



Preparing for the future, while optimizing the present

2017 Q3 Pulse Tooling Update

September 2017

OESA/HRI Auto Tooling Barometer - Sept. 2017

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; this pulse will focus on industry diversity and capital expenditures.

Executive Summary - I

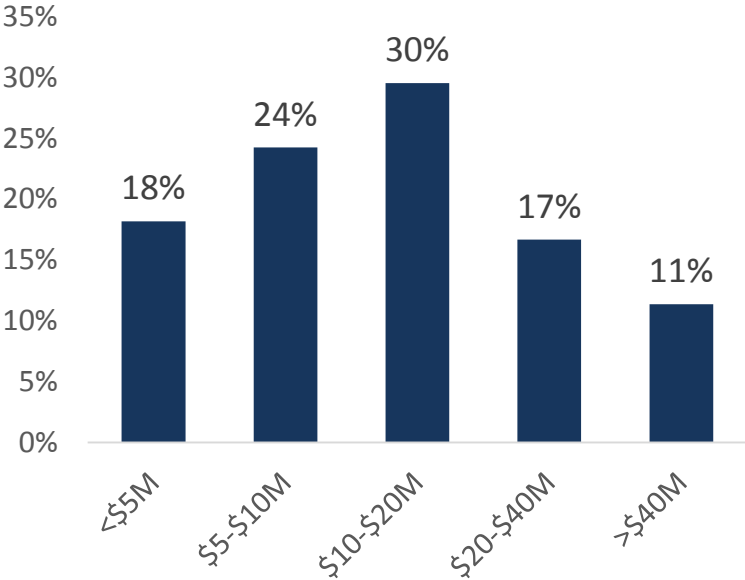
- Across industries, geographies and shops types, skilled labor is the lead issue facing manufacturing.
 - Shops remain positive about the state of the industry.
- Mold shops are less utilized than die shops, but are making slightly higher profits and investing more back in the business.
- Tooling customers are consistently less utilized than their tool shop suppliers.
 - Customers are facing many of the same key issues, though, as their supply base

Executive Summary - II

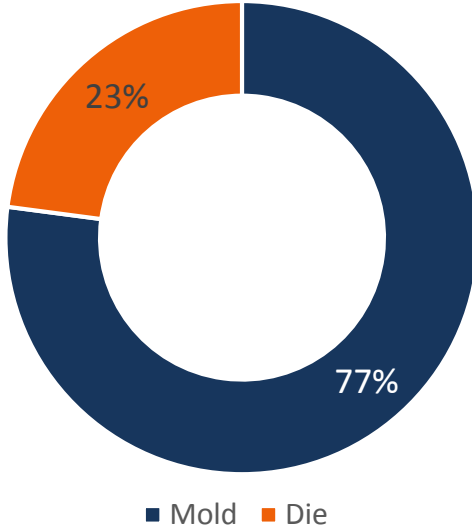
- On the surface, most profitable shops look very similar to less profitable counterparts
 - The issues they are focused on are very different, though.
- Canadian shops continue to benefit from higher utilizations and profits.
 - Canadian shops are taking advantage of this and investing over 20% more back into their businesses than US competitors

Respondent Demographics

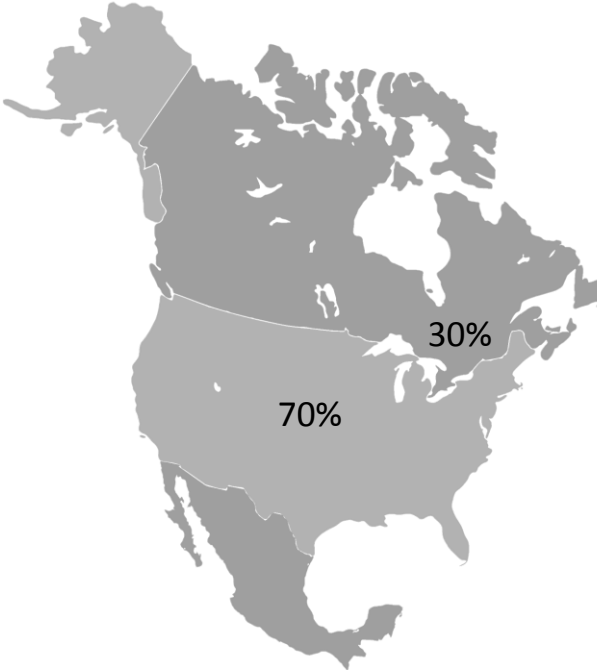
Revenue Range



Shop Type



Location

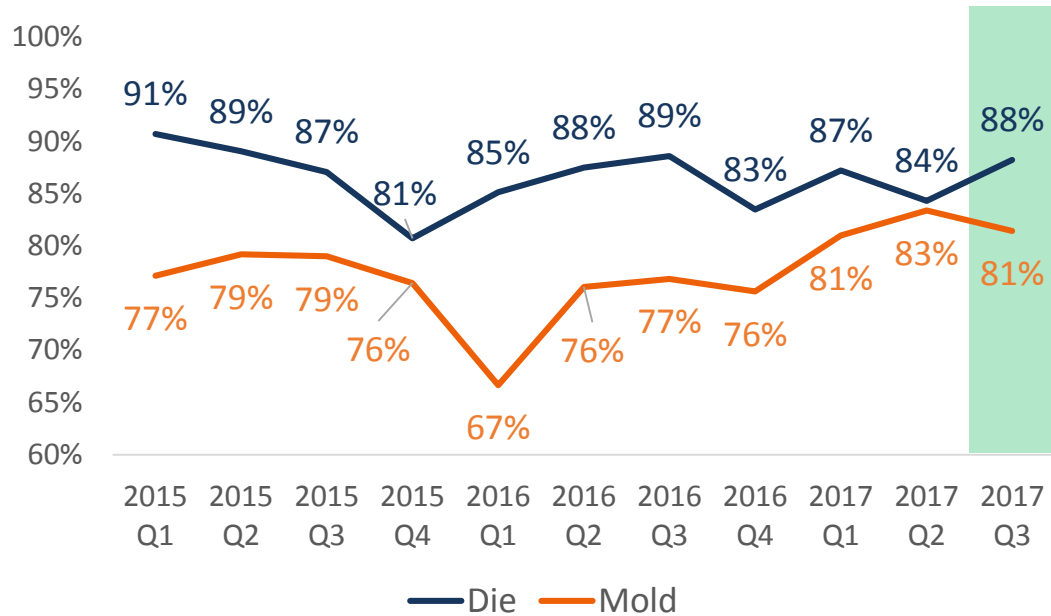


Question: Please identify your Revenue for 2017

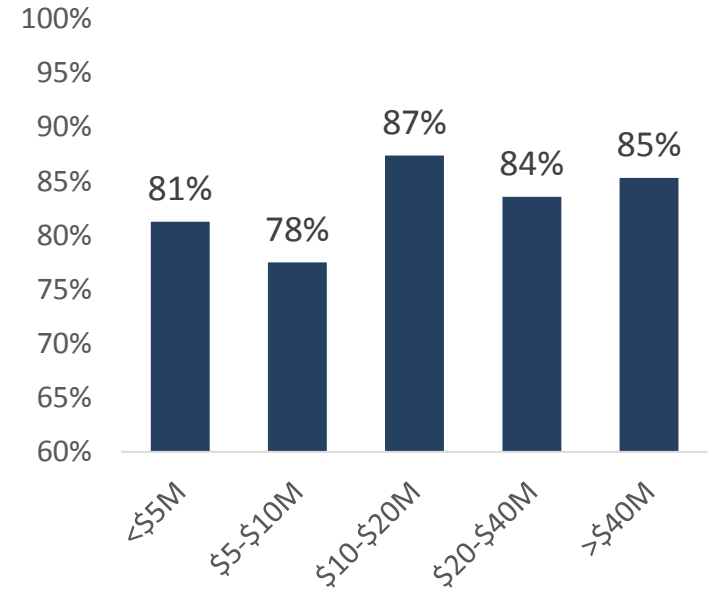
Question: Please identify your company's geographic location. Respondents: 132

Die Shops See Spike in Utilization In Third Quarter

Capacity Utilization By Shop Type



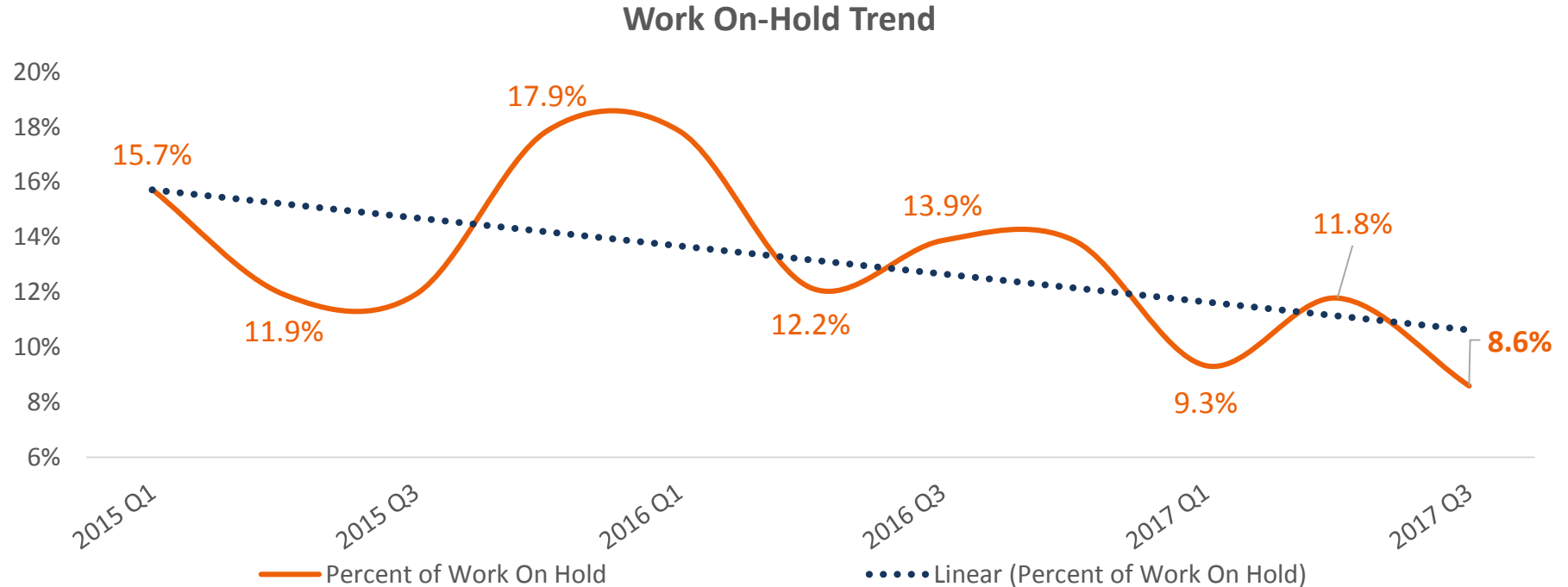
2017 Q3 Capacity Utilization



Question: Current capacity utilization for design/machining/assembly. Respondents: 132

Work On Hold Falls Under 10% Across Tooling

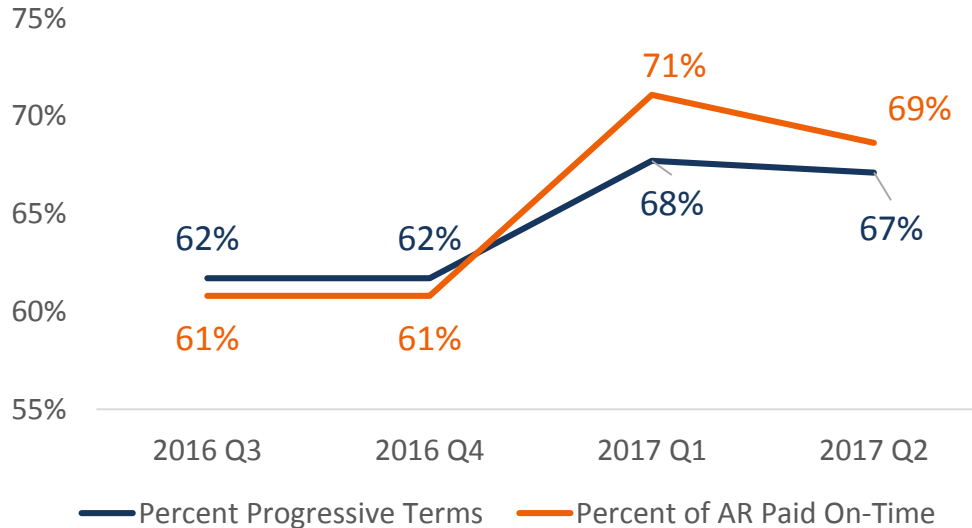
Cyclical Nature of Work On Hold Continues, But Average Levels Continue to Drop



Question: What percent of jobs that you have been awarded are currently on hold due to reasons outside of your control? Respondents: 132

Payment Terms and Timing Continue 2017 Decline

Progressive Payment Terms
and AR Paid On Time

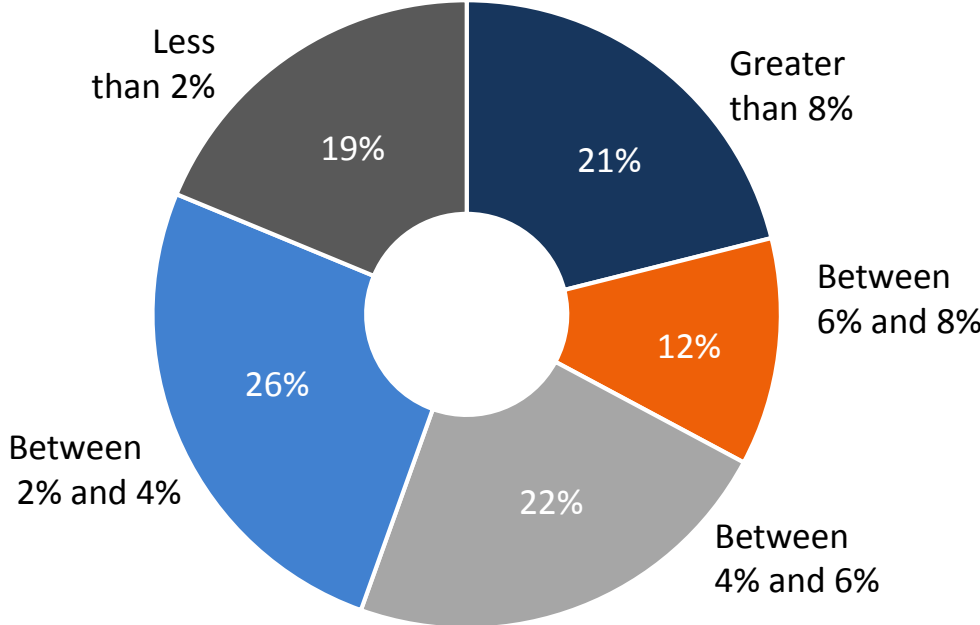


- In our recent study, 53% of tooling shops are taking advantage of prog payments, typically under 1/3 split or 30/30/30/10 terms.
- In general, smaller shops are obtaining prog payments more frequently
- Are you leveraging progressive payments?

Question: Over the past three months, approximately what percent of your new booked business includes progressive payment terms and accounts receivables were being paid within contract terms. Respondents: 132

Capital Equipment Purchases Up Among Tool Shops

Capital Equipment Purchasing

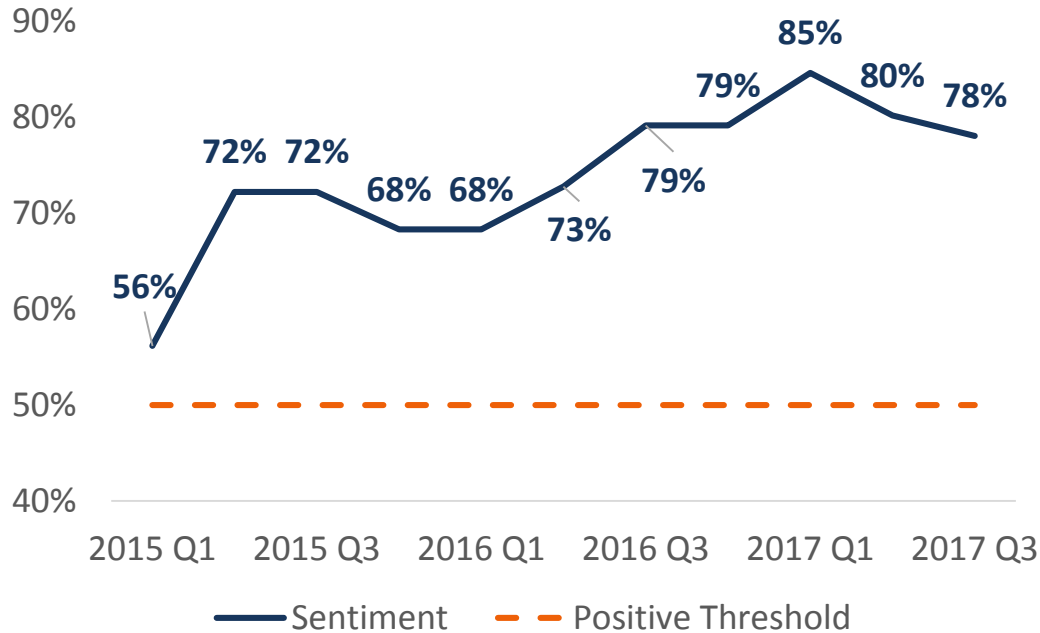


- 54% of shops indicated capital expenditure plans **greater** than 4% of their annual revenue.
- Overall average for capital purchasing hovers around 5%, or around \$1M in annual investment for a \$20M company.

Question: As a percent of annual revenue, how much is your business planning to contribute towards new capital expenditures in 2017? Respondents: 132

Sentiment Falls Further From First Quarter

2017 - Tooling Sentiment Index



The third quarter saw a repeated dip in overall sentiment, but remains in the overwhelmingly positive range.

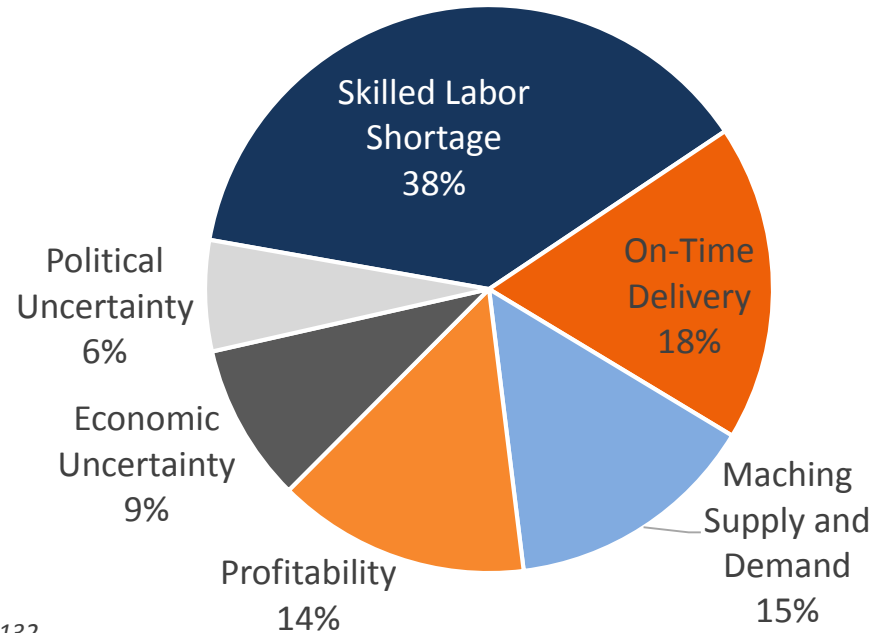
Sentiment	% of Respondents
Very Pessimistic	1%
Pessimistic	4%
Neutral	19%
Optimistic	56%
Very Optimistic	20%

Question: Over the next three months, the general outlook for your business. Respondents: 132

Biggest Hurdles in Tooling Right Now

- Overall, skilled labor stands out as the foremost issue, followed by profitability and on-time delivery.
- Key issues vary considerably depending on factors such as shops' profitability, type and geography.

Tooling Business Challenges Over Next 12 Months

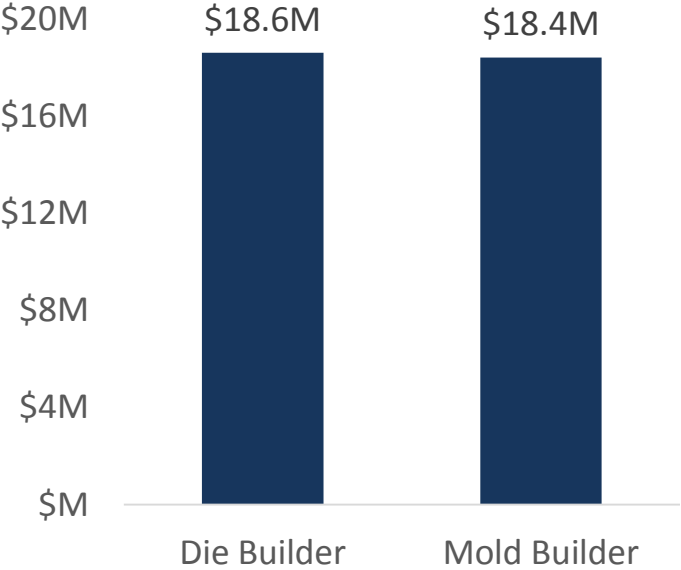


Question: Please outline your top challenges over the next 12 months. Respondents: 132

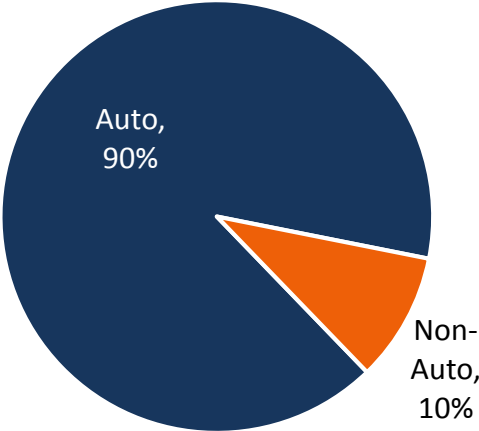
DIE VS MOLD

Respondent Demographics

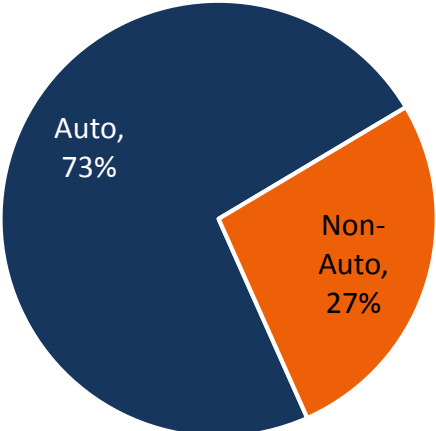
Average Shop Revenue



Die Builders



Mold Builders

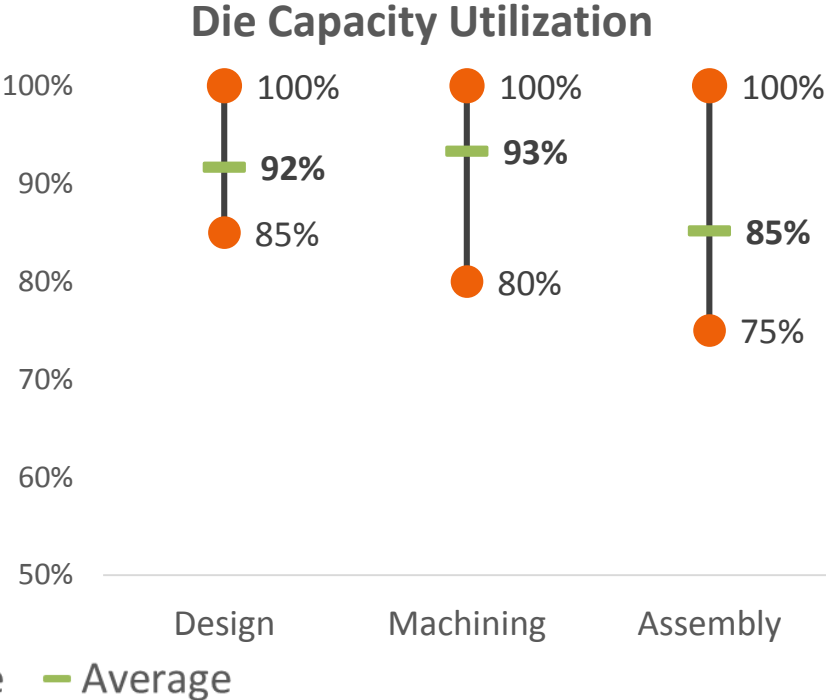
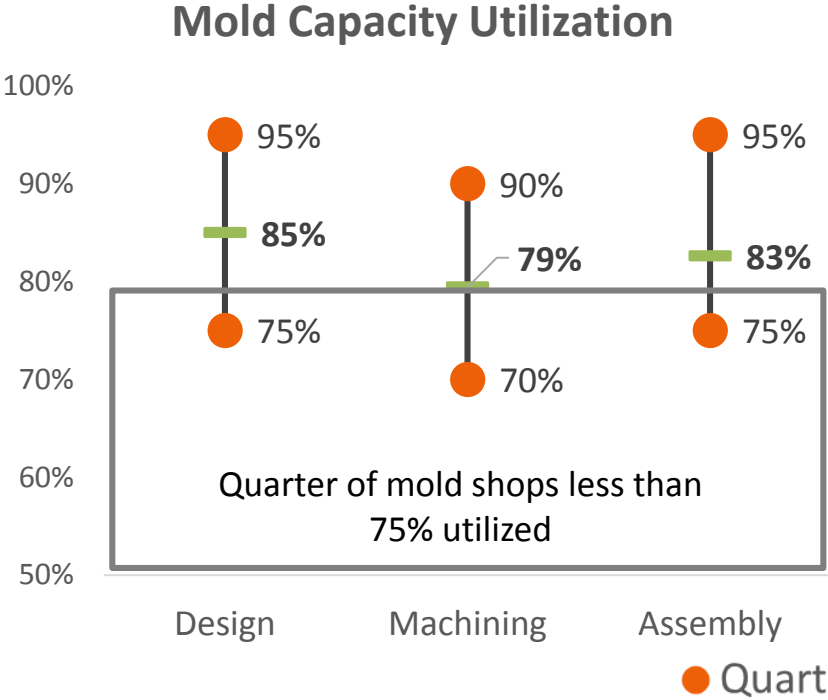


Question: Please identify your Revenue for 2017

Question: Please identify your company's geographic location. Respondents: 101 Mold Shops, 31 Die Shops

Mold Shops Averaging About 10% Less Utilized

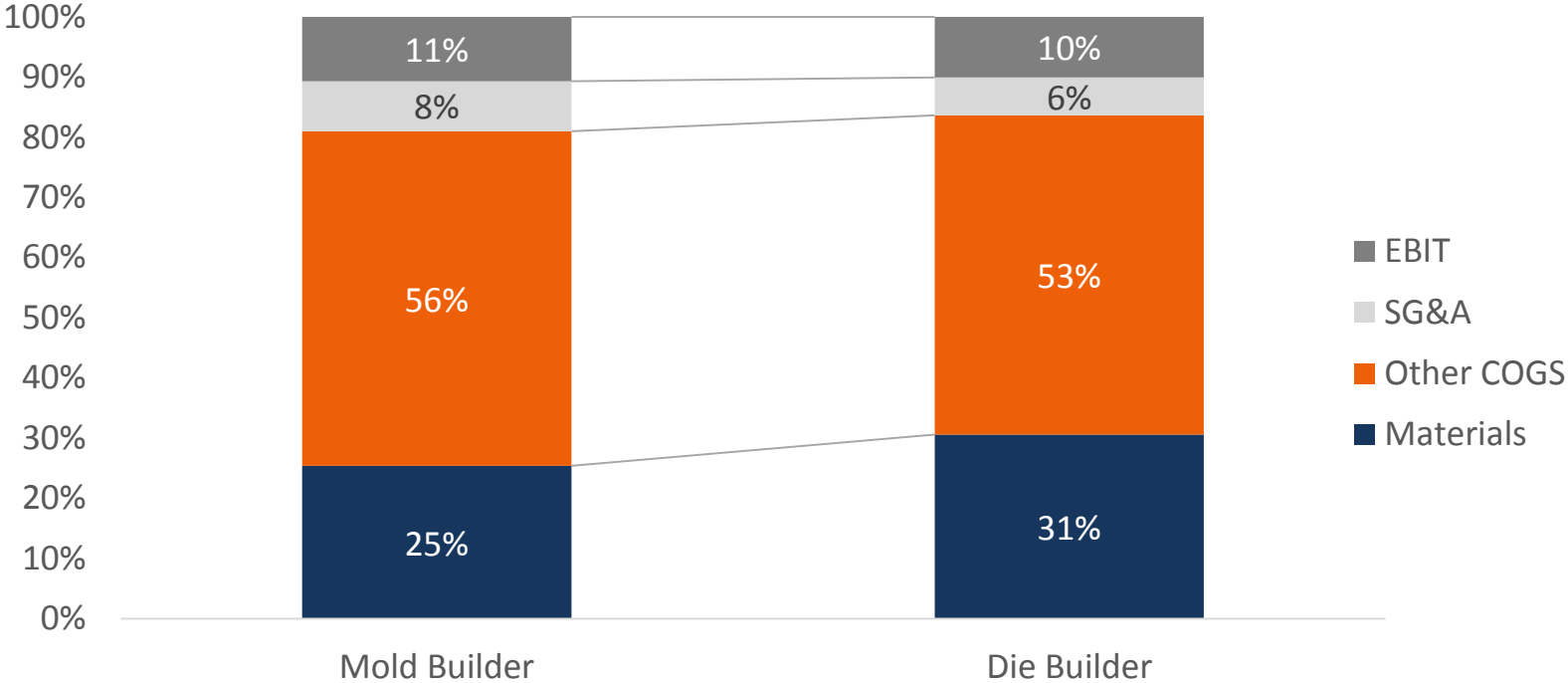
Mold Averages Pulled Down by Significantly Under-Utilized Shops



Question: Current capacity utilization for design/machining/assembly. Respondents: 101 Mold Shops, 31 Die Shops

Mold Shops *Slightly* More Profitable

Profit & Loss Breakdown

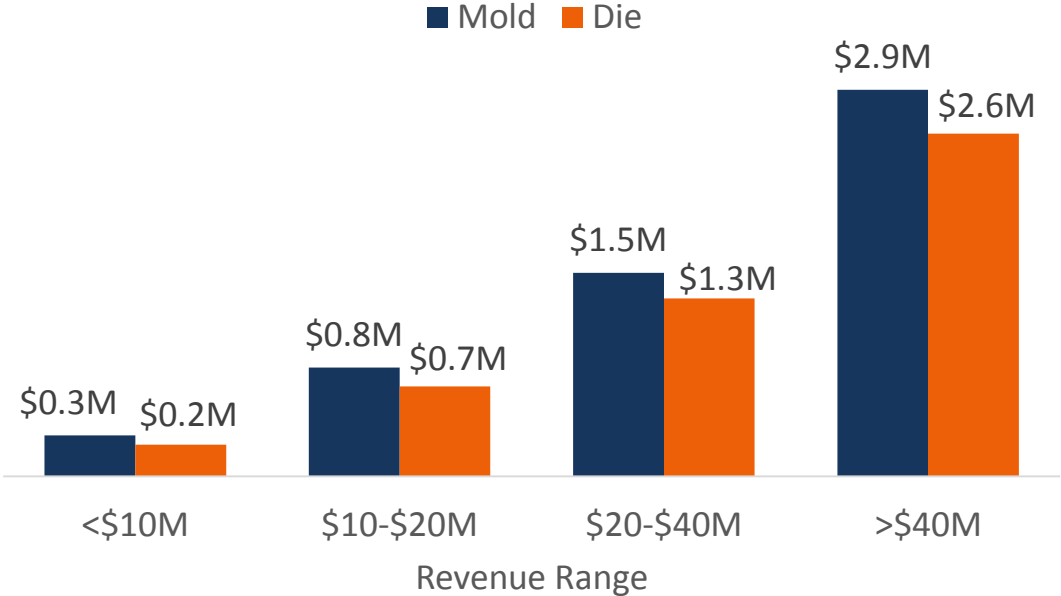


Question: Please Identify your YTD Gross Profit/Operating Profit/Direct Materials percentage. Respondents: 101 Mold Shops, 31 Die Shops

CapEx Spend Highest Amongst Mold Shops

Mold Shops investing, on average, 9% more than Die Shops

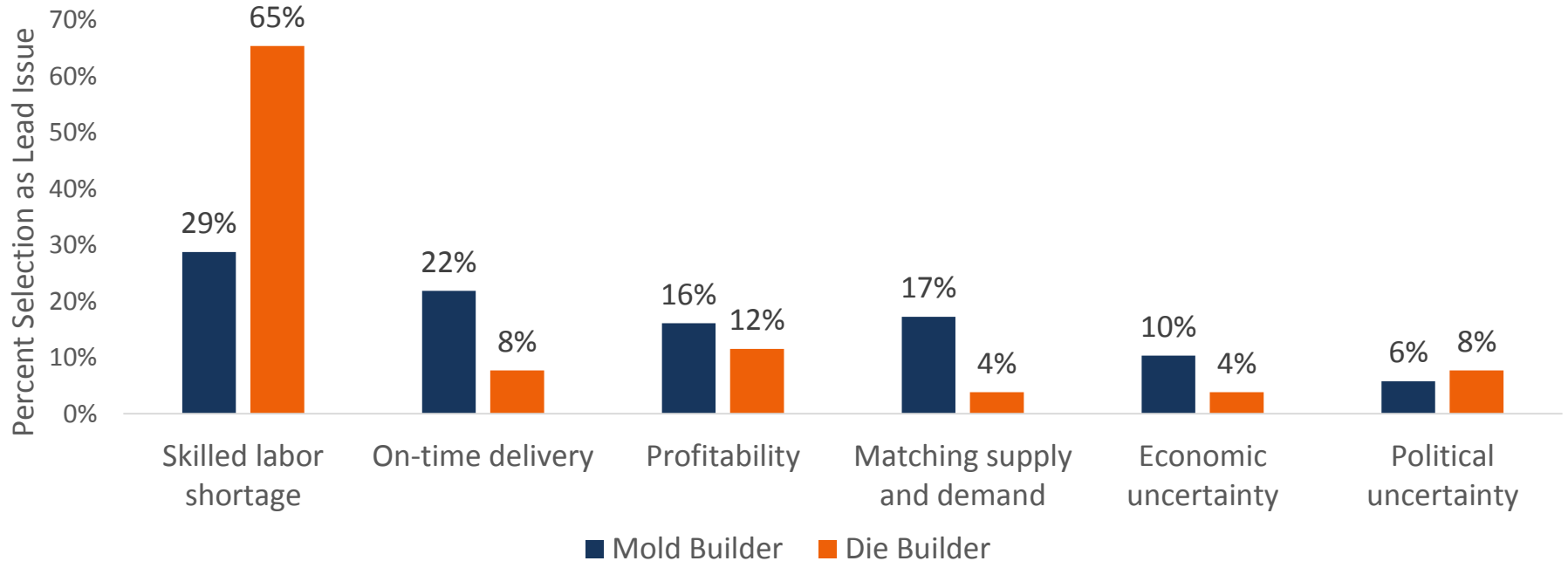
Avg CapEx Spend for Tool Shops



Question: As a percent of annual revenue, how much is your business planning to contribute towards new capital expenditures in 2017?
Respondents: 101 Mold Shops, 31 Die Shops

Die Shops More Concerned With Talent Shortage While Mold Shops Have Greater Diversity of Concerns

Most Significant Industry Issues

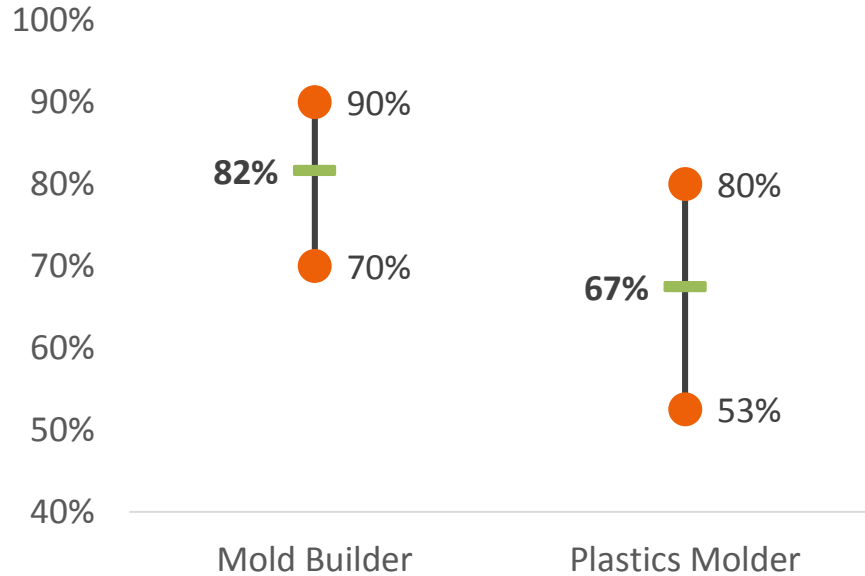


Question: Please outline your top challenges over the next 12 months. Respondents: 101 Mold Shops, 31 Die Shops

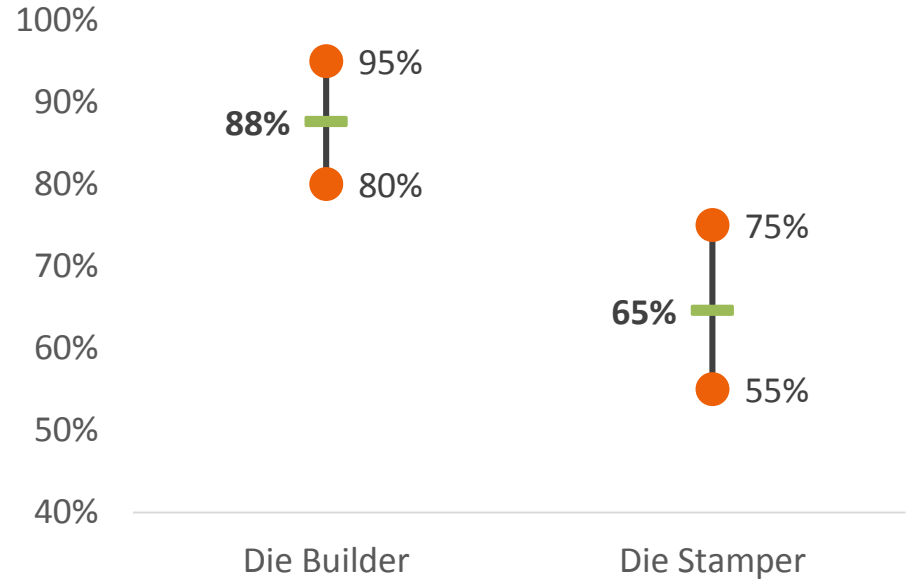
TOOLING CUSTOMER BASE

Tool Builders Consistently More Utilized Than Customers

Overall Capacity Utilization



Overall Capacity Utilization

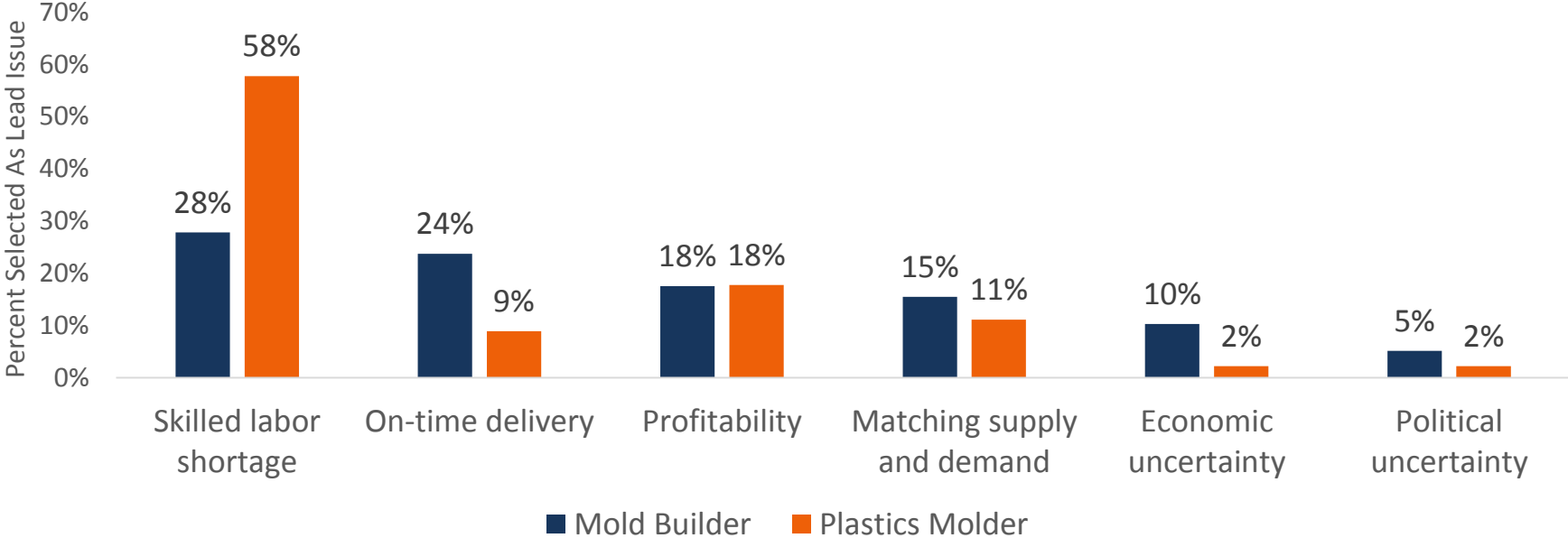


● Quartile — Average

Question: Overall Capacity Utilization. Respondents: 85 Mold Builders, 45 Plastics Molders, 27 Die Builders, 13 Die Stampers

Plastics Molders Also Struggling With Skilled Labor

Number One Industry Issues

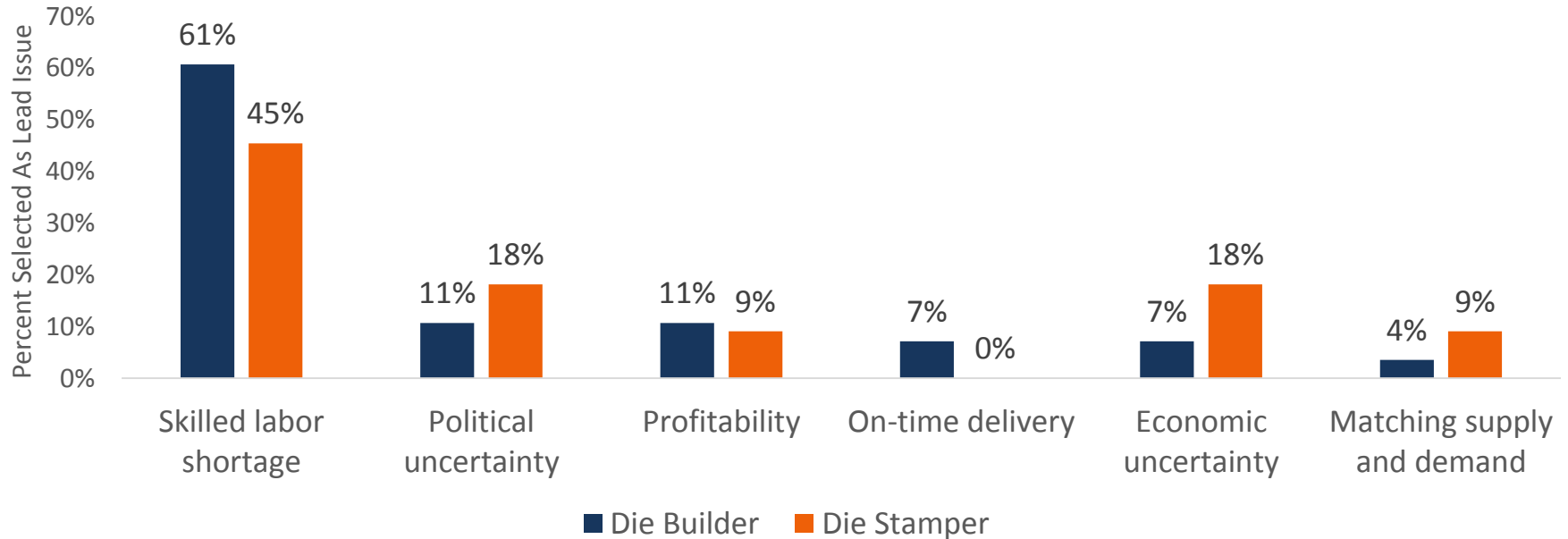


Question: Please outline your top challenges over the next 12 months. Respondents: 85 Mold Builders, 45 Plastics Molders

Die Shops More Concerned With Talent Shortage

Stampers Facing Much More Economic and Political Uncertainty

Number One Industry Issues

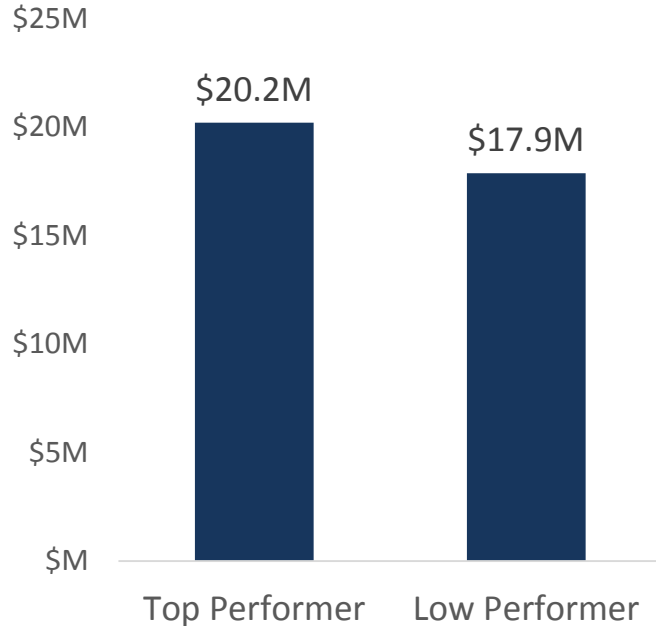


Question: Please outline your top challenges over the next 12 months. Respondents: 27 Die Builders, 13 Die Stamper

TOP PERFORMERS

At A Glance, Top Performers Not That Different

Average Shop Revenue



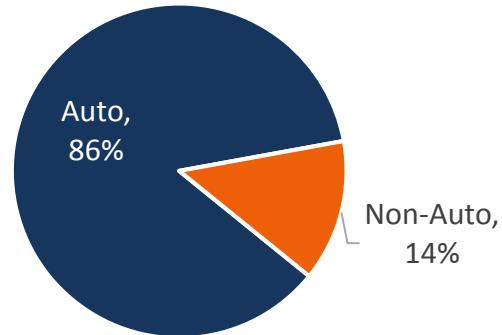
Top Performers:

- Operating Profit > 15%
- 29 shops
- Sentiment: Positive
- Overtime: ~25%

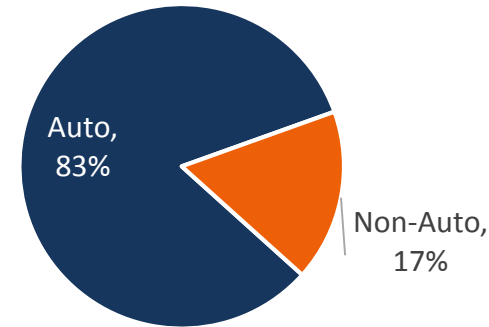
Low Performers:

- Operating Profit < 5%
- 19 shops
- Sentiment: Positive
- Overtime: ~25%

Top Performers



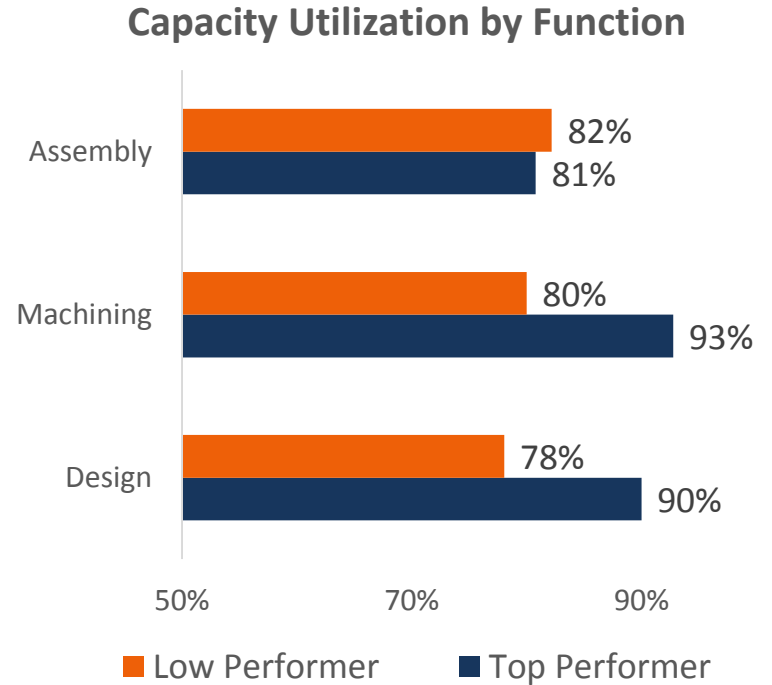
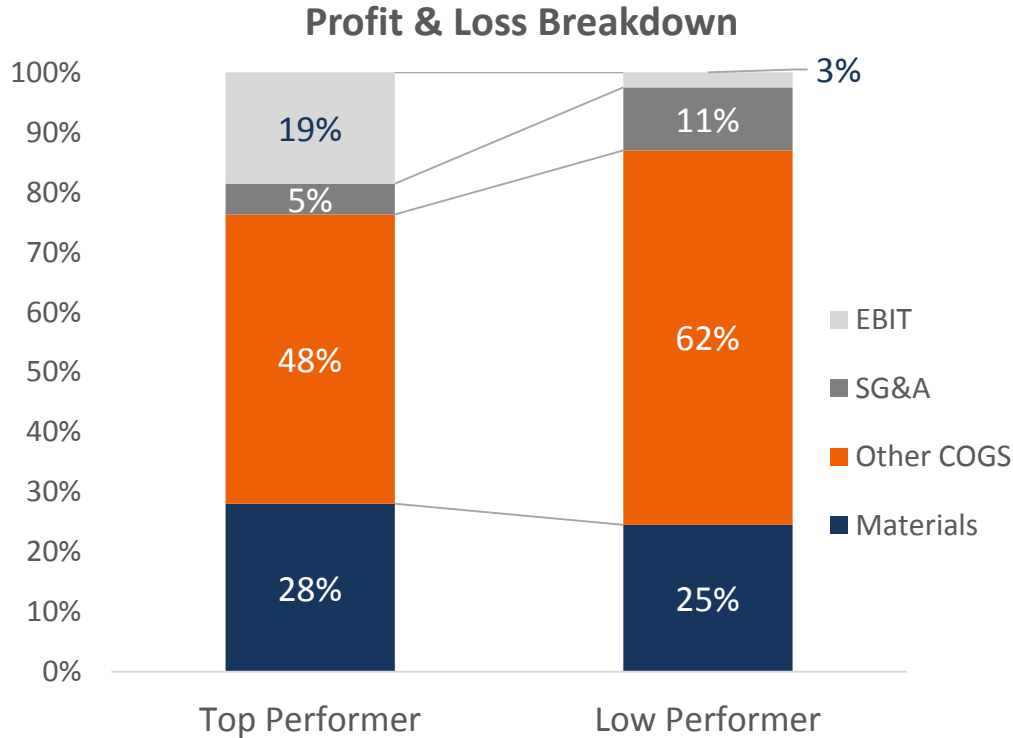
Low Performers



Question: Please identify your Revenue for 2017

Question: To what extent does your facility support the following markets as a percent of annual revenue? Respondents: 25 Top Performers, 19 Low Performers

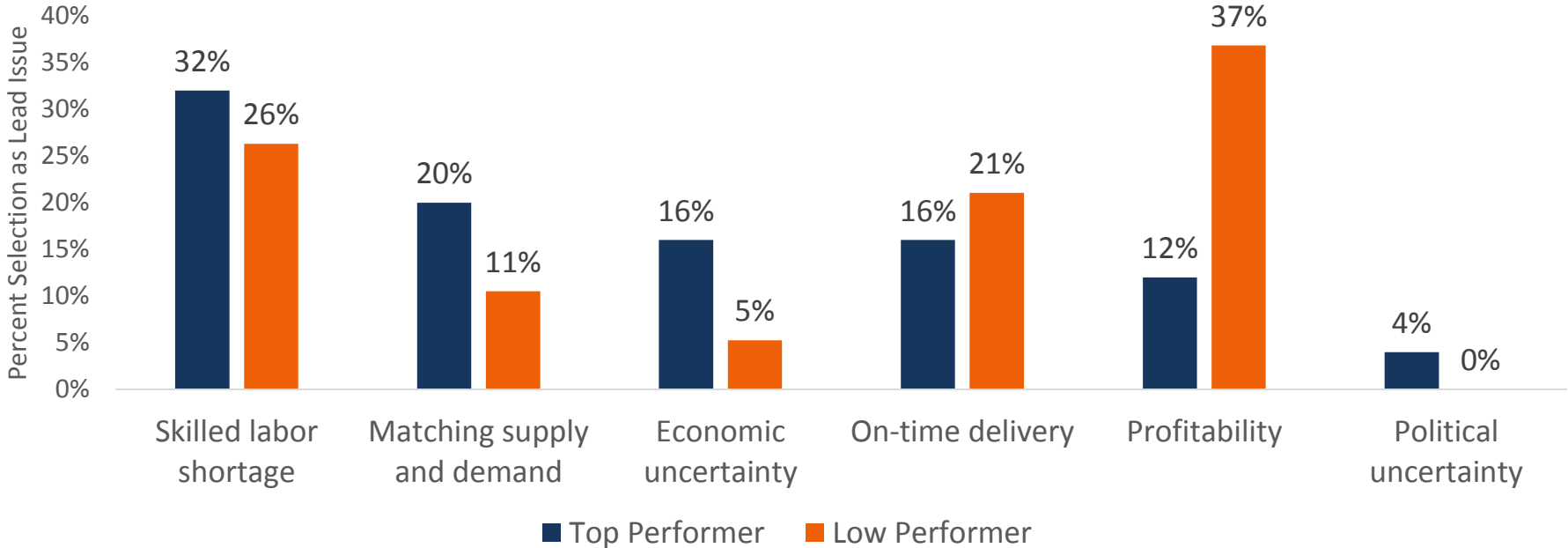
How Are Most Profitable Shops Different?



Question: Please Identify your YTD Gross Profit/Operating Profit/Direct Materials percentage. Respondents: 25 Top Performers, 19 Low Performers

Most Profitable Shops Thinking Very Differently

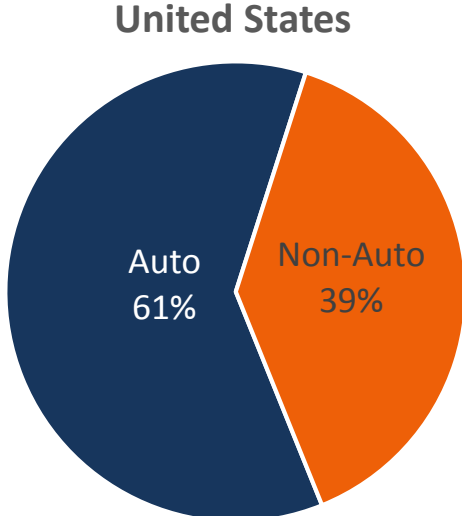
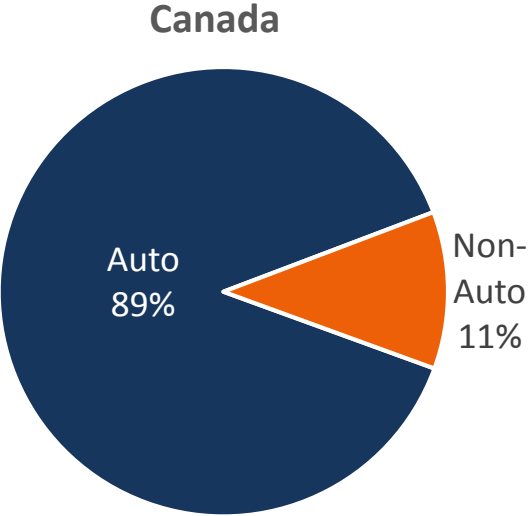
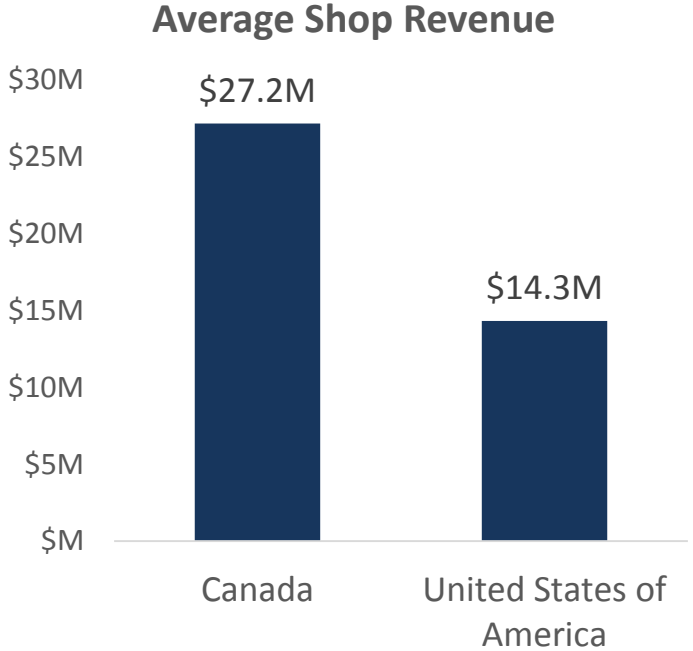
Most Significant Industry Issue



Question: Please outline your top challenges over the next 12 months. Respondents: 25 Top Performers, 19 Low Performers

REGIONAL DIFFERENCES

Respondent Demographics



Question: Please identify your Revenue for 2017

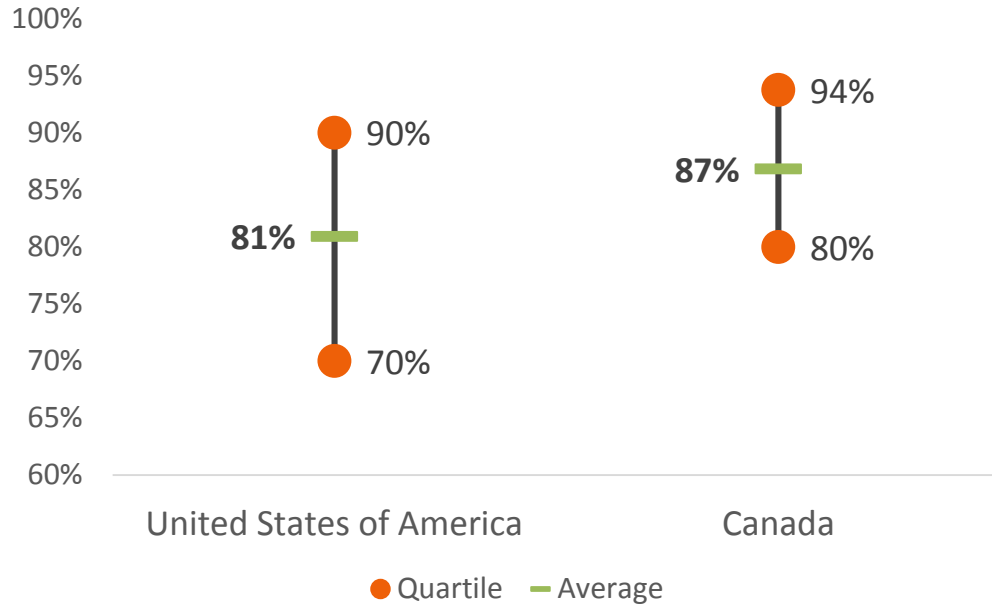
Question: Please identify your company's geographic location

Question: To what extent does your facility support the following markets as a percent of annual revenue? Respondents: 37 Canada, 83 United States

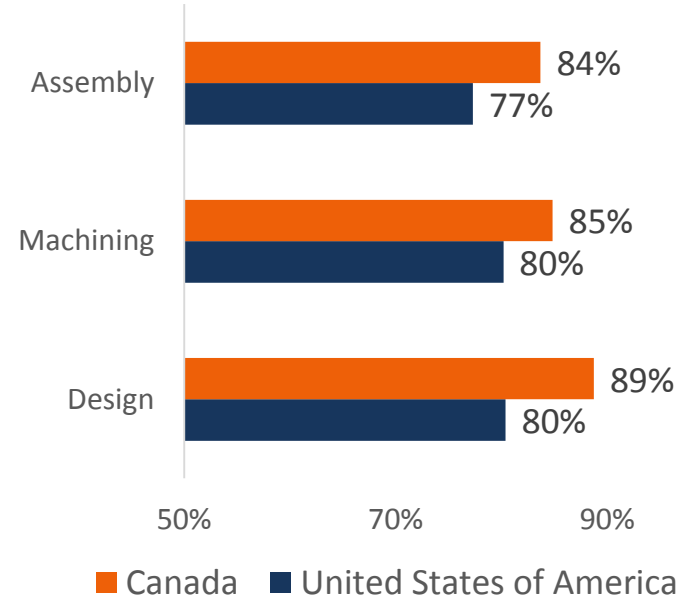
Canadian Shops Staying Busier Overall

Driven by Subset of Under-Utilized US Shops

Overall Capacity Utilization



Capacity Utilization by Function

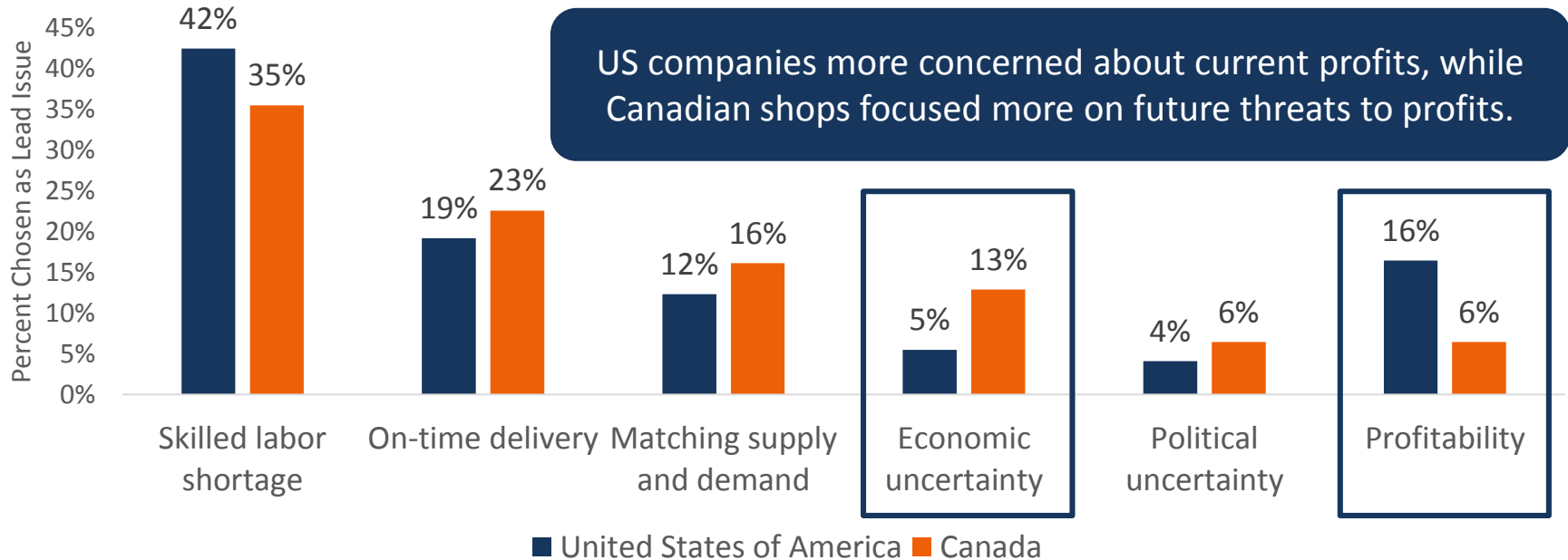


Question: Current capacity utilization for design/machining/assembly. Respondents: 37 Canada, 83 United States

All Countries Facing Skilled Labor Problems

US Shops Significantly More Concerned With Profitability

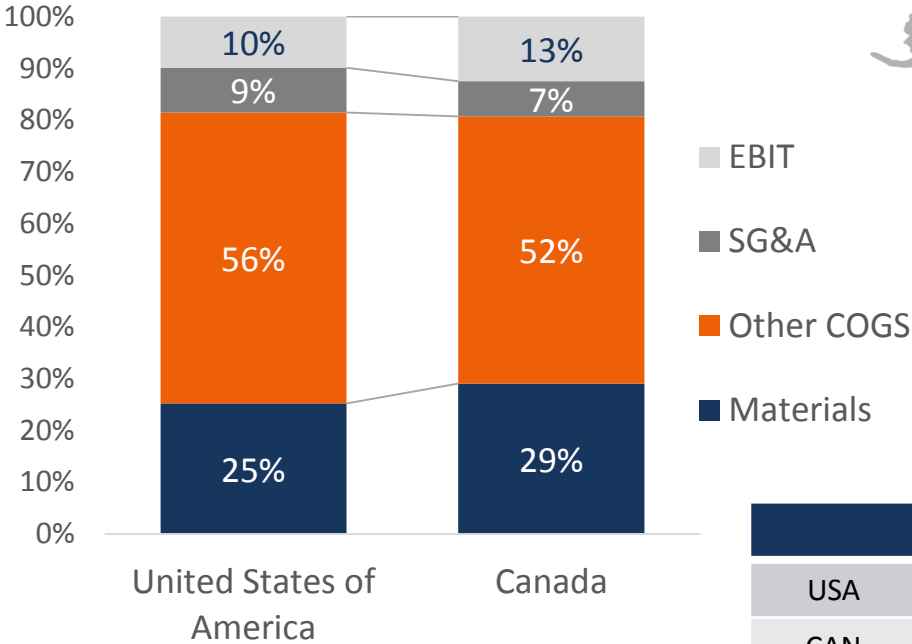
Number One Industry Issues



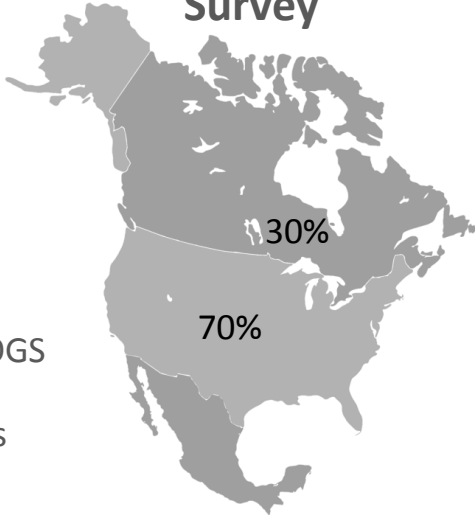
Question: Please outline your top challenges over the next 12 months. Respondents: 37 Canada, 83 United States

Canadians Experiencing Margin Advantage

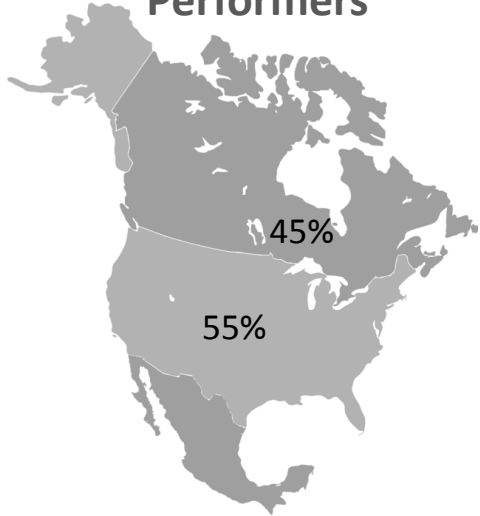
Profit & Loss Breakdown



Overall Survey



Top Performers



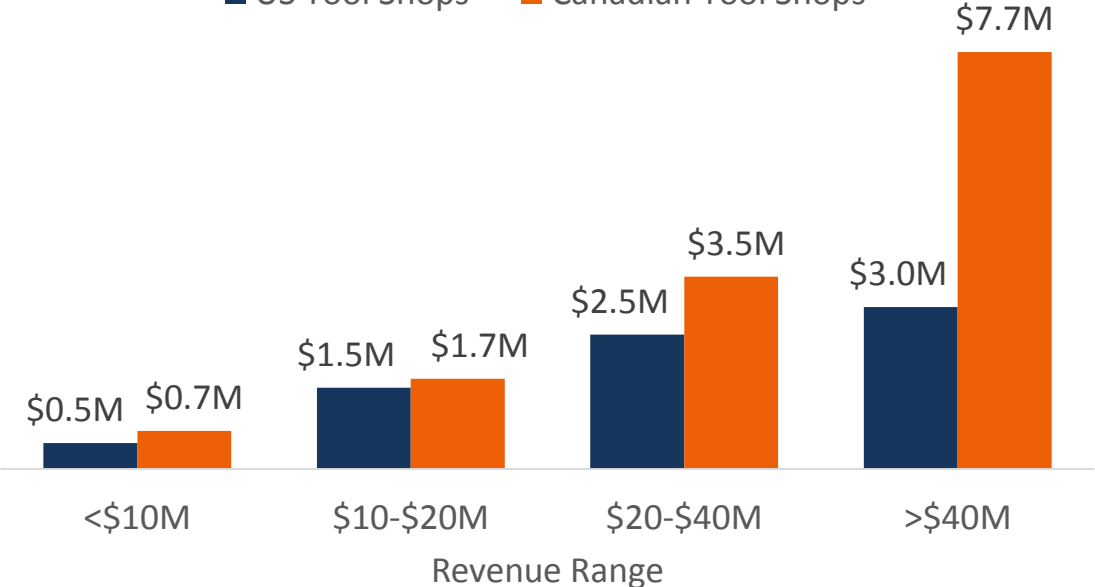
	EBIT - Overall	EBIT – Top Performers
USA	10%	18%
CAN	13%	19%

Question: Please Identify your YTD Gross Profit/Operating Profit/Direct Materials percentage. Respondents: 37 Canada, 83 United States Shops

Canadian Shops Using Profits to Reinvest

Avg CapEx Spend for Tool Shops

■ US Tool Shops ■ Canadian Tool Shops



Canadian shops are investing, on average, 22% more than US counterparts.

Large Canadian molders are investing massively into their businesses.

Question: As a percent of annual revenue, how much is your business planning to contribute towards new capital expenditures in 2017? Respondents: 37 Canada, 83 United States

Summary

- The lead concern facing the tooling industry is finding skilled labor. Even with this, shops still remain positive.
- Mold shops are seeing higher profits and investing most back in their business even though they are less utilized than die shops.
- Tooling customers are consistently less utilized than their tool shop suppliers; however, they still face similar key issues.
- The demographics of profitable shops and lower performers are quite similar but their issues surface, most profitable shops look very similar to less profitable counterparts
- Canadian shops see a benefit from their higher utilization rates and profits. They are taking advantage of this by investing over 20% more back in to their business compared to their US competitors.