

## Logistics and Supply Chain Update

April 17, 2020

### Supply Chain

The vast majority of our suppliers shut down by COVID-19 have returned to operations. As many of these suppliers in the ASEAN, EU and US come back online over the past week, direct communications have been re-established and we continue to assess the impact to our supply lines.

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. Recovery to full production is progressing very well. No major impacts expected to our supply chain.

**European Union:** The vast majority of the suppliers from the shutdown have returned, resuming operations. The focus is to close the lead time lost from the shutdown. We are optimistic on the progress based on initial communications received this week.

**Philippines / Malaysia:** Government imposed shut downs are being extended to the beginning of May. But our direct suppliers in these regions continue to operate with at least limited capacity and continue to provide a line of communication on the status.

**India:** The country continues to be on lockdown until April 30<sup>th</sup>. We will continue to monitor.

**South Korea / Japan:** Government imposed shut downs are being lifted in South Korea. No impact to our supply chain. Japan declared a state of emergency in 7 regions on April 7. An advisory panel will meet on April 16 to evaluate if it needs to be expanded to other regions. Direct suppliers for SMTc are limited out of these regions but we are working closely with our channel partners to monitor the impact to their suppliers.

**US:** Restrictions continue to be imposed on non-essential business throughout the nation. 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

As demand continues to decline for products across the world, we are seeing an increase in blank sailings. This is resulting in lead time increases of up to two weeks and more shippers considering air in an already tight international air market. Airlines are seeking creative solutions including approval to remove seating and ship products in cabin space. As some countries are looking to ease out of "lockdowns", we will initially see tighter logistics space in the international markets this quarter.



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### **AIR**

Lead times are one business week longer across the board both small parcel and heavy air. 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.

### **OCEAN**

To prevent downward price pressure, shipping companies have increased blank sailings. We are seeing as much as 2-3 weeks to pick up on LCL shipments. Ocean time is not increasing but to door transit times have approached 45 days on the west coast and 60 days on the east coast from Asia. We are monitoring and updating lead times in our system and can ship air as a more expensive option to help our customers meet their demands.

### **US TRUCKING**

No change - delays in shipments for LTL of up to 2 days.

### **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.

In summary we continue to manage and update lead times and also continue our daily monitoring of shipping backlog to modify transportation methods and meet our customer due dates. The US market continues to have minimal impact and with our continued cross dock operations, we are experiencing no issues at the border. We do expect a significant increase in logistics focus once more businesses ramp back up. We will continue to monitor.

Thank You

