



Preparing for the future, while optimizing the present

OESA/HRI Automotive Tooling Barometer

September 2016

OESA/HRI Automotive Tooling Barometer – August 2016

The OESA Automotive Tooling Barometer survey series was created by the OESA Tooling Council with the partnership of Harbour Results, Inc. to provide an indicator of the current state of the automotive tooling industry, and the perception of near-term prospects for the industry. The OESA Automotive Tooling Barometer captures the sentiment of the major companies in this market. Each survey in the series will have a different focus; the August theme is focused on sales and quoting data.

OESA/HRI Automotive Tooling Barometer – August 2016

- Executive Overview
- Industry Recovering from Slow Start
- However, Prices are Falling on Some Classes of Tools
- Scaling Impacts Efficiency
- Diversity Helpful...to a Point
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Executive Overview I

- **2016 saw a very slow start to the year with over \$2B in tooling capacity not leveraged during Q1. However, work 'on hold' has declined by 6 percentage points since January 2016**
 - Year over year, tooling sentiment has seen a drastic increase going from 56 points to 74 points. Shops over \$40M appear the most optimistic about the next quarter. Also, both die and mold shops are feeling generally positive as well
 - Annualized Q1 data points pointed to a decline in the overall tooling market, however, many industry forecasts expect Q3 and Q4 to be very busy times for the tooling industry. HRI also believes the volume currently being experienced will cancel out early year lags
- **Since 2014, annual tooling volume is up but overall average price per tool is down**
 - Mold & Die shops report an increase in tools shipped, averaging a 16% overall increase from 2014
 - Die shops experienced an 18% decline in revenue per tool, while mold shops saw a 4% increase, since 2014
 - According to automotive forecast data, 2017 & 2018 automotive tooling will nearly double the new entry and redesign programs seen in 2015

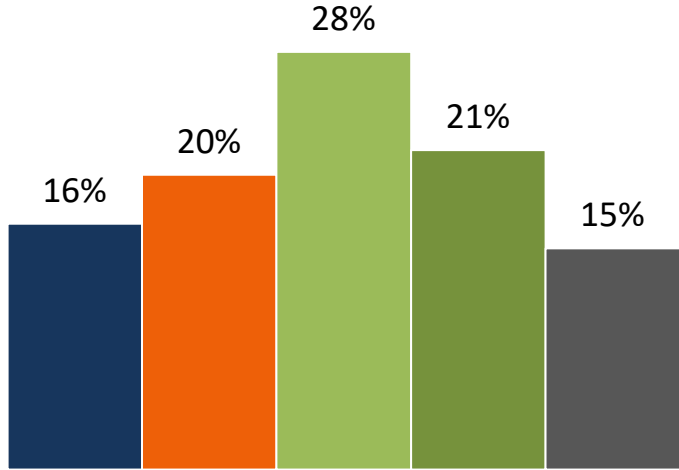
Executive Overview II

- **Sales and quoting levels within the tooling industry varied greatly by revenue range, with larger shops demonstrating greater levels of efficiency. Shops over \$20M USD earned 22% more revenue per salesperson and quoted 32% more per estimator than shops under \$20M USD**
 - The average amount of sales tool shops have booked in advance means their time horizon is typically less than 6 months, with larger shops booking 19 percentage points more work than smaller shops
 - As shops grow in size, estimating employees become more efficient. Shops in the \$10-20M range see a 190% surge in quote dollars per estimator over \$5-10M shops
 - Tool shops smaller than \$20M USD saw about \$4M in revenue per salesperson, while shops larger than \$20M saw an average over \$12M per salesperson
- **Shops surveyed represent over \$1B in tooling revenue split across 9 industries; automotive accounting for 82% of total revenue**
 - On average, shops that support the automotive industry grew 4x faster than those who are non-automotive
 - Shops who support 4 or more industries grow on average twice as fast as shops who are less diverse

Respondent Demographics

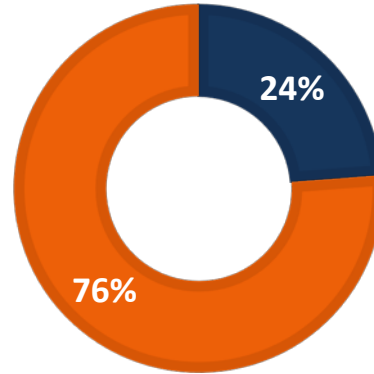
Total North American Respondents: 65

REVENUE RANGE



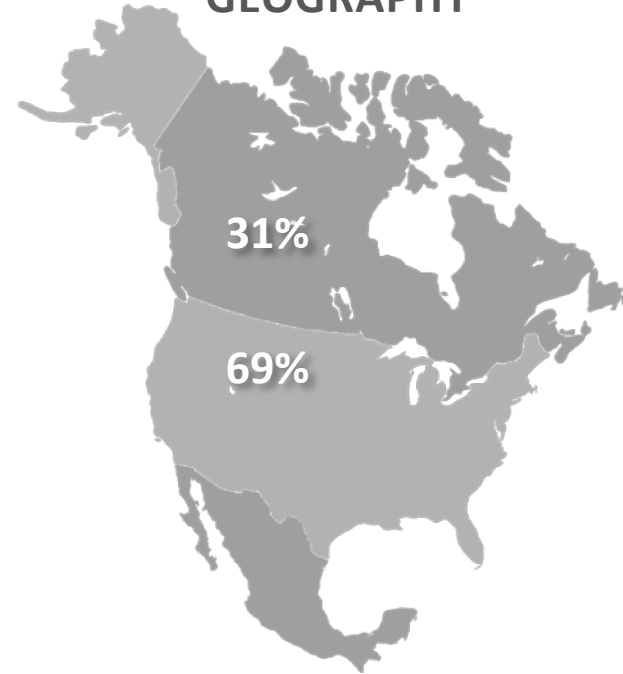
■ <\$5M ■ \$5-10M ■ \$10-20M ■ \$20-40M ■ >\$40M

SHOP TYPE



■ Die ■ Mold

GEOGRAPHY



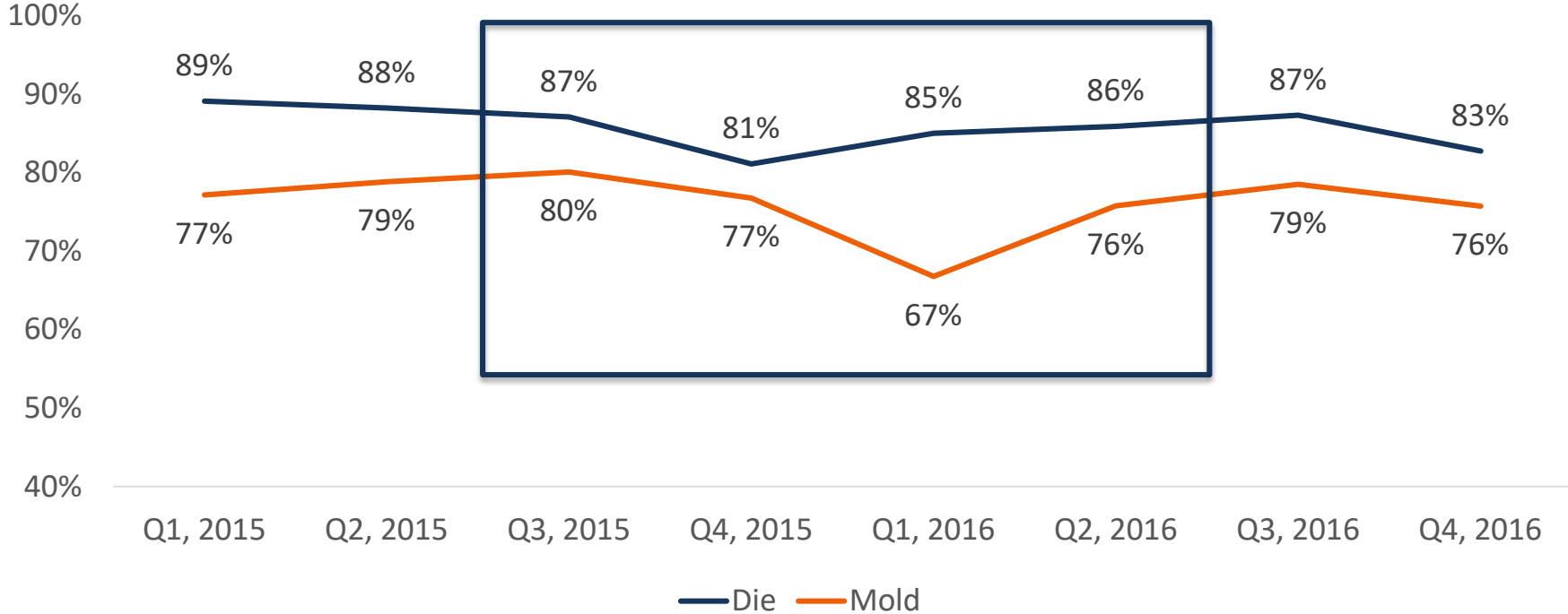
- Question: Please identify your Revenue for 2015
- Question: Please identify your company's geographic location

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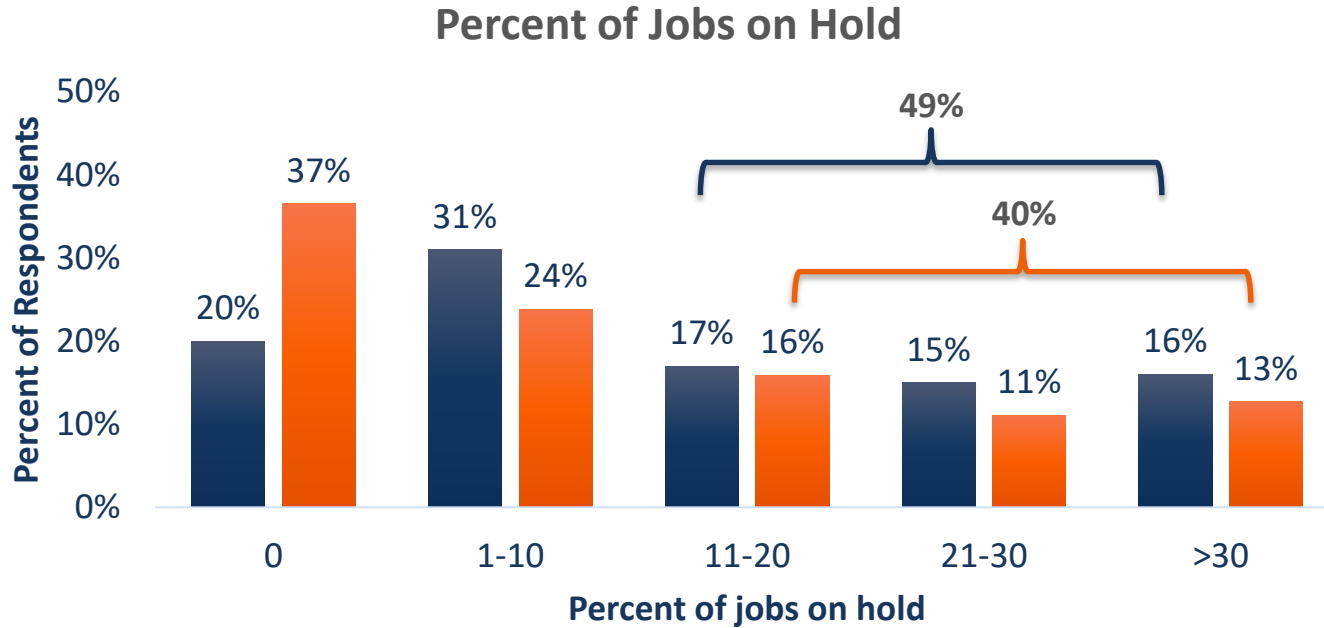
A Decline in Tooling Utilization Stabilizes in Spring 2016

Capacity Utilization by Die and Mold



Overall Work 'On Hold' Decreases 6 Percentage Points Since January

Percentage of Shops with More than 10% 'On Hold' Decreases by 9 Percentage Points



January Average = 18%

■ Jan 16 ■ June 16

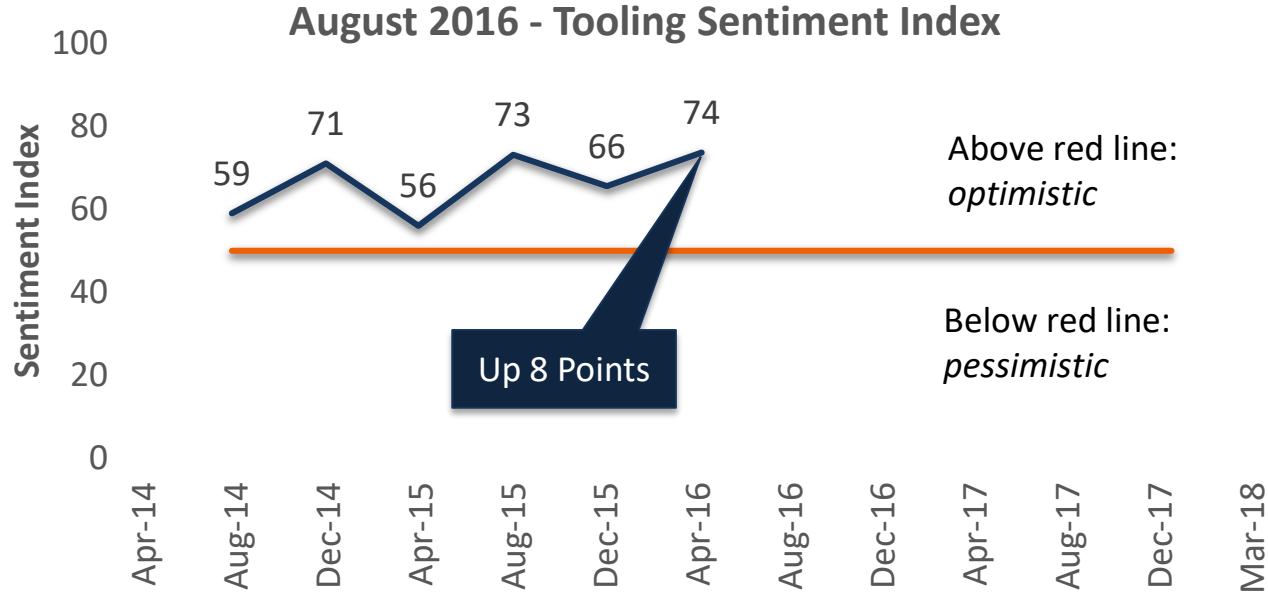
June Average = 12%

Harbour Results estimates the industry 'on hold' impact in Q2-Q3 to be around \$1.6B, a decrease from over \$2B in January

Question: What percentage of jobs that you have been awarded are currently on hold due to reasons outside of your control?

Overall Sentiment Increases to 74, Up 8 Points Since January

Year Over Year, Sentiment has Increased from 56, a 32% Change



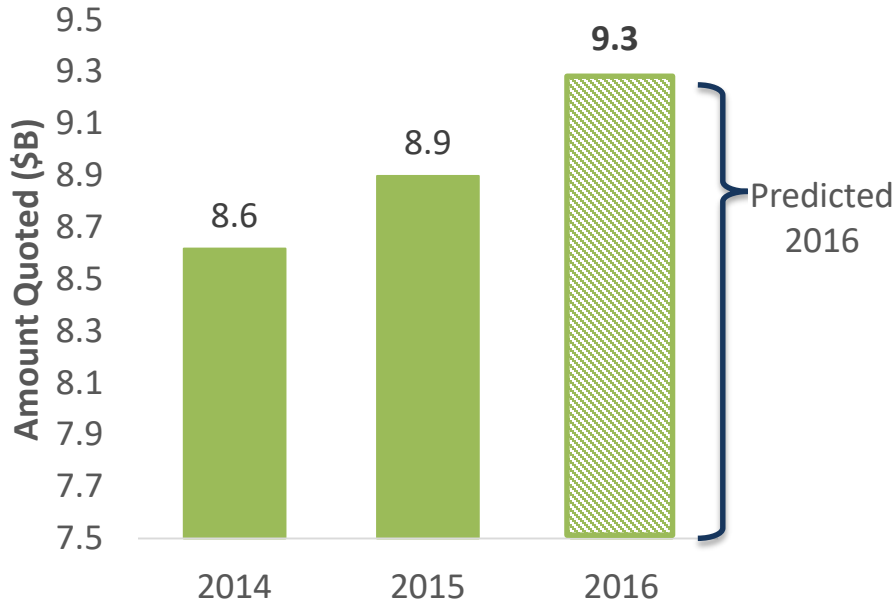
There appears to be a cyclical nature to sentiment, with some level of correlation to the amount of work 'on hold' reported in this survey

Question: How would you describe your business outlook for the next 3 months?

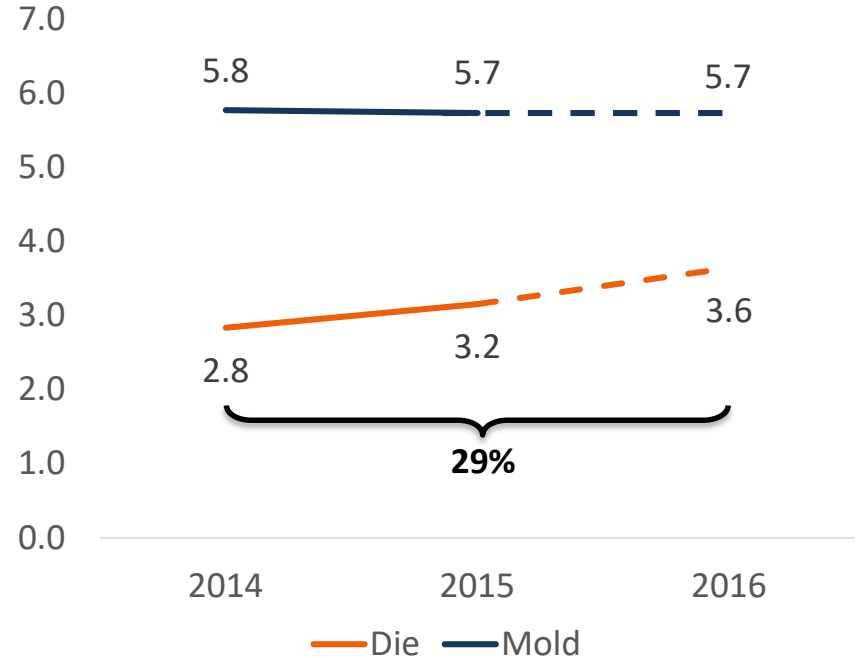
Overall Quote Volume for Surveyed Shops is Expected to Eclipse \$9B

Die Shops are Forecasted to Increase Quote Activity 29% Since 2014

Overall Quoting Dollars



Mold & Die Quoting Trends



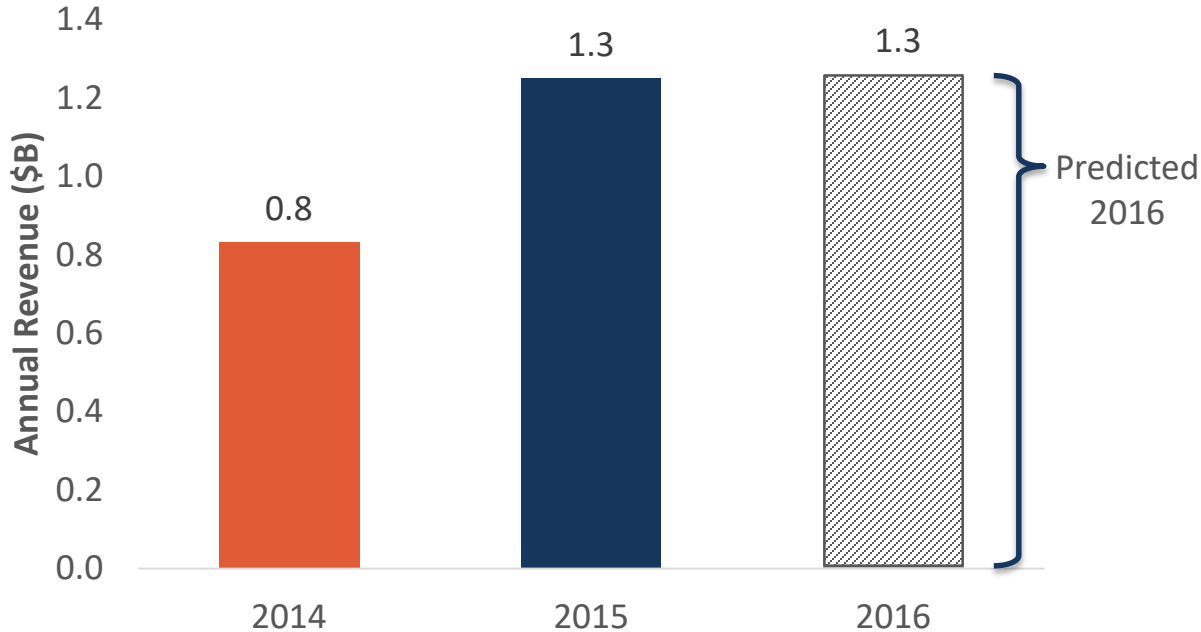
Based on 32 Shops that Provided Quote Data

Question: What was the total dollar amount your facility quoted on unique tools? (2014, 2015, 2016 Q1)

2016 Projected to be Flat Overall, Compared to 2015

First Two Quarters of 2016 were Slow, However, Total Revenue is Predicted to be Flat

Survey Respondent Revenue



Harbour Results predicts second half of 2016 will position annual tooling revenue in line with 2015

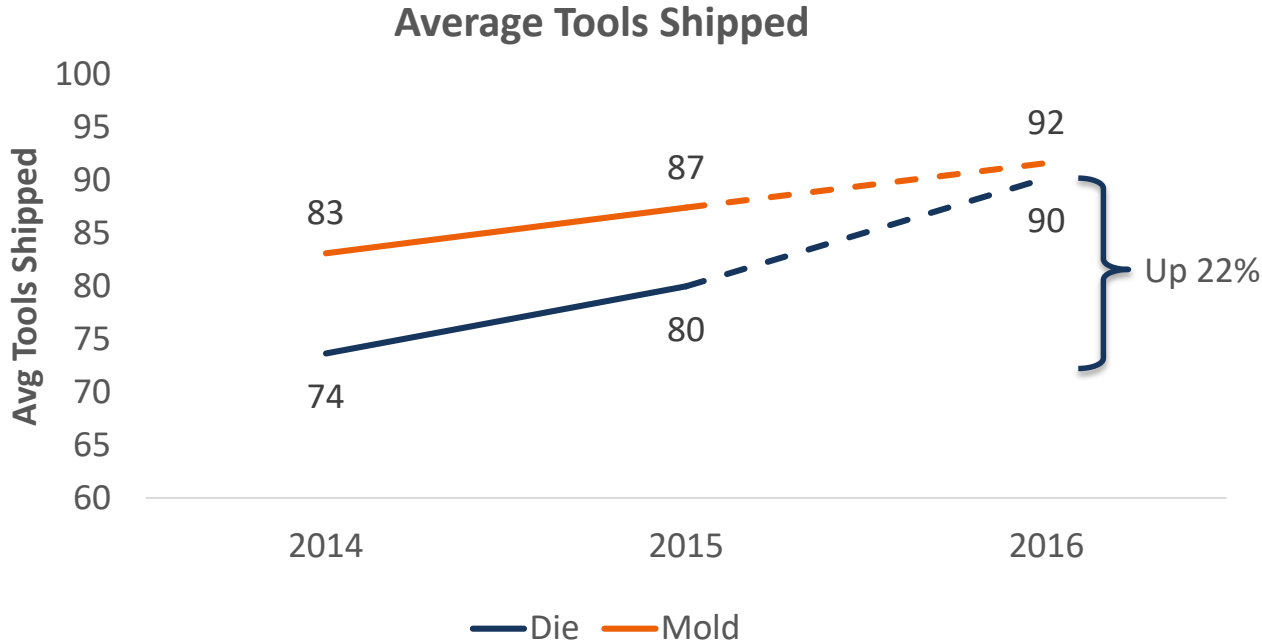
Tooling Industry Revenue based on 61 Shops that provided revenue data

Question: What was your facility's calendar year tooling revenue? (2014, 2015, 2016 Q1)

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Die Shops Report a 22% Increase in Tools Shipped Since 2014 While Mold Shops Experience a Smaller Increase of 11%

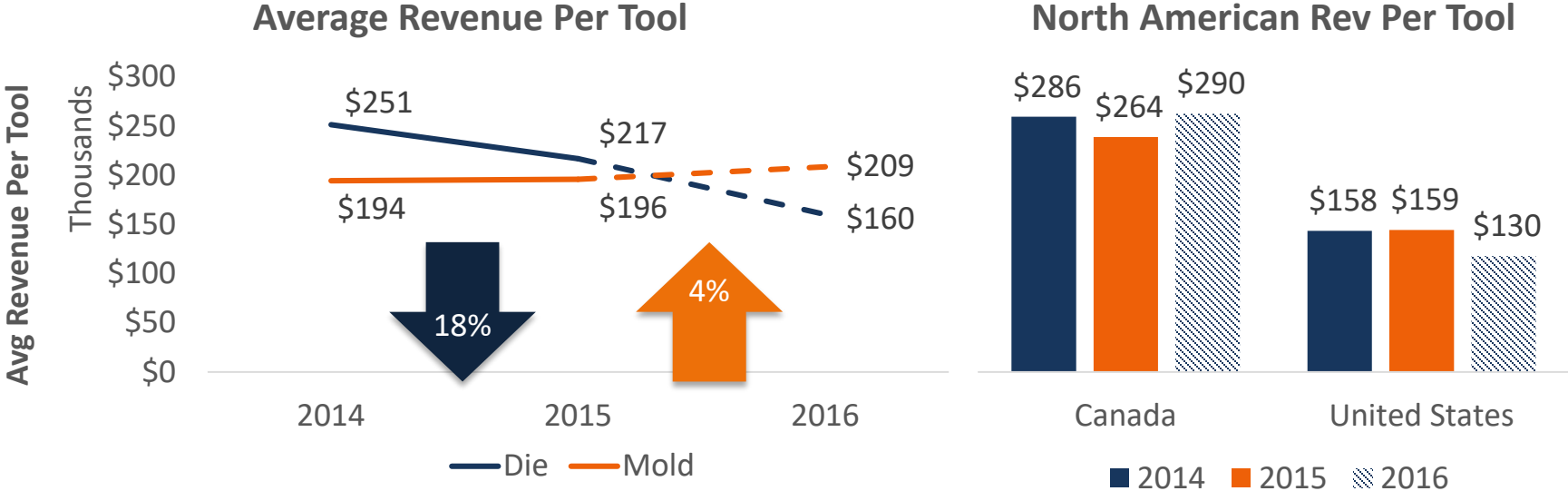


Harbour Results believes this upward trend in tools shipped per year is a result of automotive model complexity.

Question: How many total tools did your facility ship?

Question: What was your facility's calendar year tooling revenue? 2015

Since 2014, Revenue Per Tool has Steadily Declined by 18% YOY for Die Shops Mold Shops, on the Other Hand, Displayed a 4% YOY Increase in Revenue Per Tool



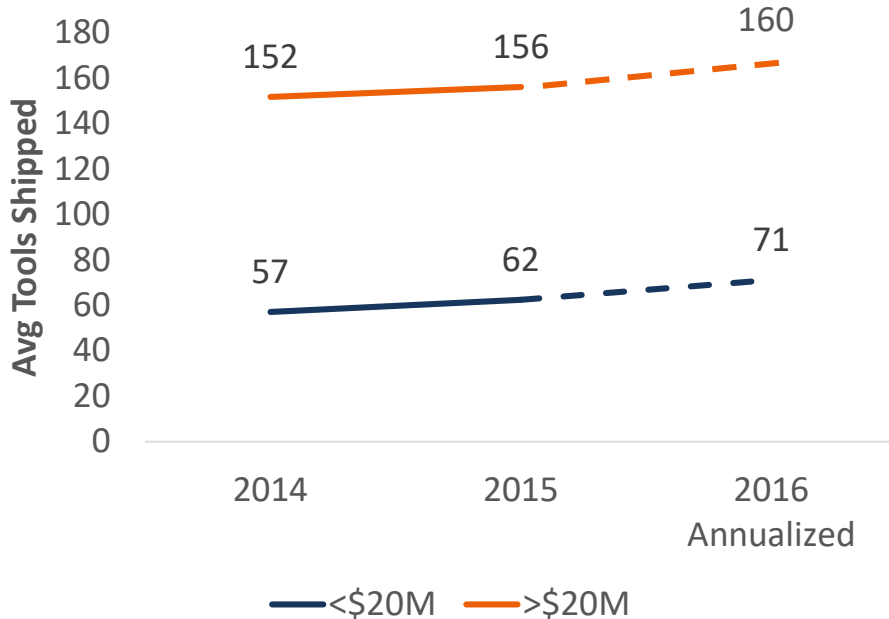
Strength of the US Dollar could be the reason we see mixed results in revenue per tool

Question: How many total tools did your facility ship?
Question: What was your facility's calendar year tooling revenue?

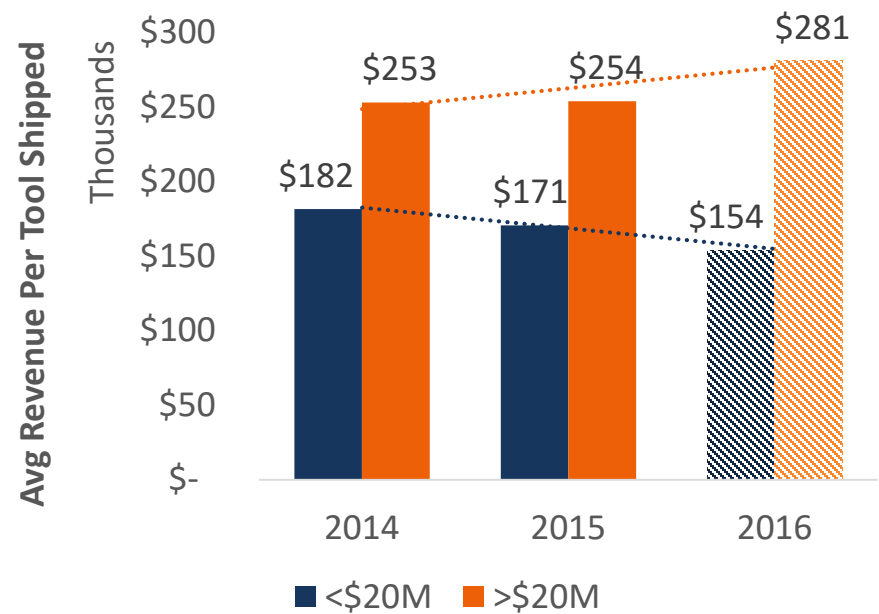
Large and Small Tool Shops Should See an Increase in 2016 Tools Shipped

Shops Above \$20M are Experiencing a 5% Increase in Revenue Per Tool Since 2014

Average Tools Shipped



Average Revenue Per Tool



Question: How many total tools did your facility ship?

Question: What was your facility's calendar year tooling revenue?

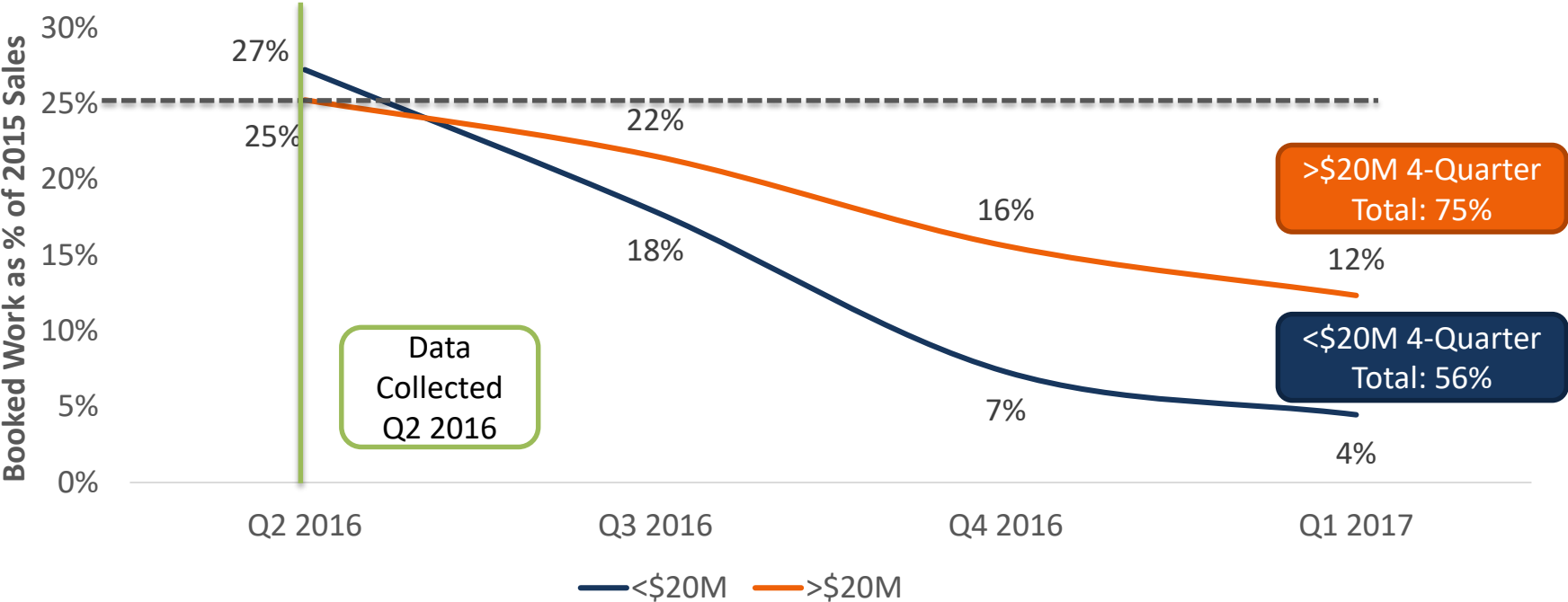
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Large Shops, on Average, Have 19 Percentage Points More Work Booked

As of Q2, Shops Over \$20M Had Already Booked 75% of Their 2015 Revenue

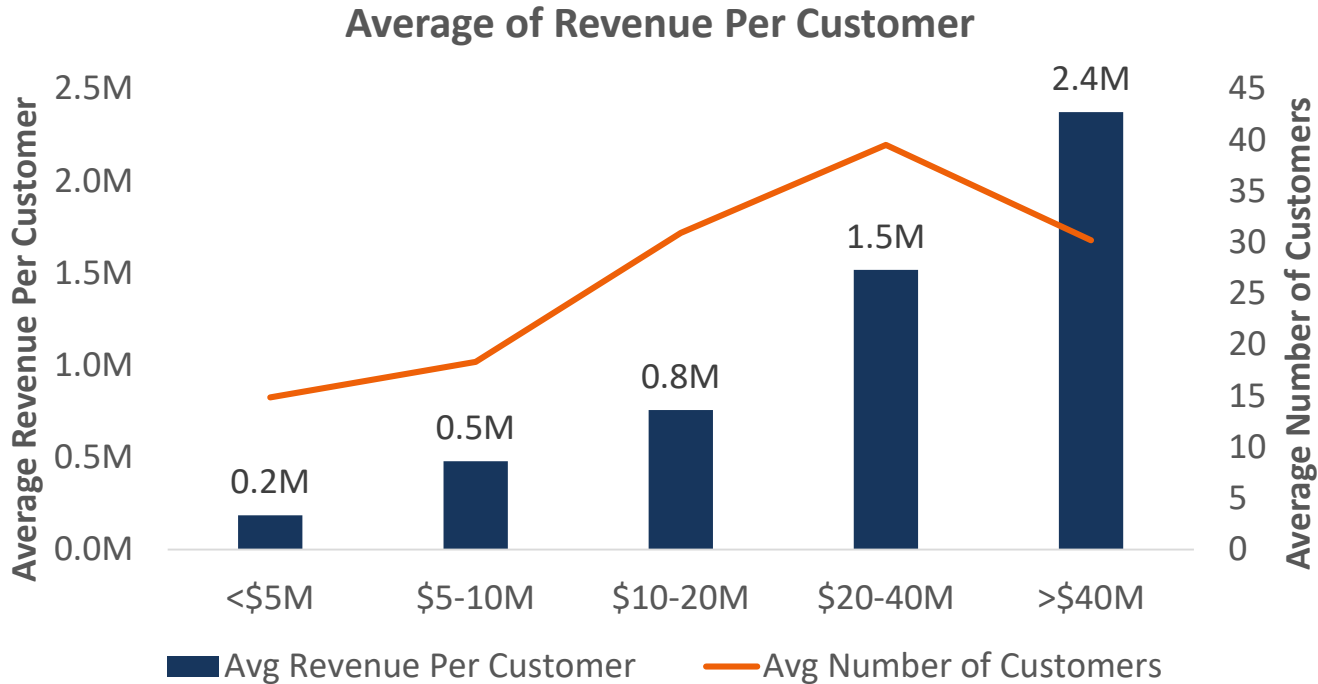
Booked Work as of Q2 2016



Question: What is the total dollar amount your facility booked, as defined as Purchase Orders (POs) or Letters of Intent (LOIs) for your customers?

Shops Over \$40M Increase Revenue Per Customer by 56%

Larger Shops are Benefiting from Fewer Customers



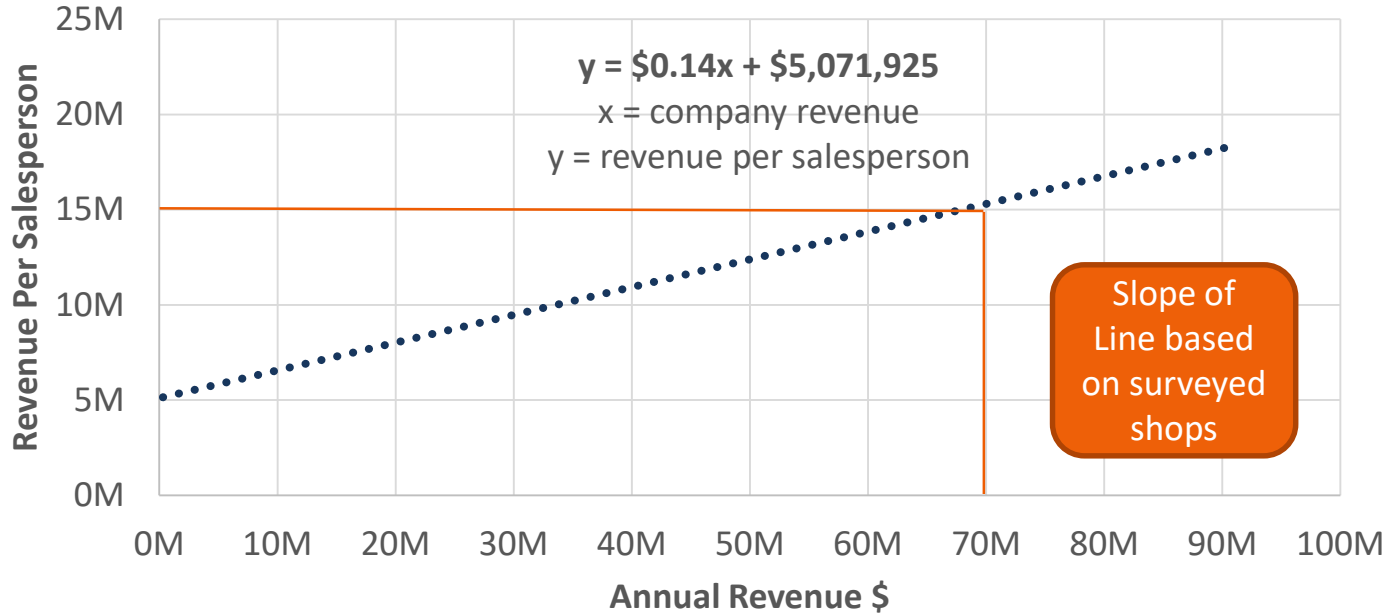
Shops over \$40M have a significant advantage of having fewer customers and obtaining 56% more revenue per customer than smaller shops

Question: What was your facility's 2015 calendar year tooling revenue?
Question: How many customers did you support in calendar year 2015?

As Shops Become Larger, the Average Revenue per Salesperson Increases

Using the Model Below, Shops can Benchmark Themselves to the Population

Revenue Per Salesperson Equation



For example:
Using the formula to the left, a \$70M company should have a Revenue Per Salesperson of nearly \$15M

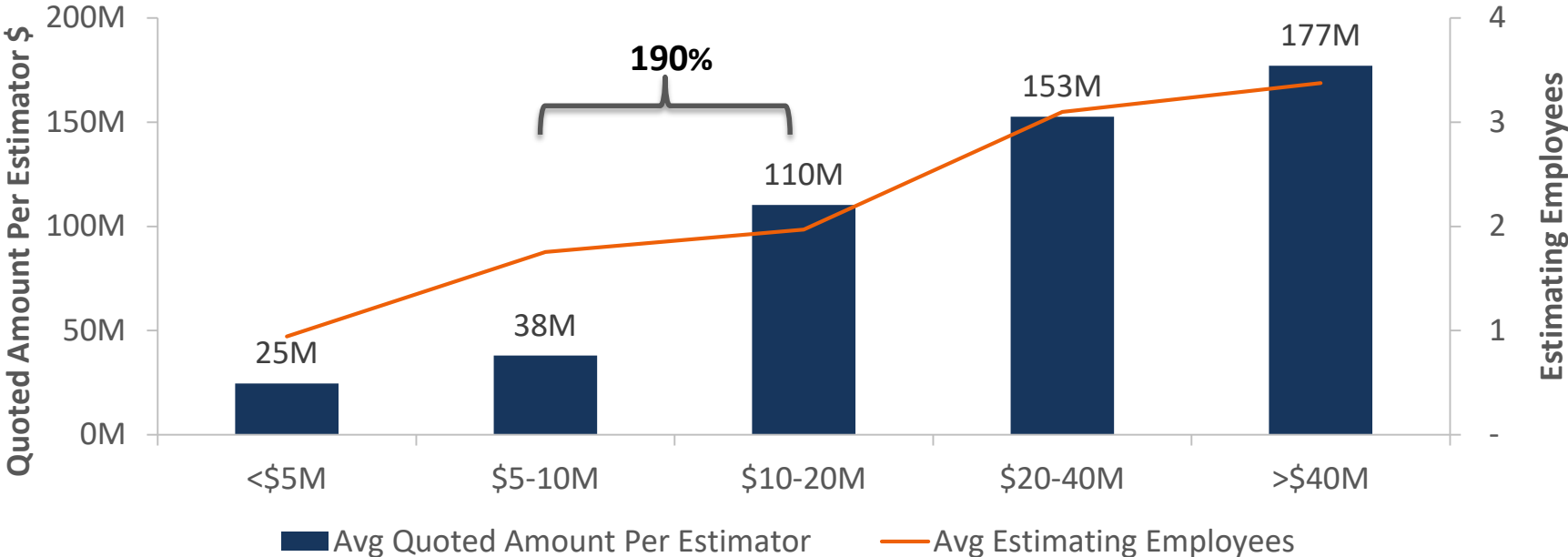
Question: What was your facility's 2015 calendar year tooling revenue?

Question: How many customers did you support in calendar year 2015?

As Shops Grow in Revenue, Estimating Employees Become More Efficient

\$10-20M Shops See a 190% Surge in Quote Dollars Per Estimator from \$5-10M Shops

Quoting Efficiency



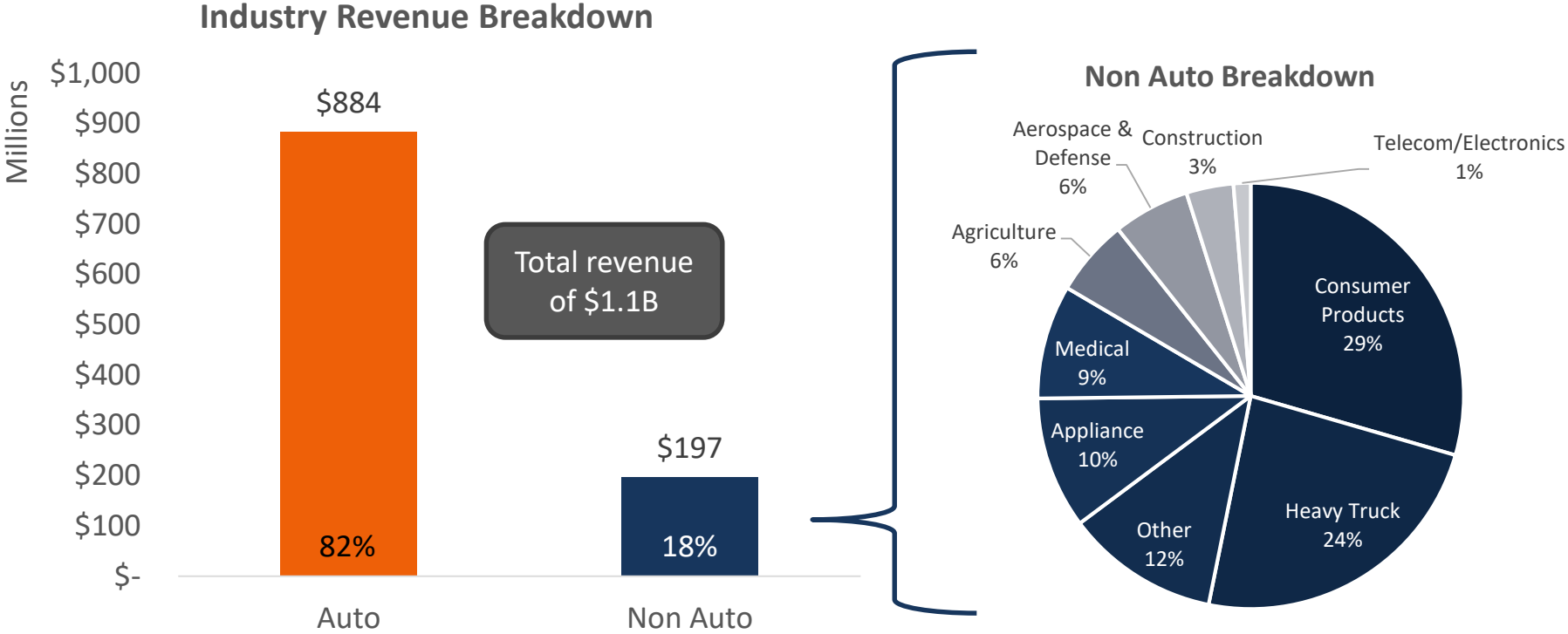
Question: What was your facility's 2015 calendar year tooling revenue?
Question: Please provide employment numbers for the following positions: Quoting & Estimating

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Tool Shops Support Numerous Industries, with Automotive Leading

Over \$1B in Tooling Revenue Split Across 9 Industries; Automotive Accounting for 82%

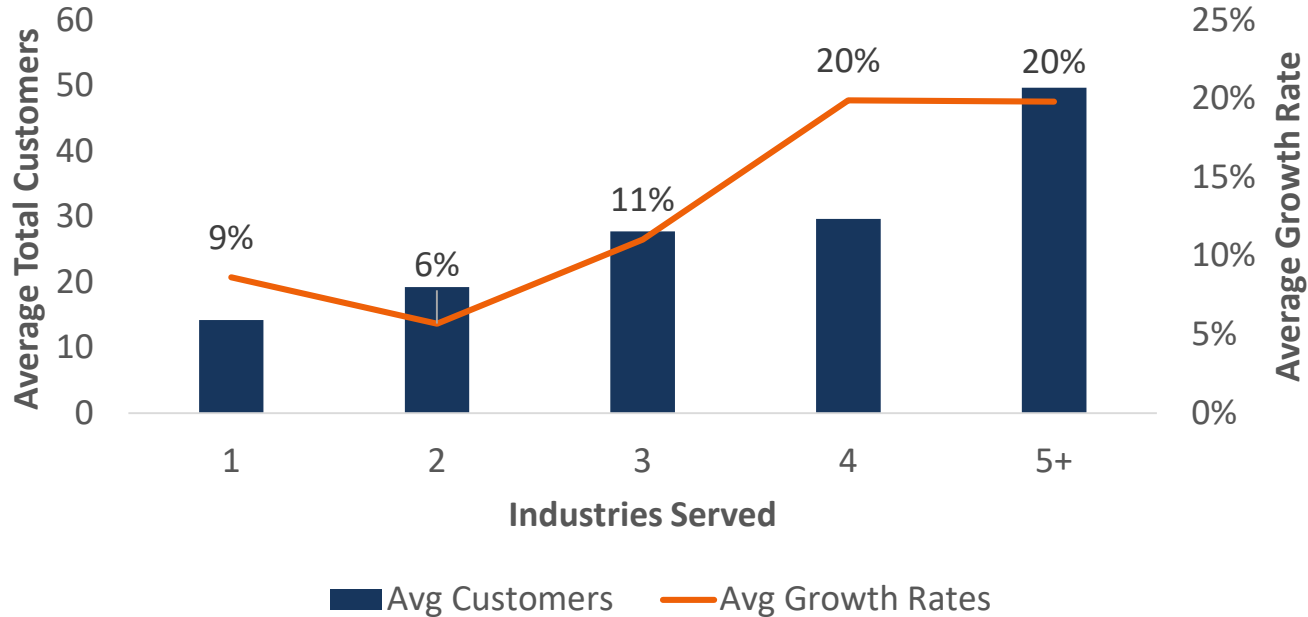


Question: Please allocate your facilities 2015 revenue, as percentages, into industries (sum to 100%)

Growth Rate Plateaus for Shops That Serve Over 4 Industries

Shops with 5+ Industries Plateau in Growth Rate and Spike in Average Customers

Total Customers and Growth Rate by Industry



On average, shops that serve 4 or more industries nearly double in growth rate compared to those less diverse

Question: Please allocate your facility's 2015 revenue, as percentages, into industries (sum to 100%)

Question: How many customers did you support in calendar year 2015?

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Key Takeaways

- **An incredibly sluggish start to the year put a majority of tool shops into very tough situations. However, work 'on hold' shrunk by 8% since January 2016 and a significant number of tooling programs launched late in Q2 and throughout Q3**
- **The tooling industry has witnessed increased tooling volume over the last couple years, however, this does not evenly correlate with revenue per tool. The number of tooling packages released and tools per package has steadily increased along with pressure to cut costs**
- **Sales and quoting levels within the tooling industry varied greatly by revenue range, with large shops showing greater levels of efficiency. Shops over \$20M USD earned 22% more revenue per salesperson and quoted 32% more per estimator**
- **Automotive tooling revenue accounted for 82% of all data collected. Shops in the Automotive sector experienced higher growth rates than their peers, however, the majority of shops are diversifying into other industries to find new growth avenues**

HARBOUR | IQ™ Partners

Executive Level



Pro Level



Basic Level



Thank You For Your Participation

For questions and comments, contact:

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