

Logistics and Supply Chain Update

April 9, 2020

Supply Chain

As COVID-19 is becoming more widespread, suppliers are being affected differently in various countries and regions, with more relief seen out of China, the EU and US are starting to see the impacts from restrictive policies enacted to contain the spread of the virus.

As SMTc is a provider for many COVID-19 related essential products, we have communicated to our suppliers this special status which should provide priority for our orders.

China: All of our direct suppliers out of China have resumed operations. While some suppliers continue to operate with a reduced staff, the vast majority are able to support our demands for Q2. No major impacts expected to our supply chain.

European Union: We are having to work very closely with the EMEA supplier channel partners as they weave through the challenges they face short term. We are seeing some suppliers that had shut down come back online during this past week with more expected back next week. We do not expect any major impact to our supply chain as we work with them to overcome the challenges.

South Korea / Philippines / Malaysia: Malaysia has extended its Movement and Control Order out to April 14 and the Philippines have done the same under its Code Red Sub-Level 2 order. While some manufacturing facilities are being impacted with delays stretched out to April 14 or beyond, we have seen progress with details as they are communicating responses back to us. We do not see impact to our supply chain.

US: Restrictions continue to be imposed on non-essential business throughout the nation. As this and the shelter-in-place policies expand to more cities and businesses. Smaller suppliers supporting non-essential business are most impacted as they assess the challenges around staffing shortages. However most suppliers continue to operate. As we work through each challenge, we do not see impact to our supply chain

Logistics Update

With no major changes other than China Wuhan movements now taken place, the biggest impact continues to be in international air transportation most specifically in China with increased demand.

AIR

Greater lead time and higher costs - With continued international and domestic travel restrictions, COVID related PPE orders increasing and China production ramps, international air shipment lead times have moved across the board to ~ 2 weeks into the US. Asia small parcel shipments have been limited to < 70kgs with week over week price increases in some lanes of over 45%. Heavy air continues to have greatest price pressure; upwards of 2x.



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OCEAN

No change - Ocean shipments are flowing in most countries but delays continue to occur with blank sailings and increased delivery times in the US of up to 4 days resulting from the blank sailings and US port closure. We expect the increased china production to have some short term impact on container flow as US demand has decreased market ably. With limitation on crew changes and container companies with a cash flow crunch pricing is expected to shortly increase.

US TRUCKING

No change - delays in shipments for LTL of up to 2 days. Demand in grocery stores is starting to decline as with retail and some manufacturing resulting in a 27% reduction compared to last year.

BORDER

Status quo – minimal impact. Border flow of goods continue from MX, Canada and US with some minor delays on MX to US side. SMTC continues to operate both of our cross docks.

Thank you.

