

Logistics and Supply Chain Update

November 4, 2020

Logistics

With increased demand, holidays, and worker availability impacted by increased COVID 19 sickness and isolation, we are experiencing increases in transport times and delays are reoccurring. Costs are increasing for all modes with Ocean and LTL having the greatest impact. Largest delay in transport times in Ocean from Asia to West coast.

Asia Air

The China airfreight gateways are realizing an increased demand for Airfreight. Increase in demand for pharmaceuticals, PPE commodities and surge of retail products with limited increase in planes is resulting in lead times to increase. Small Parcel carriers FedEx and UPS have announced an additional set of price increases. SMTC continues to maintain additional lead times on heavy air and we are monitoring for impacts on small parcel.

Sea Freight

A combination of increased US demand / low inventory, container shortages – blank sailings, and COVID 19 worker limitations to transport and unload cargo, Ocean transport times are quickly approaching 15+ day delays. With US Holidays, Chinese New Year's and COVID 19, we expect this situation to continue into Q1 2021. To minimize production delays and mitigate increased logistic costs, SMTC is taking the following steps on Ocean transported materials such as PCB's, enclosures, etc...

- All “on-ocean” shipments are evaluated and tracked. If delays will result in build risk, additional material is placed on order and will be aird to meet the customer request dates.
- Until December 15th and to ensure support builds before Chinese New Year (February 12th), SMTC will air ocean transported products.
- Ocean transport times are now increased to two months. To ensure proper cost sufficient supply of these products lead times are increased to 65 days.
- Customers requesting pull-ins inside 9/10 weeks, air shipments likely will be required and are being advised.

EMEA

Lockdowns are impacting worker availability but all logistics remain open. Delays range from one to two days but currently are manageable for small parcel shipments.

US Truck Transportation.

With COVID cases increasing, US is seeing an increase in shortage of drivers to deliver small parcels and LTL (Less Than Truckload or palletized). Delivery is reaching capacity with man-power and delays are

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now occurring of 1-2 days. Pricing continues to increase in the spot market. Lead times are being monitored closely with the upcoming holiday season.

Border Crossing: Borders remain open for the flow of goods to Mexico. Our cross dock operations are open and experiencing minimal to no delay in transit times to and from the US into Mexico. The situation in Mexico is increasing as well and we are watching impact on driver availability closely.

Supply Chain

Concerns are arising due to increased infection rates in Europe and NA. Suppliers have now had protocols in place for both preventive and mitigation plans which seem to be effective as the number of delivery decommits due to COVID have been reduced dramatically thus far in Q4. However SMTC will be extremely diligent in monitoring the situation.

China: No impact.

Thailand: Minimal impacts.

India: One sub-tier supplier was impacted last month but has since reopened operations. This is another region SMTC is keeping a close watch as the infection rates have not improved.

Japan: Minimal impacts.

Philippines: Minimal impacts overall but a couple of factories still catching up to backlog.

Malaysia: Minimal impacts overall but a couple of factories still catching up to backlog.

Europe: SMTC has reached out to all suppliers on current status as well as details on mitigation plans should there be any impact to their operations.

US: Despite higher COVID rates, SMTC suppliers in the US have not communicated any issues.

Mexico: No major surprises detected in the current quarter. We are keeping a diligent watch some suppliers were impacted last quarter.