



Logistics and Supply Chain Update

April 24, 2020

Supply Chain

As the stay-at-home order expires on April 30 for many countries, decisions loom on whether to lift the government imposed shut downs. Production priorities continue to shift to support essential business related products.

As SMTC is a provider for many COVID-19 related essential products, we have communicated to our suppliers this special status which provides 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.

India: The largest COVID-19 national lockdown in the world has been extended to May 3.

European Union: Resumption of operations, access to information, and recovery of lead times continue to improve with our suppliers. We expect continued improvements throughout Q2.

Philippines / Malaysia: Government imposed shut downs are being extended to the end of April. Lead times have increased by 5 weeks in some cases due to limited capacity and re-prioritization. Manufacturing operations continue to stay open giving priority to essential business products. We are optimistic for a recovery in second half of Q2.

Japan: 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. We do not expect impact to our supply chain.

US: Decisions on lifting shut downs for non-essential business may differ by state. Essential business continues to receive priority. As we work through each challenge, we do not see any major impact to our supply chain.

Logistics Update

Longer lead times for transporting international products is becoming the norm with increased restrictions on international small parcel in China. European transportation has no major changes. As commercial transportation is considered essential business in MX, we are not seeing any impact. We continue updating lead times and continue our daily monitoring of shipping backlogs 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.

AIR

The Chinese government has added additional custom requirements for PPE, creating greater backlogs resulting in extending lead times to 2 weeks and approaching 3 weeks for heavy air forwarders. With





Logistics and Supply Chain Update

bottlenecks and limited space, all small parcel is restricted to < 100kgs per day per shipper, virtually requiring the use of Heavy Air at longer lead times. We continue to experience as much as 150% increases in air rates depending on mode and lane.

OCEAN

With durable good declining 20% and blank sailings continuing, departure times from Asia and Europe have become unpredictable and continuance of as much as 2-3 weeks to pickup on LCL shipments. Delays continue in the US, as almost all parts are having scheduled shift shutdowns with less unloading and Portsmouth VA has announced it is shutting down. Pricing remains stabilized.

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.

Thank You

