



SDI Profile

Strategic Distribution, Inc. (SDI) is a publicly held company that is traded on NASDAQ as STRD. It is repeatedly recognized as a leading provider of MRO supply chain services in North America. SDI acquired its U.S. operating subsidiary, formerly known as Industrial Systems Associates, Inc. (ISA), in 1994. We differentiate ourselves from our competitors in the fact that we are a *pure* integrator, meaning that we are not tied to a wholesale distribution business. We are driven and rewarded by delivering the best solution for our customers, not by representing manufacturers' product lines and being rewarded by increasing particular product sales.

SDI is credited as a pioneer in the integrated supply market. By placing resources on-site at a customer's facility to manage indirect materials, it was able to streamline the MRO industrial supply chain. Over the years, the company developed various initiatives designed to eliminate paperwork, reduce and automate transactions and reduce inventory. The first In-Plant Store[®] program commenced operation in 1980 at Yale (now NACCO Materials Handling Group). NACCO remains a loyal customer of SDI today.

In 1995, the success of our program led SDI to expand into Mexico through a second subsidiary, Strategic Distribution de Mexico (SDM). SDM's market focus is the country of Mexico and is currently the leading provider of industrial MRO supply chain management services there. In 1999, SDI completed all of the formalities for doing business in Canada as Strategic Distribution Canada (SDC). SDI currently services two customer sites in Canada and has several existing customers who are interested in having us implement a program in their Canadian facilities.

Today, SDI's supply chain management solutions help our customers optimize their business performance and meet their strategic goals by increasing productivity and decreasing total MRO supply chain costs. SDI delivers on-site supply chain management expertise through its trademarked In-Plant Store[®] as well as offering custom and catalog solutions to address a variety of enterprise-wide demands.

Our value is delivered through several key areas. They are:

- **Pure Integrated Supply**—We are solution driven and not tied to a wholesale distribution business where we are driven and rewarded by representing manufacturers' product lines or by increasing particular product sales. Instead, we are rewarded by delivering the best solution to our customers.
- **Technology**—In-Site[®] is our proprietary customized system dedicated and created specifically for MRO materials management. In-Site[®] Online provides customers with the ability to access custom catalogs directly from the end-user's desktop via the Internet. In-Site[®] Online provides item search, inventory management and requisitioning capabilities in an "e" business environment. In-Site[®] Mobile offers a mobile solution to parts ordering, inventory management and work order management. SDI continually searches for ways to incorporate technology into the MRO supply chain to bring greater efficiencies in materials management.

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- **Data Management**— Data management is a vital service that SDI delivers as part of our supply chain management services. Through the data enhancement process, SDI develops a materials catalog featuring standardized nomenclature and universal part number for every item in a customer's MRO database. SDI constructs clear descriptions of the customer's parts, enabling plant personnel to find exactly what they need, when they need it. We then begin building part history and analyze the data to identify duplicate parts. Armed with this information, we can then work to adjust replenishment levels to optimize inventory and develop a plan to reduce or eliminate duplicate parts.
- **Inventory Management**— Inventory management is a core competency of SDI. Our inventory control system, In-Site[®], is a fully integrated, centralized inventory control system complete with sophisticated calculations of reorder points and quantities, automatic replenishment logic, critical spares management, and a robust cycle counting process. SDI's inventory management system utilizes a unique predictive modeling approach which generates a demand forecast from historical data. Forecasts for MRO are very challenging since they are not directly related to the manufacture of finished products. SDI's approach incorporates forecasting, lead times, and other variables to optimize replenishment while maintaining required service levels. The net effect of this highly automated and streamlined process is less frequent replenishment, less transactions and better consistency in maintaining world-class service levels.
- **Continuous Improvement**— Continuous improvement programs are an essential component of the long-term success of any indirect material supply chain program. SDI's Productivity Savings Program (PROS) is a key component of our program and provides our customers with dedicated support, which is tailored to their unique needs. PROS identifies key departments where standardization, product application analysis, and other continuous improvement initiatives can provide customers with improved efficiencies, productivity and/or total cost reductions.

Our expertise improves service to the end-user, improves cash flow, reduces inventory, supplier base, and obsolescence growth and makes available continuous improvement opportunities that contribute to the overall total cost savings of our customers supply chain.

SDI currently manages supply chain programs at more than 1200 customer locations for nearly 25 different customers and includes industry leaders like Coors Brewing, Siemens-Westinghouse, Stanley Works, NACCO Materials Handling Group, Universities of Pennsylvania, and North Carolina-Greensboro. Our ability to offer flexible, customized and integrated MRO supply chain solutions has benefited our customers for nearly thirty-five years.

WHAT IS IN-PLANT STORE[®]?

In-Plant Store[®] is 100% outsourcing of a company's MRO and indirect material supply chain and storeroom management requirements. It is a total-cost solution that is proven to lower supply chain costs, improve acquisition efficiency, bring organization to your storeroom and increase service levels. SDI replaces your current storeroom operation with our efficient proprietary program and people, which, since its inception in 1980, has demonstrated a track record of cost savings and improved performance. The In-Plant Store[®] allows our customers to focus on their core competency while we focus on ours.