AMERICAN WOODMARK

Testimony of Todd Sabine
Vice President of the Dealer/Distributor Channel, American Woodmark
February 20, 2020

Good morning. My name is Todd Sabine, I am the Vice President of the Dealer/Distributor Channel and I am here on behalf of our Chairman & CEO Cary Dunston and all employees of American Woodmark.

Today, American Woodmark is one of the world's largest cabinet manufacturers, but we, like many American companies, have humble beginnings. Our history in the cabinet industry started in 1951 with a dentist who made dental cabinets to meet an industry need. The company continued to grow and, in 1980, American Woodmark Corporation was created. At the time, we employed 1,100 team members and operated three facilities. With a rapidly expanding retail partnership, we became a publicly traded company in 1986. For over forty years, American Woodmark has remained focused on our culture, service, and high quality. We remain guided by four principles – customer satisfaction, integrity, teamwork and excellence.

With our people-first approach to business, American Woodmark has grown substantially. We currently employ more than 8,500 employees here in the United States at 15 manufacturing facilities, 18 service centers, sales territories and our corporate office located in Winchester, Virginia. We manufacture 41,000 cabinets per day. We operate much like many other US manufacturers, who are vertically

integrated from lumber drying to cabinet production. This is a key differentiator between the Chinese importers and us and it means that we keep all of these jobs in America. The assemblers of Chinese product in the US argue that they employ Americans as well, but this is only a fraction of those that could and should be employed in the US with full vertical integration. For every one job an importer adds, America is losing roughly 3-4 in the supply chain. And it would be more than this if you consider the entire supply chain.

We are proud to be one of the largest cabinet manufacturers. In our pursuit of excellence, we focus on enhancing our manufacturing capabilities and capacities within our locations. Each year we spend up to $50 million maintaining and upgrading the technology within our facilities.

Post-recession, kitchen and bathroom cabinetry is in high demand with new construction homes increasing steadily year to year and remodel expenditures increasing each year. We would have been able to fully benefit from this strong demand if Chinese imports were not unfairly priced in the market as they are today. We sell almost all what is typically considered "stock" cabinets, and many of our sales are made to retailers – "big box" stores. Chinese cabinets are severely injuring our business. When the importers advertise that they're selling at "20 to 40 percent below big-box prices," those are <u>our</u> prices they are undercutting. We have become the reference price for the dumped imports to undercut. Needless to say, we compete against Chinese RTA imports every day. Since the introduction of Chinese imports into the U.S. cabinet market, customers have started to require a lower price

point with an increase in features that were once upgrades. With our size and consistent capital investments, we were able to leverage our scale and brands for several years, but even that was not enough. We eventually were under enough pressure that we made the strategic decision to acquire a company that operated solely in the lower price point platform. This involved taking on substantial debt, in order to find a solution to better compete with Chinese imports. Still, with their dumped and subsidized pricing, Chinese imports continue to consistently beat us on price.

Part of the acquisition of this lower cost solution included manufacturing some products in Mexico, while we continued importing some of our components from Asia. The cost savings achieved through these practices can only lower our costs so much. We did this in response to China, but Chinese imports are still undercutting us by large margins, and they have impacted thousands of jobs once held by those in the United States.

If Chinese imports continue at these levels, thousands of our employees will lose their jobs. Many of them have worked for American Woodmark for decades. American Woodmark is committed to the domestic production model that the company was built on, to keeping Americans employed, and to ensuring their communities are healthy. We donate hundreds of thousands of dollars back to the communities in which we live and work through the American Woodmark Foundation we established in 1995. We are one of the largest employers in many of the

communities in which we operate, including in West Virginia, Kentucky, and Virginia. Any loss of jobs for us would be devastating.

If we continue down the current path, Chinese cabinet and vanity imports will cause the vast majority of cabinet companies in the United States to close. This threatens our $10 to $12 billion-dollar industry, which supports 250,000 American jobs. In fact, we have stated in earnings calls the need for high antidumping and countervailing duties to address the unfair Chinese competition. On behalf of American Woodmark, I urge you to stand with American workers and make an affirmative finding to let all U.S. based cabinetry companies compete in a fair market. Thank you for your time and consideration.