



SMTC Logistics Update

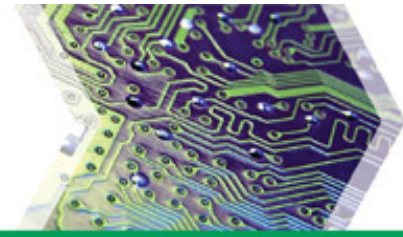
September 12, 2022

Logistics Update - Rail & Ocean

US RAIL STRIKE: We have been monitoring the potential rail strike this week by conductors and engineers. Our finding is that SMTC will have minimal near term supply impact on our operations in the event the rail strikes

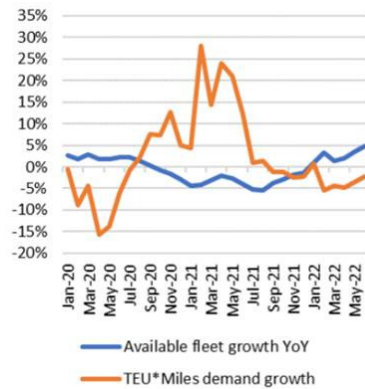
- SMTC uses rail on a small number of Ocean shipments when transferring at the port to our El Paso cross dock (<.1% of total shipments). In the days ahead of the strike, SMTC has been evaluating all Ocean cargo status ahead of vessel arrivals and import discharge for rail. Our logistic teams partners and planning teams are aware of the situation and tracking what's in the U.S. rail terminals now and what is in transit. We will continue to monitor and track these shipments.
- Friday, September 16th at 12:01 am EST marks the end of a 60-day cooling off period and rail union workers have the option of striking. All Rail partners are optimistic and hopeful that governmental pressure will deliver an agreement or extend the cooling off period. If there is not a resolution and a strike is called, the expectation is that the US Congress will legislate in 24 hours, but it will likely take another 24 hours to get workers back into position. This suggest perhaps a 2-3 business day disruption.
- Most rail operators are implementing contingency plans. This include stopping acceptance of on-dock rail at port container terminals and closing gates to intermodal traffic. Until further notice, most rail operators are keeping out gates open to enable pick up of containers by truckers, thus minimizing other disruptions.
- The greater impact of a long-term rail strike would be the disruption flow of all goods in the US. 30% of the goods in the US move via rail. Hence, our opinion and research findings suggest that the government will likely intervene to minimize impacts. As a contingency for future shipments and a prolonged interruption, SMTC has the option to move these few future shipments via truck.

For more information on the rail strike see: <https://www.reuters.com/world/us/us-chamber-commerce-callsurgent-action-avoid-railroad-strike-2022-09-12/>



SMTC Logistics Update

Ocean Update



For the first time in 2 ½ years, demand of container shipments has slowed to be on par with available capacity – see chart below. As result of continued productivity at the west coast ports and easing demand we are seeing shipping times reaching 45-60 days again. Additionally, blank sailings have decreased and we are seeing wait times in Asia ports declining. We expect 2022 shipments to exceed 2021 by 10% and to experience a continued trend of easing congestion and normalized transit times through the end of the year. This assumes no major disruptions for rail and/or west coast port strike issues.

Cost per container shipped is somewhat improving. With the container space improvements, the spot rate cost for containers on the west coast has fallen significantly. Unfortunately, with the continued high price for diesel fuel, the overall cost of shipping containers has not fallen significantly. In fact to some locations, the cost of moving the container on land is greater than the cost on the sea. On the East Coast, spot rates are running 2x-3x West Coast. SMTC does use the East Coast ports for our East Operations. We have found this route to be the most reliable rather than working to find pickup and moving container cross country either by truck or rail.

CN Covid - transportation and shipping in Chengdu continues to be restricted. SMTC is monitoring the situation but there are no impacts to operations we have in that part of China today.

Chuck Fries, VP Logistics & Planning