



Protect more. Clean more. Care more.

November 11, 2024

**To: Our Valued Hospeco Brands Group Distributors**

**From: Bill Hemann, EVP**

A handwritten signature in blue ink that reads "Bill Hemann".

**Subject: Price changes effective with orders placed on or after 1/1/2025**

2024 has been an exciting year for Hospeco Brands Group including the launch of our new ERP system, integrating Hospeco, Adenna and Innocore and culminating with the acquisition of Supply Source Enterprises in the 3<sup>rd</sup> quarter. It has also been a year of continued increases in our manufacturing, operating, and global procurement costs, as well as double digit increases in ocean freight. We are already seeing the ripple effect of the upcoming, accelerated tariffs. While the tariffs are specifically related to select products manufactured in China, they are driving an industry-wide shift in demand to alternative countries, resulting in escalated pricing from China's global competitors.

Additionally, we continue investing in our own facilities and systems to execute on our commitment to you to provide best-in-class service and operational excellence. While we have been successful in mitigating some of these escalating costs, it is necessary to **increase prices on most items, effective with orders placed on or after January 1, 2025.**

For the items effected, **we will be providing you with your Updated Price File around December 1, 2024.** To provide this updated price file, in the most efficient and timely manner, it is critical that you sign up for access to the HBG Customer Portal. **If you are not signed up for access to your portal, please prioritize doing so by signing up today. Please log onto <https://www.hospecobrands.com> and click on "My Account".** This is a valuable resource to access not only pricing but also order status information. Percentage of increases will vary by product category

Pricing on all existing container-direct orders will continue to be reviewed and adjusted if necessary. All new container orders will require price review and possible updates prior to putting those orders into production.

All bids and contract pricing will be adjusted accordingly.

We are committed to maintaining both your and our competitive position in the market.



Protect more. Clean more. Care more.

Our primary cost drivers are as follows:

- Labor costs: domestically and internationally
- Energy costs resulting in higher operating costs especially in our manufacturing facilities
- Freight costs: both inbound and outbound
- Insurance costs continue to increase by double digits.
- Certain critical base raw material costs have increased – specifically latex and nitrile with latex in short supply, paper, corrugated, and resin.
- Certain products are experiencing increases due to supply/demand
- Ocean freight which is a significant component of product cost. These costs are driven by global trade but are further affected by the issues in the Red Sea, recent equipment shortages, the recent labor strike, inefficient port management, recent tropical storms and imbalance in global trade and the resulting demurrage charges.
- Tariffs – The USTR has imposed a 50% tariff on exam grade Nitrile gloves and other medical grade PPE originating from China effective 1/1/2025. This increase not only increases the cost of these goods from China but also with China's global competitors.
- Exchange rates are generally unfavorable.

Over the next two quarters we will continue to keep you apprised of exciting changes to our product line and improvements to our service proposition as we complete the integration of SSE.

We value your business and look forward to continuing our partnership to grow your business and to earning the opportunity to serve as your single source for all your Care, Cleaning and Protection product needs.