



Supply Chain Update

August 16, 2021

To our valued customers,

In the last month, our country has seen more people get the COVID-19 vaccine as well as many come down with and spread the more contagious delta variant of the virus. It's becoming clear that the near-term outlook for COVID spread isn't going in the direction we all would have hoped.

Much like COVID itself, issues we're seeing in the supply chain continue to transform. What began as a healthcare or PPE issue is now impacting most goods consumers are purchasing across all markets, and the supply chain both domestically and globally is being strained. Whether its food, cars, construction materials, clothing or anything else, we are seeing delays in availability and overall costs being impacted. All markets are seeing cost increases fueled by labor shortages, wage increases, raw material increases, freight and shipping costs more than doubling, inflation and the devaluation of the dollar.

More than 60% of all global goods are shipped by container, and unrelenting demand mixed with decades-low retail inventory levels are pushing prices up, and when mixed with logistics challenges are causing a perfect storm. In addition to the ongoing shipping delays, port congestion and labor shortages across the spectrum are going to lead to decreased efficiencies. While Medline is continually working on securing and shoring up all points in our supply chain and feel we are in a better positon than most, we all should expect challenging times ahead, industry-wide, across all segments.

Medline has implemented more than \$50 million in wage increases for these critical workers to keep product flowing. Additionally, we are working hard stay in front of these ongoing challenges by expanding our carrier options, implementing and accessing 3PL solutions, shifting cargo to alternate ports, and increasing overall inventory on hand.

These steps will help ensure Medline can fulfill your orders so you can serve your patient communities.

As always, I'm happy to discuss more details of what we're seeing in the supply chain and how we're addressing it. Please feel free to reach out to me at any time.

Thank you for your ongoing support and partnership.

Jim Boyle

Executive Vice President
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