

Logistics and Supply Chain Update

March 18, 2020

Supply Chain:

We continue to see our suppliers in China transition back to full operations and expect the majority to transition to full production within the next 4 weeks.

As COVID-19 takes a foothold in Europe and the United States, our focus has shifted to understanding the potential impact to suppliers in those regions. We are not seeing any major impacts to our supply chain.

China: Most factories have resumed operations. Feedback from our suppliers indicates transition to full production in the next 4 weeks. No major impacts expected to our supply chain.

European Union: The European Union has closed its borders. We are assessing the impact to our suppliers' manufacturing and operations. We are not seeing any impacts to our current supply chain.

South Korea / Philippines / Malaysia: Direct purchases for SMTc are through limited suppliers from these countries. There are no known delays in production or to our supply chain.

US: Restrictions have been imposed on non-essential business in some cities and counties. The impact to our suppliers change daily, although we are not seeing impact to our current supply chain.

Logistics Update:

With most countries deeming logistics essential business, transportation flow of goods is continuing but with some delays. In China all ports are operational with delays limited to air. Logistic delays are increasing in other regions, primarily Europe, Philippines, Malaysia and some areas of the US where the virus is increasing. With air flights cancelled in Europe, Philippines and Malaysia, heavy weight air are a limited option but Ocean and small parcel can be used. In the US, all ports are open but there are some limited hours which are resulting in some delays in offloading containers. All border crossing for goods remain open North and South bound to Canada and Mexico. All regions and all modes of transportation are starting to experience increased rates. SMTc is not seeing impacts to our supply chain as we have been aggressively working with our carriers to keep us running.

China Operations

- China's ocean operation is back to normal. Manufacturing activities are also in process of returning to normal.
- China continues to have tight air space; small parcel lead time 0- 2 days above normal and heavy weight air are on time to 5-7 days longer.
- Domestic trucking is gradually improving in China. Most drivers are back on duty.
- Space remains tight as additional void sailings are announced by ocean carriers.



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- Blank sailings from China and all Asia continue and are expected to decrease by end of Apr.
- Increased air and ocean rates have been implemented.
- Vietnam CN border backup has eased.
- Wuhan operations is still closed. Expected return date is unknown at this time.

Philippines are under enhanced community quarantine until 13 April. Ports are reportedly fully operational but with skeleton crew. Restrictions are being applied to truckers as they need to get ID from the government. Heavy weight Air Shipment space is severely restricted with up to 3 day lead time increases with small parcel.

Europe

- With no consumer air traffic, small parcel air shipments are the best alternative for air.
- Chartered flights are the only heavy air options
- Ocean shipments and ports are open. Exceptions (1) Italy, Genoa port terminal announced to reduce number of staff and operations, all depending on volume. (2) Ports in Spain are working with limited hours but fully operational.
- Trucking shortages are being reported in and out of effected countries.
- There is a mandatory 14 days quarantine implemented in some countries for truckers coming from Italy.

Canada

- 3/18 President Trump announced that the United States and Canada would be closing the Northern Border to "non-essential" traffic. This closure, however, does not include trade.
- Ports and offices are working normal hours.
- There are slight delays in Intermodal (rail) services due to backlog from February Blockades/shut down.
- Drayage and trucking operations are running smoothly

USA:

- All port terminals are open and most are working under normal hours.
- Terminal operators in Los Angeles-Long Beach have posted almost 60 gate closures during either the day or evening shift from Monday through April 1. Reduced terminal gate hours impact container returns which could result in less container availability in the future.
- Seattle/Tacoma port announced some terminal closure same as Los Angeles/Long Beach.
- Oakland seaport is exempted from Bay Area lockdown. Officials are meeting with the International Longshore and Warehouse Union to determine what staffing levels are needed on the docks. Some LTL pickup challenges city by city such as San Francisco where lockdowns are in effect
No lead time delays for small parcel
- Majority of East Coast and Gulf Coast ports in the US are still operating at close to full levels but some have reduced hours and reduced staffing.

Mexico – minimal issues with some delays in trucking due to manpower availability with no impact to our supply chain.



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Overall we continue to expect conditions to improve in China and the focus will turn to the other regions. Please be assured that we continue to monitor and manage lead times while also pre-booking transportation to help ensure availability of products as we close out Q1 and move into Q2. Thank you.

