Payne Family Homes
Award-Winning Leadership and Top Technology Fuel Intelligent Growth

MiTek®

| PAYNE FAMILY HOMES: AT A GLANCE

→ Payne Family Homes will start 280 homes in 2018, up from 32 in 2009.

→ "We've scaled up, without having to staff up. We build in 18 communities with the same 6 supers we had 3 years go."

→ In 2016, Payne had a staff ratio of 1 employee / 3 starts. In 2018, it's 1 employee / 4 starts.

→ Margin protection: "The margin we predict at contract is the margin we want to protect and realize at the closing

→ "Our component manufacturer is using MiTek® SAPPHIRE® software... We are moving toward BIM models in other areas of our organization."

→ With MiTek solutions, "We have shaved, easily, two weeks off our schedules." At $2,000 savings/start, that's $560,000 saved in 2018 alone.

Payne Family Homes breaks ground on one new, single-family housing start every day. As impressive as that is, today's high-volume pace is a dramatic leap forward from the 32 homes Payne Family Homes closed in 2009, the year the company was founded. The St. Louis area company has seen exponential expansion since then. Housing starts over the last three years tell the tale: 233 starts in 2016, 263 in 2017, and a projected 280 in 2018.

What's more remarkable is that the employee headcount on the operations side of the business has remained the same, even as the company has grown. "We've added sales staff," said Eva Fryar, Vice President of Construction Operations, "but our operations teams have not expanded equally as we've added starts. **We've scaled up, without having to staff up**. Today, we build in 18 communities with the same six supers we had three years go. Our design center staff for all 280 starts this year is still just two people."

Overall, Payne Family Homes has 75 employees. In 2016, the company had a staff ratio of one employee for every three starts, but in 2018, it's one employee for every four starts. **As Payne has grown, it has actually reduced the number of people it takes to build a home**, allowing Payne to start more and more homes with a relatively smaller and smaller staff.

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PAYNE FAMILY HOMES: BY THE NUMBERS

PAYNE HAS 75 EMPLOYEES
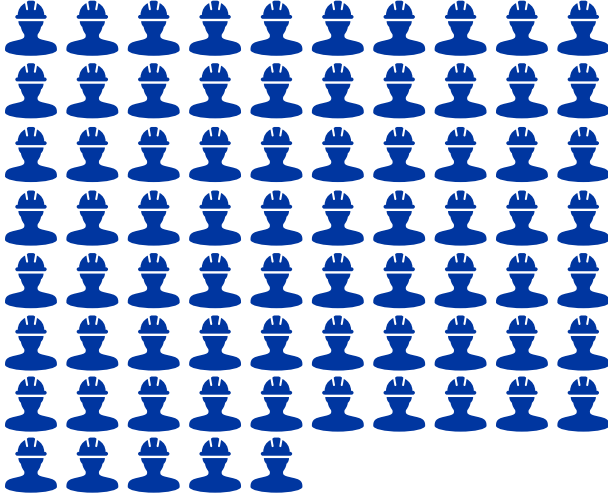
1 EMPLOYEE FOR EVERY 4 STARTS
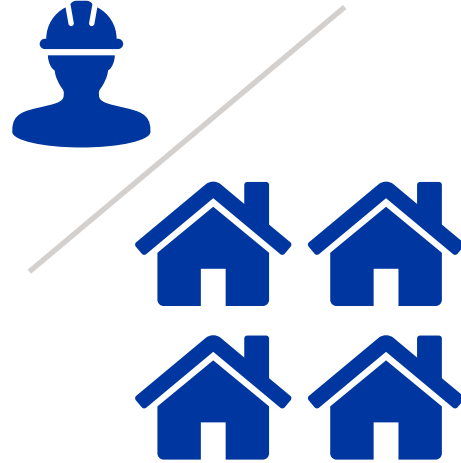
SHAVED TWO WEEKS OFF OUR SCHEDULES USING MITEK SOFTWARE

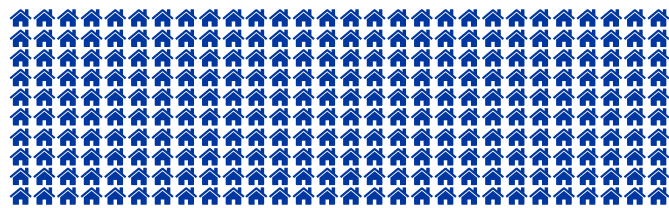**$2,000 SAVINGS/START, THAT'S $560,000 SAVED IN 2018 ALONE**

WITH BUILDING OPERATIONS IN:
18 COMMUNITIES
(SAME SIX SUPERS WE HAD THREE YEARS GO)

2009
32
PAYNE FAMILY HOMES COMPLETED

2018
280
PAYNE FAMILY HOMES PROJECTED STARTS

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| PROCESSED-BASED SUCCESS

What's responsible for Payne Family Homes' extraordinary success?

The key is a **great culture, with great products, and high customer satisfaction. (Payne's customer satisfaction** polling regularly reveals scores in the high 90s). On the operations side, in the simplest terms, success can be owed to Payne's use of **processed-based methods in every aspect of its operations**, from customer prospecting and sales, all the way to roof trusses and engineered floors that are designed and manufactured on a lot-specific basis by Payne's component manufacturers. And that's **all driven by highly integrated software** that ties Payne's system of systems together.

"Think of the Payne Family Homes process organization in categories," said Cyndie Roche, Payne's Vice President of Sales and Marketing. "My sales and design-center teams manage the 'front end' of the process, which includes prospecting, sales, options, and contracts. But one of the keys to our success is that we are able to seamlessly **pass along documents and data from this part of the process through our integrated systems – MiTek® Sales Simplicity** for CRM/sales and MiTek® **BuilderMT WMS for workflow – all the way back through estimating, design, purchasing, accounting and warranty.** That also includes **sending design data to our component manufacturers and lumber suppliers, like Pioneer Truss**, which **run SAPPHIRE™ Structure**, MiTek's manufacturing software."

"We use **Sales Simplicity for managing the sales cycle,** and it offers a CRM and sales process automation. **This is a cloud-based MiTek® software solution,** and **MiTek® has really stepped up to be a partner of ours** in the optimization and integration of the Sales Simplicity toolset. I had the final say in how the software was configured to suit our organization and our processes."

CYNDIE ROCHE — VP, SALES AND MARKETING

| CUSTOMER ENGAGEMENT: LOT-SPECIFICS

Let's take a close look at how Payne Family Homes engages prospects and converts them to customers, with all appropriate documentation, and follow the data path through Payne's operations from there.

"With the support of MiTek's solutions, we are really pushing our sales model," Roche explains. **"We are now even using Facetime® for selling and virtual walk-throughs. We have actually sold out a community without having anyone on site.** Plus, we are **adding the new Sales Simplicity plug-in, Options Online™,** which **allows prospects to self-select and fully option their homes over the web.** Yes, we are going into **web-based sales of homes!** And that will allow us to bring the same staff headcount containment in sales that we have experienced in operations."

"The core reason **Sales Simplicity is so effective for us is because** it allows our team to create rules that place the **right house** plan on the **right lot**, with the right options available to it," Roche explains. "The options management feature has **exponentially reduced our 'contract deficiencies'**. We have actually driven them to zero. Only the options allowed on any one model, on any one specific lot, are even allowed to be sold. Changes made by the client before the options cross-over date are self-calculating; we are not manually managing options costs nor which one can be associated to which plan."

"Once a contract is created, we pass the option and house plan information to MiTek's BuilderMT, which commences with the estimating, purchasing, and construction phases."

MARGIN PROTECTION

"Just as we focus on containment of our employee count as we scale up in starts, we also really focus on margin protection. That's a core part of why we are so successful," Eva Fryar explains. "It all starts with the financial planning process," Roche added. "The margin we predict at the signing of the contract is the margin we want to protect and realize at the closing. Any slippage directly affects our gross profit margins, which affects our earnings."

"**With the software we have in place, we have excellent margin prediction and protection through the purchasing and construction phases,**" Eva Fryar added. "And a large part of that is the 'round-tripping' of data between Sales Simplicity and BuilderMT, which fuels our Sage accounting and BuilderMT modules, like **Builder Portal, that keep our trades up to date** with scheduling and payment."

INTELLIGENT BUILDING

"The options management feature has exponentially reduced our 'contract deficiencies' (and) driven them to zero."

| BIM AND THE POWER OF MITEK® SAPPHIRE™

"To show how all of these technologies are integrated and interrelate to our advantage, there is another part of this process that we need to explain," Fryar explains. **"Since our component manufacturer is using MiTek® SAPPHIRE™ software, which is based in a BIM model, we are moving toward BIM models in other areas of our organization,** but we are not fully there this year; we expect to be full BIM next year. That said, we are **loading MiTek® SAPPHIRE™ Viewer software on the computers of our estimators** and purchasers, so they can review BIM models that are created by our various suppliers."

"Yes, that's right," Roche added. "We are about to bring all appropriate staff to a walk-through of one of our truss plants, at Pioneer Truss, to show them how the BIM models they are working with are the same model used in manufacturing."

All the **BIM models used for manufacturing at Pioneer are lot-specific, and once a model is created it can be shared with any trades, inspectors, engineers,** or **suppliers** that have downloaded the free SAPPHIRE™ Viewer software. It's these precision BIM models that are driving the automated saws and equipment that are making the roof trusses and cutting the EWPs for Payne Homes' projects.

PO ACCURACY = DELIVERY & SCHEDULE ACCURACY

"As much as we seek accurate options selection to protect margins, that data is only as good as an accurate purchase order," Fryar explains. "What's more, the purchase order drives accurate materials delivery and near-zero waste. That in turn allows suppliers to stage deliveries, so we don't have materials exposed on site. **BuilderMT allows us to print or digitally distribute purchase orders in trade-specific formats**. When the trades are in the Builder Portal looking over purchase orders – recognizing, for instance that the 9-foot ceilings need 104 5/8th precuts, and not 92 5/8 precuts they used on the last job – they see the schedule for their jobs as well. **If there is a delay, they are rescheduled automatically**. All that is done automatically by the software."

CYCLE TIME REDUCTIONS

"Driving down construction cycle times is key to any home building company, and ours is no different. It's no secret that there are fixed costs to carrying a home under construction," Eva Fryar explains. "Today, our cycle times average around 120 days, from a low of 90 to a high of 150 for custom homes. **With Sales Simplicity and BuilderMT – especially with Builder Portal and dynamic scheduling – we have shaved, easily, two weeks off our schedules**. The only thing holding us back from driving that down further is a **lack of skilled labor**."

It's difficult to calculate the **exact dollar figure of that savings for each home**, but even if a **conservative figure of $1,000 per week** is used, and **Payne is experiencing $2,000 in savings per house with a two-week reduction**, the **company is saving $560,000 this year alone** on 280 starts with shortened construction times.
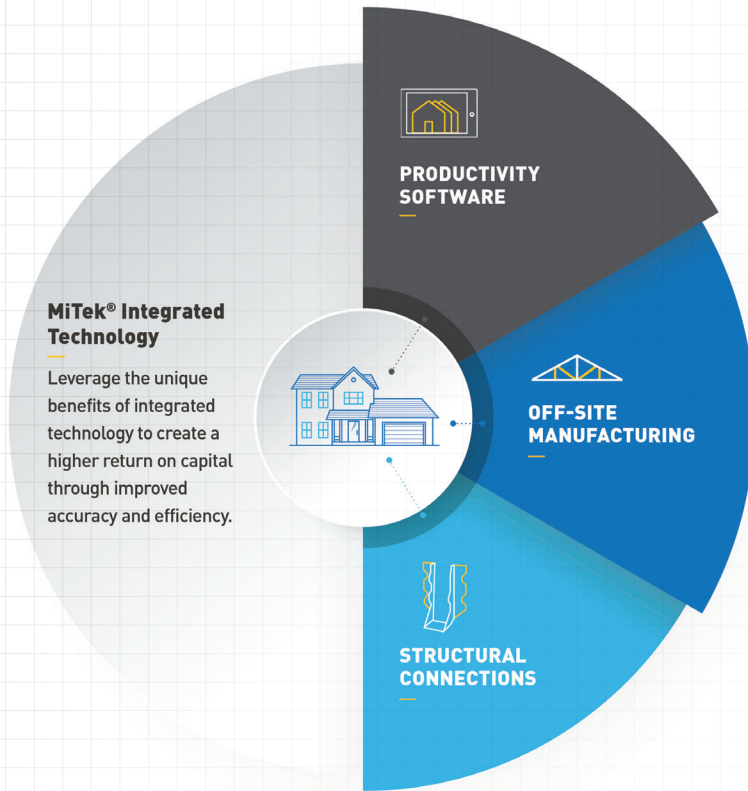
INTEGRATED SOLUTIONS

Payne Family Homes has seen the near-perfect harmonizing of product, culture, technology, manufacturing, and construction. Their software systems speak directly to one another. Prices and data adjustments are self-calculating. Purchase orders and schedules are dynamic and keyed to events happening on a single lot. The company's commitment to excellence in its homes is reflected in the commitment the company has made to excellence in the technology and manufacturing that drives construction.

What's next for Payne? Watch for the company to climb on the Builder 100 list, but don't expect Payne to be spending on staff to build those homes. With the staff and cost containments achieved with their MiTek solutions, Payne is adding those dollars to their bottom line.

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PAYNE FAMILY HOMES

PRODUCTIVITY SOFTWARE

OFF-SITE MANUFACTURING

STRUCTURAL CONNECTIONS

MiTek® Integrated Technology

Leverage the unique benefits of integrated technology to create a higher return on capital through improved accuracy and efficiency.

EFFICIENCY GAINS

→ Cut two weeks off cycle time on all starts

→ 1 employee for 4 starts

→ Near zero waste on material

→ Staged deliveries so materials aren't exposed on site

→ reduced 'contract deficiencies' to zero

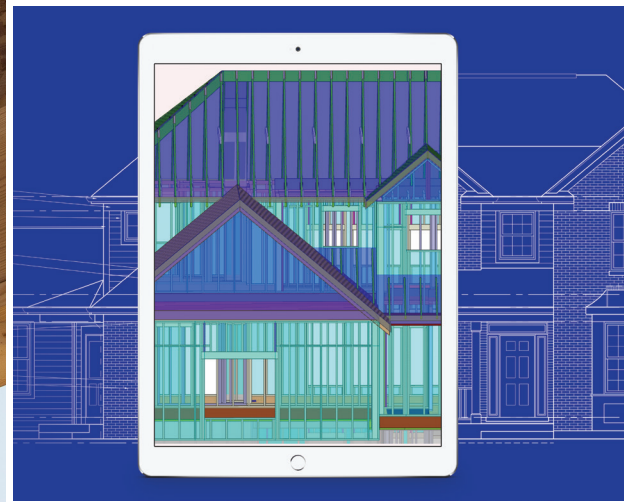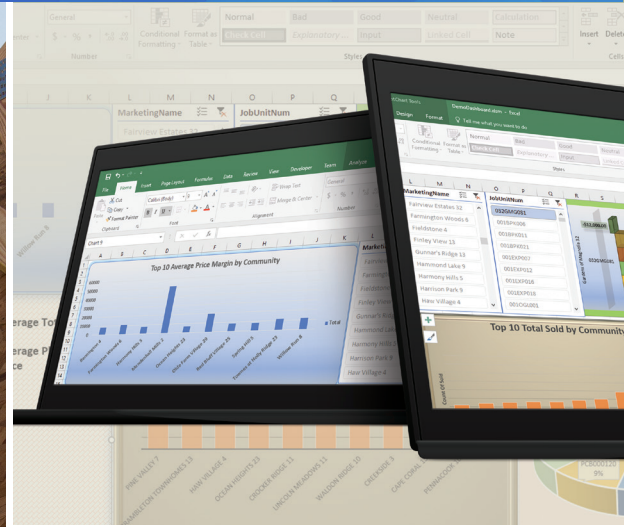## IN USE AT PAYNE FAMILY HOMES:

PRODUCTIVITY SOFTWARE

→ MiTek® BuilderMT WMS
→ MiTek® Sales Simplicity
→ MiTek® Options Online™
→ MiTek® SAPPHIRE® Viewer

OFF-SITE MANUFACTURING

→ Payne's component manufacturer is also enabled by SAPPHIRE® Structure BIM software.

→ MiTek® Enabled Truss Designs

→ Payne is moving toward BIM models in other areas of the organization.

STRUCTURAL CONNECTIONS

→ MiTek® USP® Structural Connectors
→ MiTek® Connector Plates

| ABOUT PAYNE FAMILY HOMES

Established as one of the Payne Family of companies in 2007, Payne Family Homes has quickly risen to be the St. Louis metro region's fastest-growing homebuilder and recently was named one of the area's fastest-growing companies by the St. Louis Business Journal. With communities in some of the most desirable areas of St. Louis, St. Charles, and Jefferson counties, Payne Family Homes builds memorable estate homes, villas, and single-family homes in nearly every price range. For more information, visit PayneFamilyHomes.com or call (314) 477-1218.

| ABOUT BUILDERMT WMS

For the home building industry at large, MiTek's BuilderMT WMS software provides highly-customizable workflow and building-process-management solutions that work in tandem with leading accounting systems and other wireless and jobsite productivity tools, such as CRM and warranty management. For 20 years, BuilderMT systems havebeen purchased by more than 1,000 home builders and cumulatively used as a desktop workflow tool by upwards of 10,000 home building professionals. To learn more, visit www.BuilderMT.com

| ABOUT SALES SIMPLICITY

MiTek's Sales Simplicity is a leading sales automation, content management, lead management, eMarketing and reporting management tool for new single-family, semi-custom and custom homes, condos, and multi-family housing, or for use by realtors. Learn more: www.SalesSimplicity.net

ABOUT MITEK INDUSTRIES

MiTek Industries is a diversified global supplier of software, engineered products, services, and equipment to the residential, commercial, and industrial, construction sectors. MiTek Industries' passion for our associates' well-being and for our customers' success through continuous process improvement is the company's hallmark. A Berkshire Hathaway company since 2001, the Company has operations in more than 40 countries on six continents. Learn more: www.MiTek-US.com and www.Mii.com.

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