar, right? If you felt like the company has a certain threshold that they're willing to spend in a given year, that everybody's fighting for that piece of the pie, you may, in your experience, say, well, if I really need \$1 million, I know they're going to knock that number down once I submit it. So I'm not going to submit that number, I'm going to submit \$2 million, hoping that the budget becomes \$1 million. And that just is a process that wastes a lot of calories and time for everybody involved, and it really frustrates everybody in the process.

So what we really take is more of a zero-based budget, which says at the beginning of the year, let's just pretend everything's at zero, and then we decide what we need to spend to run the business successfully or grow the business from there.

And we take a look at the same thing from the sales side. You say, "Hey, what were the sales last year?" And the goal is to do better than that this year, and really use that as the process and really focus on delivering what's needed: putting on roofs when roofs are leaking, adding equipment when equipment's needed, and having a conversation with people saying, "What do you really need to do your job to be successful?" And let's allocate those resources accordingly, but not just assume that a department has a budget of X every year to spend how they want to do it.

So hopefully that's an answer to the question. I'm sure that if it's not perfect, someone will ask a follow up question. So the next "Let's Talk Carpenter," I can tackle it in more detail if needed.

***Toward the end of last year, three Medals of Merit were awarded to Carpenter employees. Can you talk a little bit about what the Medal of Merit is and how that might be different from the Pantheon and Heroes that we also have?***

Okay, that that's great because I do get a lot of questions about it. I think that there's sometimes a little bit of confusion.

Heroes, really, I would say, is that is what we want to recognize people who are doing something that is above what they would normally do. They acted in some way on a particular event that was important, let's say, to the customer would be a good example, or to their fellow employees. They did something that was above the norm and may have been a one-off. I mean, not one off in terms of that's not how they are – they could regularly be that way. But it's just a good example that somebody wants to highlight and say, "I really thank you for doing this thing for me." So it tends to be more of a one-off kind of thing and an easier way to recognize and to say thank you.

The Medal of Merit is kind of the next step up from that. And a Medal of Merit is somewhere where we look at somebody who has done something that can be one event, but a more extraordinary event/type of activity where, you know, they did something that had a pretty significant impact. But oftentimes it's a career or a number of years' worth of a sustained type of activity. So an example is somebody who works at a plant and is known for going to other plants to help them fix problems on kind of a moment's notice, and they've done that multiple times. So, Medal of Merit, you want to say, "Hey, look, this is really kind of an outstanding achievement. We want to recognize that." And the Medal of Merit is for people who are still current with the company.

So some long-time people may listen to this and they think, "Well, I used to know a guy who retired five years ago. He should have gotten the Medal of Merit." You're probably right on that, but it's really a current employee kind of thing to recognize fellow employees when they're doing it and to encourage people to nominate people, because we want to recognize those people that are doing those efforts. And yes, nobody acts in and of themselves. So, you know, it's sometimes it's hard to say, well, that one person did that one thing. And so there's always discussions about one or two people on a Medal of Merit, and can it be shared, and those types of things. I'd rather have those debates because we're nominating lots of instances, and we can kind of figure that out.

And then the Pantheon kind of represents, to use a sports analogy, kind of the Hall of Fame as a way to look at it. So the only people elected to the Hall of Fame are people whose careers are done. And then, in pro football or baseball, they kind of say that career was worth being one of the top people at the company during the career.

And sometimes those careers are long, right? We often think of, you know, Stan Pauley had 66 years with the company, or Jim Hacker, or somebody else with long tenure, but somebody who works 10 years for the company may have a dynamic impact with it. I'll use the analogy of Gale Sayers, running back to the Chicago Bears. Everyone recognized he was a Hall of Fame running back, even though he had the shortest career of anybody in the Hall of Fame because his knees went out.

But you can be a shorter... You don't have to think the Pantheon is only if you've been here 30 years or 40 years. It's really to recognize people that had a profound effect on the broader company and are now retired.

***Many people may know that Carpenter has a showroom in Las Vegas where our products are displayed, and the Winter Market took place at the beginning of February. And you were present for that, right?***

I was.

***How do you think that went?***

I think Market's always interesting. There's two Markets a year in Las Vegas. And, you know, I always chuckle a little bit when somebody says we have a showroom in Las Vegas. It sounds fancier than it is.

It's at the very far end of the Las Vegas Strip. And it's three buildings that are dedicated to home goods. So we're not having a big showroom right out right near the Bellagio or something like that. So people who don't know, there's a Market and they host events for buyers twice a year, kind of a Winter Market and a Summer Market.

The Winter Market, you know, in the retail world is people coming in to look for things that they want to have in their stores in the fall or even at Christmas time. So people in January are previewing one for Christmas ornaments that companies like Target and others will buy and carry in their stores, because that's the kind of lead times they need to deal with.

The Market is really almost a week long, the weekend and a few days in the week, where you're showcasing what you have for home good products. So it's not just Carpenter or it's not just bedding. It's heavily skewed toward bedding for the customers that we have. And so we had decided a number of years ago to have a showroom, and we had a small showroom for a while.

The idea for us was that we would have product that customers could come in and touch and feel, and that has a positive impact on our customers who are also at Market, like a Temper Sealy or Serta Simmons, Purple or Casper, so they can see our products in there. It also is good for people like Target and Walmart and Costco who come by. And then we do private label for them, or they may feel that foam and go back to a Temper Sealy and say, "Hey, I was in Carpenter's showroom. They have this really great foam. Are you putting it in any of your beds?" So it's a little bit of a pull through strategy to try and entice other bedding companies to say, we're out there and we're pretty unique as a foamer doing that.

And a couple of years ago, we moved our showroom to a little bigger space, a little higher profile, trying to create more of a presence in there, and the team that works on it, Chris Owens and many others, they do a fantastic job. Every time I go, it shows great. It looks great. I know you can go on the website and do a virtual tour so you can see what it looks like when I say that it looks great, but it's not just me. The customers rave about the space. We get a lot of positive press in Furniture Today and the BedTimes and other webcasts that are going on saying, "Hey, I went by the Carpenter space, it looks great."

So we get a lot of positive vibes out of it, and we think it has a pretty positive impact. And you know, when I was there this time, same thing. We get a lot of foot traffic, a lot of people through it, a lot of attention. So that's good.

A lot of the feeling is, is that the market for particularly bedding materials, but even furniture is going to kind of be the way it is, the way it was last year, a rather flat market for all of 2024. So then the downside is nobody's projecting a lot of big uptick to business. You've got a few things with interest rates and inflation playing into it, and then you've got, which I don't know that I necessarily appreciate as well, but you have an election coming up, and what does that have to do with furniture and bedding?

Well, a lot of furniture and bedding is done on advertising and getting marketing, and if the radio and TV stations and TikTok is filled with political ads, then the cost to advertise is way up. And so those people might say, look, the business isn't great anyway. I'm just going to sit out my advertising for these things until we get past November. So it'd be the last push for trying to generate sales in a crowded kind of advertising market. And so I hadn't really thought about it in those terms before, but it was an interesting take that spending on advertising for furniture and bedding is not going to be as high this year as it was last year because the election spending will eat up a lot of those advertising dollars.

***That's it for the questions we had submitted for this conversation with Brad. If we didn't get to your question this time, we'll try to tackle it in the next "Let's Talk Carpenter" in Q2 of this year.***

Great. Thanks very much for the time. I would like to say I was pleasantly surprised when we launched this the first time at the amount of response we got back for it.

As we've talked about, and I've talked to people, I'm perfectly happy to try all forms of communication to make sure that lots of people feel like they're in the know about what's going on. It's our company collectively, so I don't really feel like there should be a lot of secrets about things. But sometimes when you have 6,200+ employees around the world, trying to find the best way to communicate with people is a little bit tricky. And I'm just glad that people really kind of appreciated this format as a way to hear about what's going on and doing it. So if people still like it, I'm still happy to do it.

***Absolutely. Thank you for your time.***

Thanks.