



## A Snapshot Past the Horizon

-- Al E. Bavry, CEO, Kimal Lumber & Hardware

Frank Sinatra would probably describe 2016 as "A very good year" ... (I probably date myself on that old Sinatra song.) In spite of "not enough trades to go around," getting up to speed on equipment, "investing" in some very expensive new equipment, etc., and finally taking a good, accurate Inventory, we came out better than O.K. So...for 2017, we just keep on doing what we've been doing, and we anticipate "another good year!" Put another way, we just let it flow.

But now the Contrarian side of me kicks in...We're back to where "falling in love with our Press Releases becomes pretty easy!" Hey! After weathering the bad old Recession (I'm sure you painfully remember that), we're kind of hitting on all eight..."Just keep on...Keeping on!!!"

Instead I say... "Time to bank our fires."

First, big picture. The country (pardon me!) is in a h\*\*\* of a mess. There's a multi trillion-dollar debt that keeps growing; pensions and other commitments are way over-promised; infrastructure is in pretty bad shape and no real plans to fix it. And the politics...about as "Stinky" as I've seen in my lifetime. I have pretty much zero confidence that this crop of "Clowns" in our government can manage anything. (Question..."How do you know when they're lying?" Answer..."When their lips move!!") Trades in our industry--that "blue collar" element—such as those missing carpenters, masons, drywallers, painters, etc., will just not magically appear now because we're busy. It could be years before we actually "Catch up!"

And now let me hit on something that really concerns me...Our "Partners"...all those contractors out there. They keep on signing contracts. Our active truss order file is about as packed as I've seen it in almost forever. But those builders aren't taking these built sets in any kind of "timely" way. Remember...Just not enough carpenters/framers, etc. So "John T. Roof Nail" the builder simply can't turn his work out. The job that he should have finished in July is still puttering along in November. So, in talking to some of these builders, they admit the slow pace...but some assure me they have kind of "Escalation" clauses written into their contracts. Translated: If costs go up, they can tag on certain percentage increases. I'm not real sure if that works the way they think it should when their customers are already on a tight budget.

I mention the above because we're seeing some slowness in our Accounts Receivable Aging. Tells me there are definitely "storm clouds" brewing. The simple question I ask, is why would a contractor, who is already "over-booked," keep on inking contracts? In fairness, I've talked to a few that are out quite a ways, and are simply telling prospective customers that they just can't take on any more work for now...Period!! Here's another "cloud" that is out there. Early on, right after the Recession, a high percentage of sales were Cash...financing is back in vogue. But there are hints now that that is tightening up.

I'll sum this letter up this way...Last couple of years we invested a lot of money directed at "Catch-Up" and increasing business and sales. 2017 will still see some of that, but we're already approaching any "Investments" with much more caution. I don't want to be eighteen months or two years from now, battening down the hatches when it's a little too late. We're preparing for a good year, but the cautionary note is...be very cognizant of all signs moving forward. I'm not thinking as much about the year ahead of us, but my Contrarian focus now is just beyond the horizon....two or three years out. Are you beginning to "bank your fires?" Might be the smartest strategy as you move into the New Year.