

TO OUR MEMBERS, SUPPLY PARTNERS AND ASSOCIATES

Dear True Value colleagues:

We have fulfilled our first commitment. We have developed and launched our long-term strategic plan for growing a True Value we can all be proud to be a part of. It's a major accomplishment, and we thank you all for the part you played. But it's just the first step in a challenging—and exciting—journey together. Now, we begin.

This is transformational change

Transformational change is defined by change across every corner of an organization, occurring rapidly and simultaneously to drive quantum leaps forward. This multitude of well-coordinated activities is expressed perfectly in the “learning maps” we included in this year's annual report.

In 2014 we accomplished exactly what we planned to accomplish. We spent the first half of the year going through the process of developing the strategic framework and finalizing the plan; the second half launching the first initiatives. True to the definition of transformative change, those initiatives stretch across the entire True Value enterprise and will eventually touch everything we do on a daily basis.

Solid co-op performance during the transition

As we invested the time, effort and resources to develop our strategic plan, we are very pleased to say that we kept our eye on the ball in our day-to-day operations. Our 2014 sales results were solid and significantly improved over last year. In fact, the co-op had its best sales year in 20 years.

DTV retail comp store sales were up 4.8 percent and overall comp store sales were up 3.1 percent. We achieved total gross billings of \$2.0 billion, an increase of 6.0 percent. Our sales performance was remarkable and demonstrated how the strategic plan is already driving growth. Over the next few years, we will be making investments to build the co-op for long-term success—the 2014 patronage dividend, issued in March of 2015, was \$41.1 million.

Our conversion team had a record year attracting new members to the co-op, signing a total of 74 new members during the year, representing more than \$26 million in new annualized handled business. Because these conversions come from competing cooperatives, it reinforces our belief that True Value programs are among the best in the industry. Equally exciting is the fact that our new-member pipeline is stronger than it's ever been as we begin the execution of the new strategic plan. These are very positive indicators that the best is yet to come.

It was a good year for DTV implementations as well. With co-op support, True Value members planned and completed nearly 1 million square feet of DTV and relevant retail space in 2014. We have aggressive plans going forward for increasing DTV implementation through remodels, branch expansions and new stores.

We completed a full review of the DTV program in 2014 and have made changes to eliminate “format arrogance” and make DTV more flexible, affordable and attractive to our members than ever before. This is especially important for the substantial number of members who have not refreshed their store format in as long as a decade.



JOHN R. HARTMANN (LEFT)
AND BRENT A. BURGER

DTV is central to your success. It is a top priority at the co-op to help engaged members update their stores to stay relevant to the new generation of shoppers that is now becoming a force in retail.

2015 and beyond: Now it's time to execute

There's a timeworn sign in my office, I've had it for years, and it expresses my focus on getting the job done. It reads, "A vision without execution is an hallucination." Rest assured, we are focused on flawless execution. If 2014 will be remembered as the year we plotted our roadmap for the future, then 2015 will be the year we hit the highway at full speed.

We've launched new programs to get everyone fully engaged and doing their part to move forward, initiatives like the Retail Center of Excellence, the Roadmap to Retail Excellence, the National Customer Service Training Program and others. We are creating and introducing exciting new programs to build an emotional connection to our customers, increase brand recognition and drive sales growth across multiple media, including national television advertising, print, social media and ecommerce. And we will begin to see momentum in efforts already well underway to drive quantum-leap improvements in organizational efficiency, inventory management effectiveness and service quality to our members.

Transformation requires investment. We evaluated and renewed our credit facility in 2014 for prudent use in helping to fund growth, and we will be reinvesting an increased amount of co-op profit over the next several years to create the infrastructure needed to ensure that we are strong for the next generation.

"WE ARE CREATING

OUR OWN DESTINY."



INTRODUCING OUR STRATEGIC PLAN AT FALL REUNION, 2014

Building the new True Value together

We sincerely appreciate our members' support as we make the changes needed to drive new levels of engagement, growth and efficiency across our company. We thank our many supplier-partners for the commitment they've shown to our mutual long-term success in the work they've done with us thus far.

The dedication and hard work the chairman and I have seen among our associates throughout the year is a real source of pride for us—it only bolsters our already strong confidence that we are going to reach our ambitious goals.

Together, we have chosen to create our own destiny rather than wait for it to come to us. Like the powerful scene pictured in our "Building Our Future at True Value" learning map, it is exciting to see the new True Value taking shape from the ground up.

Sincerely,

John R. Hartmann

President and Chief Executive Officer

Brent A. Burger

Chairman of the Board