

NEW FAB FLOOR COMING TO LIBERAL

The \$115 million, multi-year project is underway to transform Liberal's Fab Floor.



Employees working on current Liberal Fab Floor.

They thought it would take longer to present the case and the full project plan. They were asking for \$115 million of additional capital for 2020, after all.

To use a car example, this wasn't a flat tire or worn brake pads that needed to be replaced on a 1969 vehicle. This was building a new and modern engine, a new body, new electronic components, more room — and one that would last another 50 years.

Here was the National Beef Management Team in front of the Board of Directors, asking to build an entirely new engine for one of the company's biggest workhorses since 1990.

Instead of a lengthy discussion, presentation and debate, the meticulous and thorough plan was presented, and 15 minutes later received the tentative blessing on designing and building a new Fabrication Floor in the Liberal, Kansas, plant.

"The response was more of a 'Let's go, let's get it going already!' type of response," joked Terry Wilkerson, National Beef executive vice president of operations.

This massive undertaking would not have been possible without the foresight, intuition, leadership and sacrifice by a dedicated group of employees who worked tirelessly and without guarantee of a "yes" for many years. Not weeks or months, but years.

The Liberal project itself can be compared to an orchestra, where all team members had to be on the same sheet of music, each playing a specific part, each one being part of a well-thought-out, well-documented, well-written and coordinated piece of music — the Liberal Fabrication Project. National Beef would be in alignment from the Liberal Operations team to the CFO, Simon McGee, and company CEO, Tim Klein.

The story is one National Beef will tell in great detail over time, because it's a project that, again, puts the company front-and-center in the beef industry — in terms of leadership, innovation, production and earnings for its partners and shareholders.

For purposes of this announcement, let's start with Why Now? and Why Liberal?

For starters, the 1969-built facility was due for a massive overhaul, and the team has been aware of this pending need for years.

As business grew, the Fab Floor grew as well. But it's been tweaked, fixed and added to so much that it's now nothing

like it was when it began. And it couldn't be, because in 1969 when the plant was engineered and built, no one could have predicted what the beef business in 2020 would look like.

One might call this experiencing “growing pains.”

For everyone who has been to Liberal, you know. For anyone who has not, you've heard.

The current floor has multiple constraints and bottlenecks; running, but inefficient, and unable to meet the increasing business demands. Every day, the Liberal management team works tirelessly to get production throughput.

What should flow and hum like a brand-new engine, chugs and chokes, but keeps plugging.

Projects like these are not for the faint of heart, and this one took the gathering of smart and motivated people to pursue the same goal. A goal that is as overwhelming as it is worthwhile.

“We began feeling the pinch a few years ago, and asked ourselves, ‘What makes sense for us?’” Wilkerson

recalled. “It took a while to put the team and plan together, but about a year ago we re-focused, clearly identified the problems we had to solve, assigned tasks and got started.”

As the vision was cast, key people were put in place and the wheels started turning.

Dave Grosenheider, Dave Kalscheur, Wilkerson, Dennis Boyles, Caleb Tschetter, Steve Thompson, Brenden McCullough and Sergio Banuelos spearheaded the initial stages of project planning — thinking, dreaming and documenting all the challenges that come with bringing something this large to life.

Their common goal ultimately led to a transformative project that will change the current landscape of the Liberal plant, and the entire National Beef operation. It will require years of planning and work, and a big budget. It will require moving National Carriers' Service Center and offices off-site entirely, and a massive amount of ingenuity and patience.

That's a lot: \$115 million worth of decisions.



That's why this team knew they'd need rock-solid justification for why a new Fab Floor was the answer, and a true north for what this project would accomplish. To justify and guide the project, they developed **EIGHT KEY COMPONENTS**:

1 LABOR AVAILABILITY AND RETENTION – Any remodel of the Fab Floor had to begin with people in mind. How does this upgrade enhance their experience of working at National Beef? How does this project ensure retention rates grow stronger?

2 REPURPOSE LABOR AND INCREASE EFFICIENCY THROUGH AUTOMATION – Every other protein industry has taken giant leaps forward in automation, except the beef industry. This project gives National Beef a seat at that table, and allows them to repurpose human capital to higher value positions, while taking inefficiencies out of the line.

3 INCREASE YEAR-OVER-YEAR REPAIR AND MAINTENANCE – Let's just say that 50-year-old technology is harder to keep running smoothly and operating effectively, compared to the modern, state-of-the-art technology that's coming.

4 IMPROVED EMPLOYEE SAFETY AND A BETTER WORK ENVIRONMENT – There is lots of excess, inefficient movement on the current Fab Floor. The new floor will allow the management team, QA team, maintenance and production personnel to be in positions to be successful, with increased functionality and more streamlined processes.

5 EMPLOYEE ENGAGEMENT – Ask a Liberal production employee if they've heard the rumors about a new Fab Floor. And then watch them smile.

6 FOOD SAFETY COMPLIANCE – As big of a focus as our people safety is in this project, it's equally acute as it relates to food safety. Updated systems, streamlined technology and clear protocols will, quite literally, be built into the line, increasing our food safety compliance and performance.

7 REGULATORY COMPLIANCE – As always, each of National Beef's projects will not only meet, but will exceed industry expectations from a regulatory compliance perspective.

8 GROW SALES AND REVENUE – Last, but certainly not least, this \$115 million isn't a hope and a prayer in the revenue column. It's a direct output of the orchestrated effort it will take to ensure components 1-7 are all systems go.

When those happen, #8 is a rocket of growth. ♦