



Preparing for the future, while optimizing the present

# 2017 Q2 Pulse Tooling Update

## May 2017

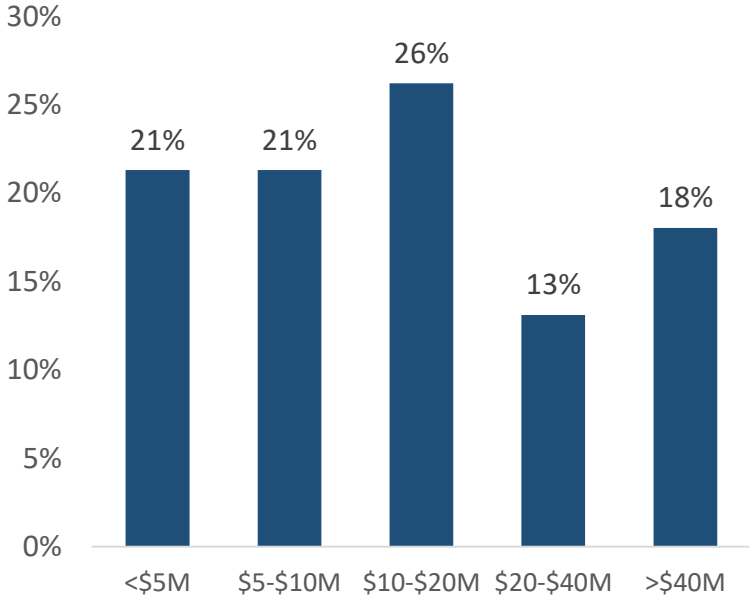
# Survey Overview

- Harbour Results' 2017 Q2 survey covered a quick update on the tooling industry current state. It covered an additional dive into key components of shops' financial statements.
- Survey population includes a total of 61 respondents, split 72% mold and 28% die.

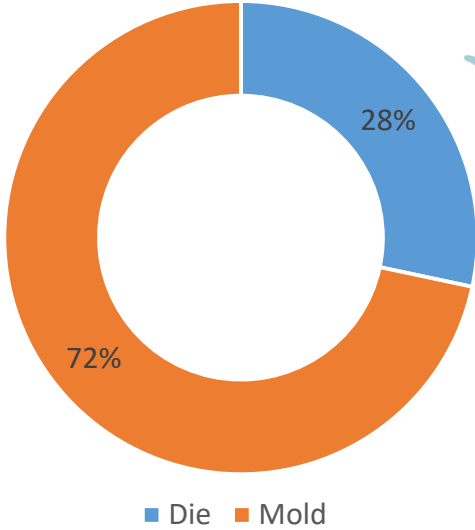
# TOOLING BAROMETER

# Respondent Demographics

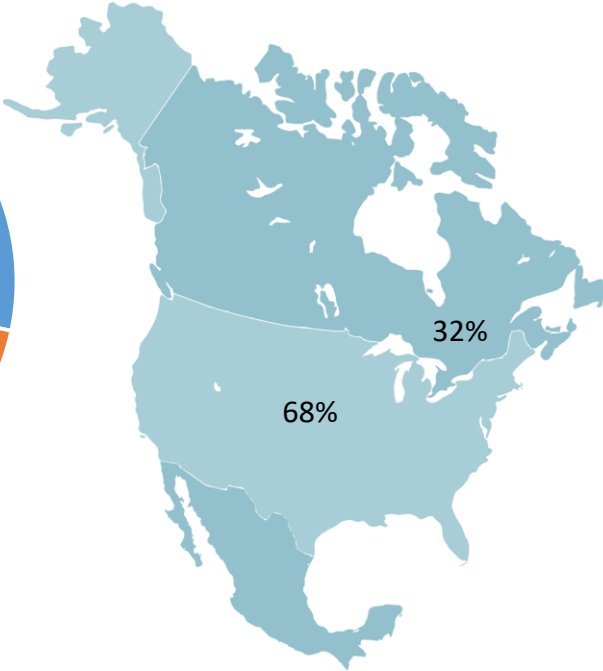
### Revenue Range



### Shop Type



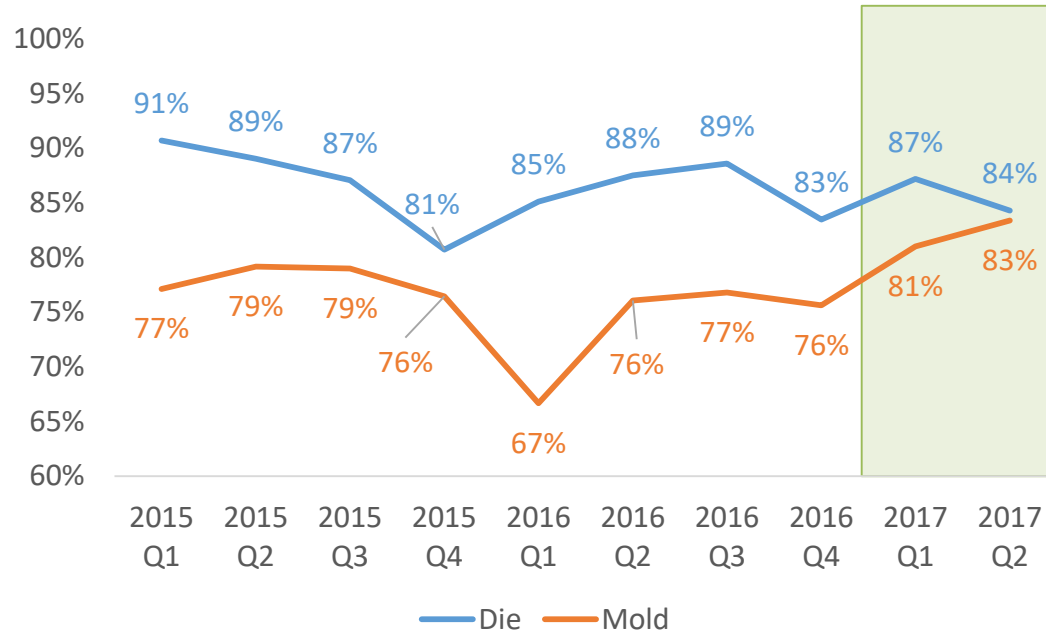
### Location



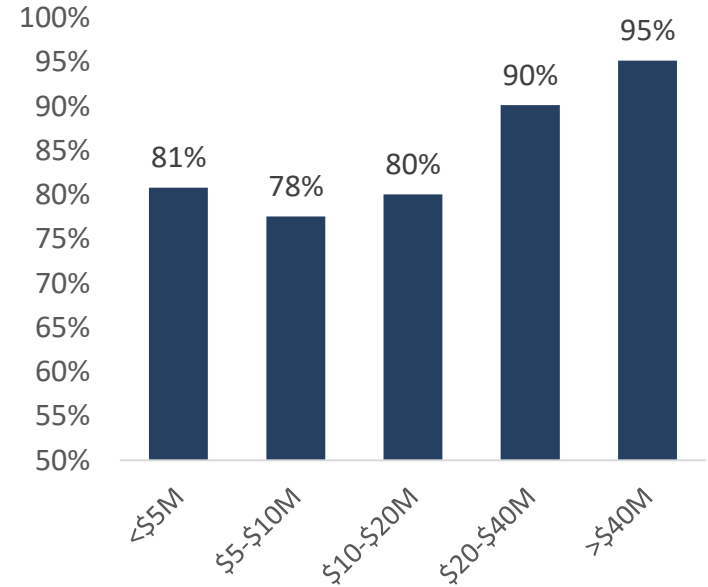
- Question: Please identify your Revenue for 2016
- Question: Please identify your company's geographic location

# Shops' Utilizations Leveling Out or Slowing in Q2

## Capacity Utilization By Shop Type



## 2017 Q2 Capacity Utilization

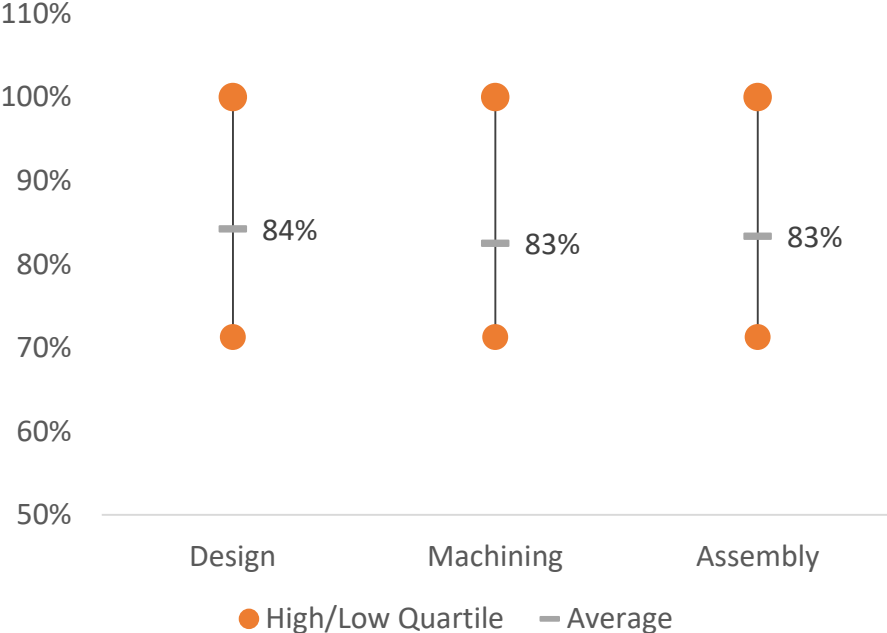


• Question: Current capacity utilization for design/machining/assembly

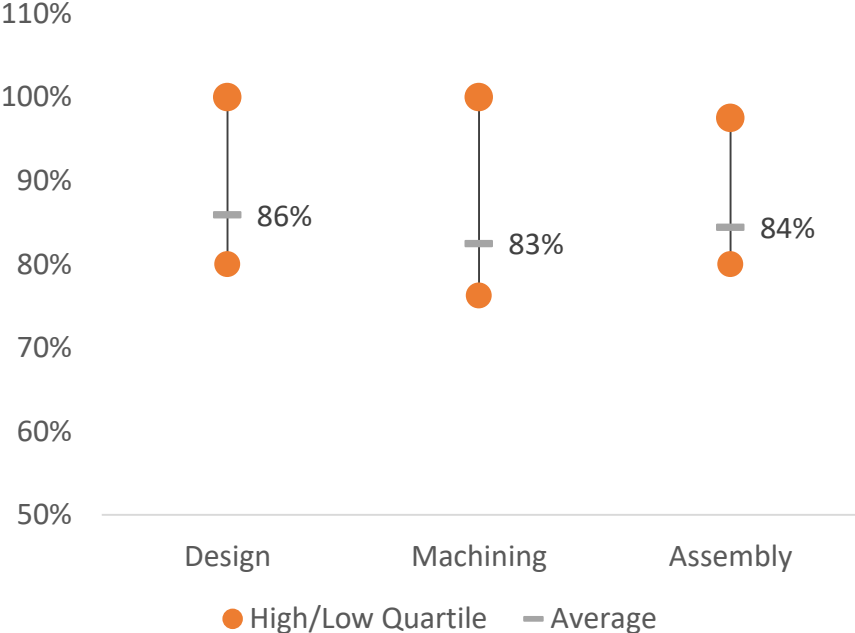
# Overall Shops' Capacities Around 80% Utilized

## Subset of Mold Market Continues to Struggle to Stay Utilized

### Mold Capacity Utilization



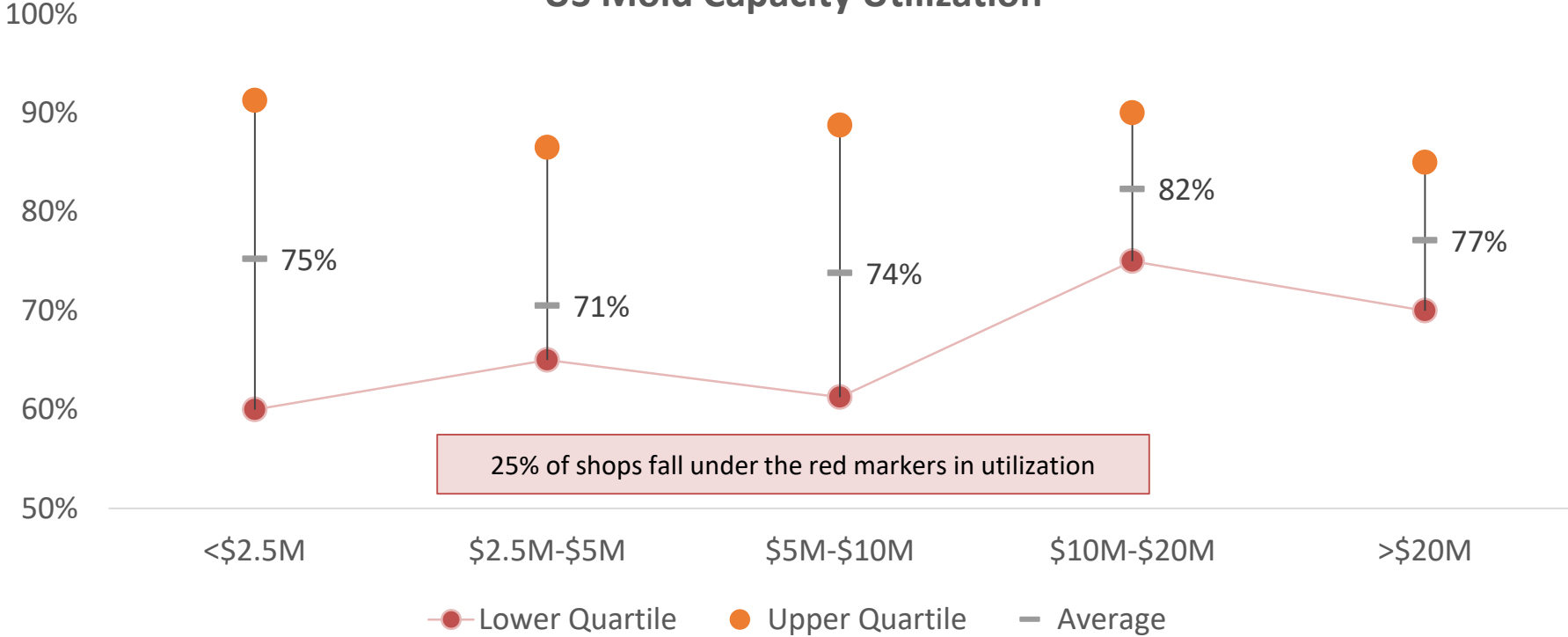
### Die Capacity Utilization



• Question: Current capacity utilization for design/machining/assembly

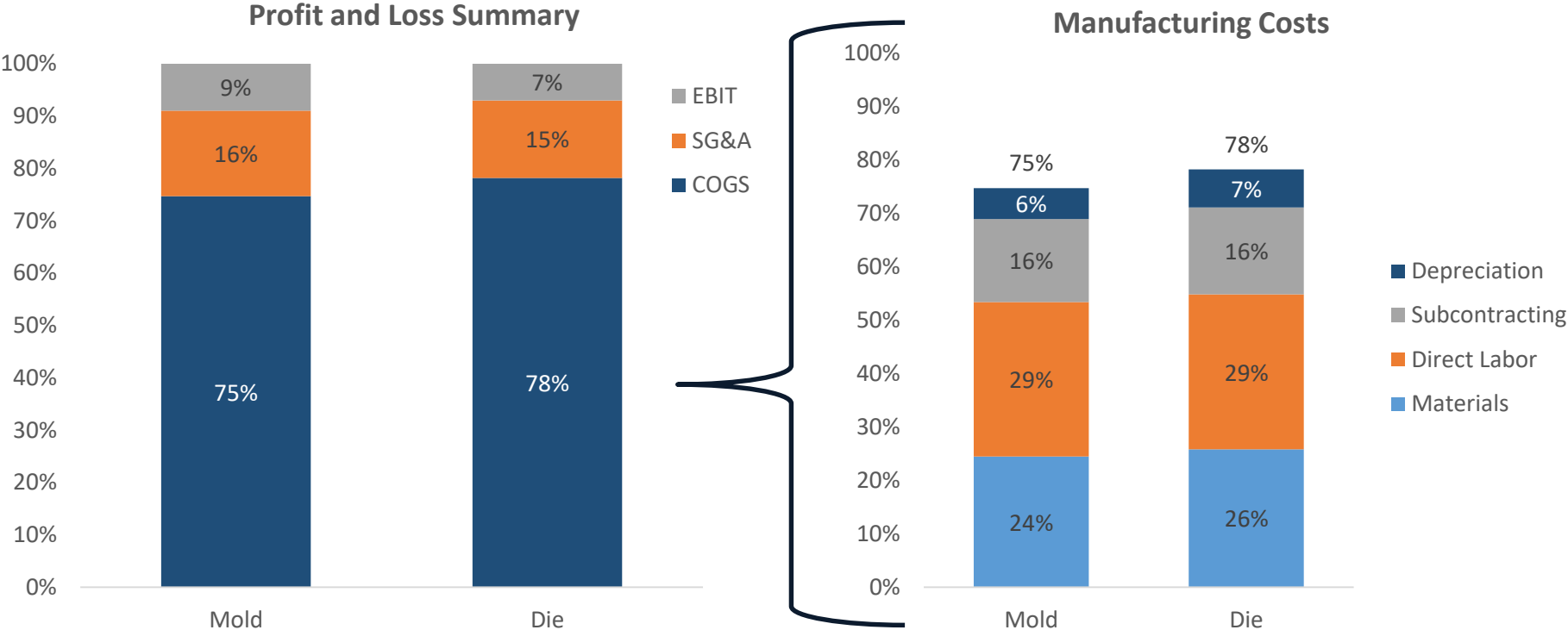
# US Shops Having Harder Time Staying Full

## US Mold Capacity Utilization



• Source: AMBA

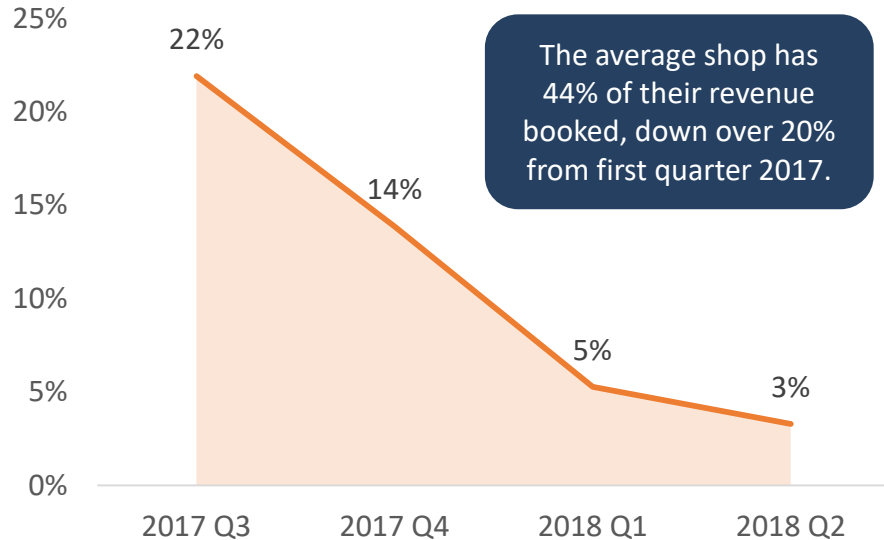
# Mold and Die Showing Very Similar P&L Statements



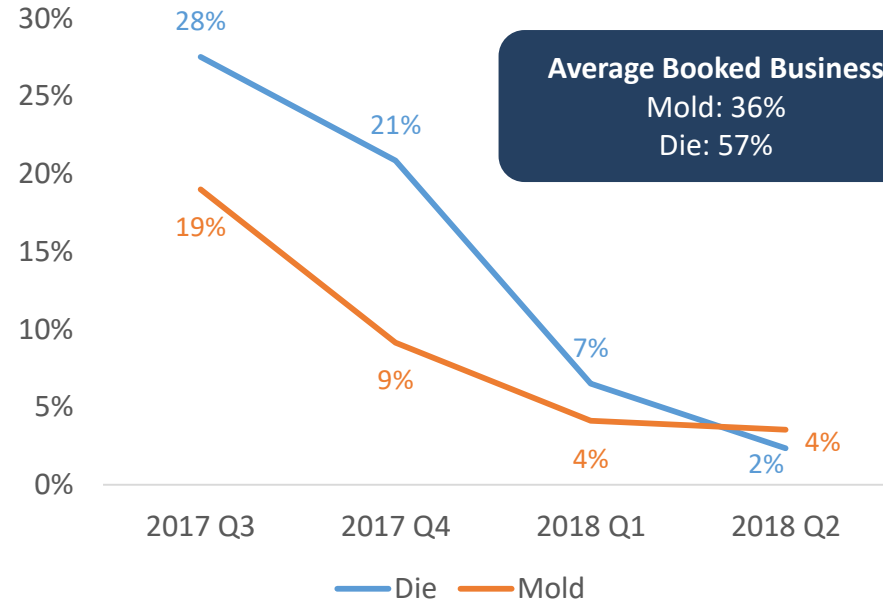


# Future Booked Business Drops from First Quarter

## Quarterly Booked Business (as of Q2 2017)

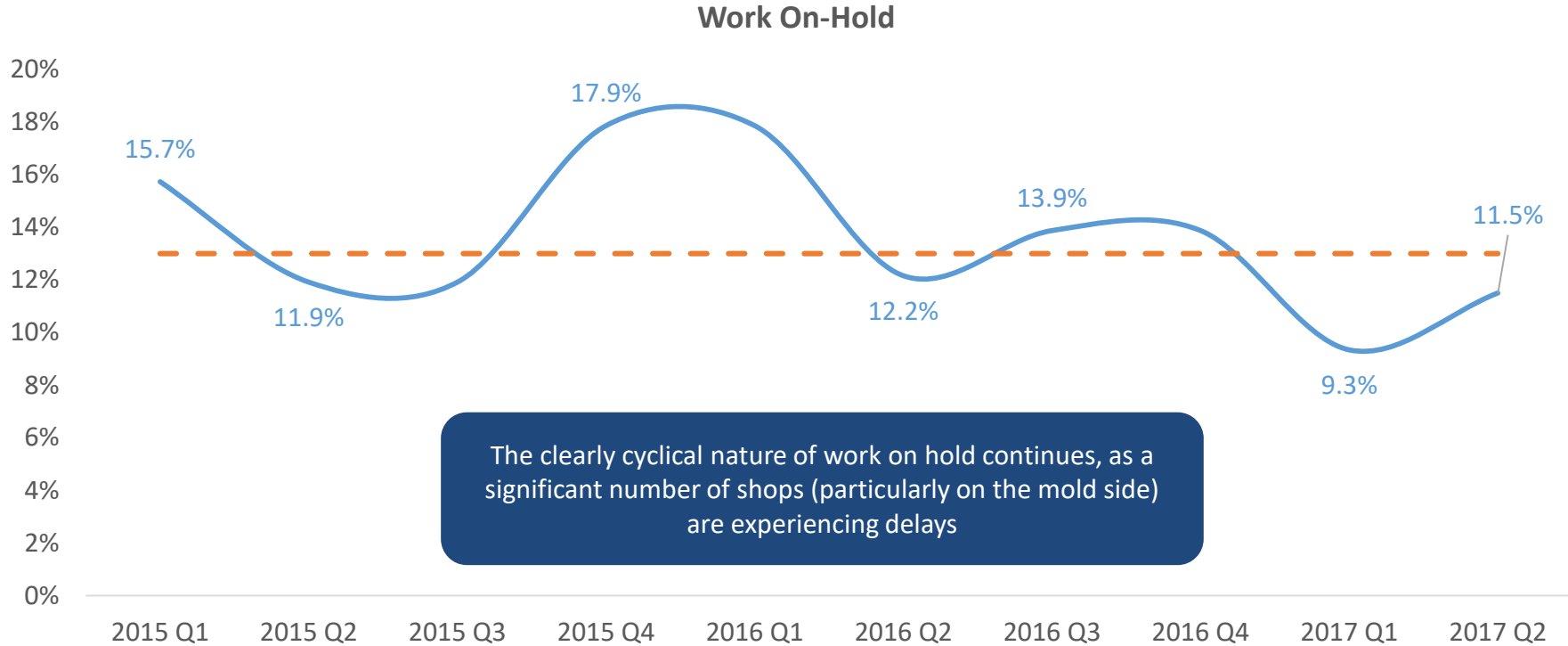


## Mold and Die Booked Business (as of Q2 2017)



• Question: What is your shop's tooling revenue (2016); Quarterly Booked Business

# Work On Hold Rises Back to Over 11%

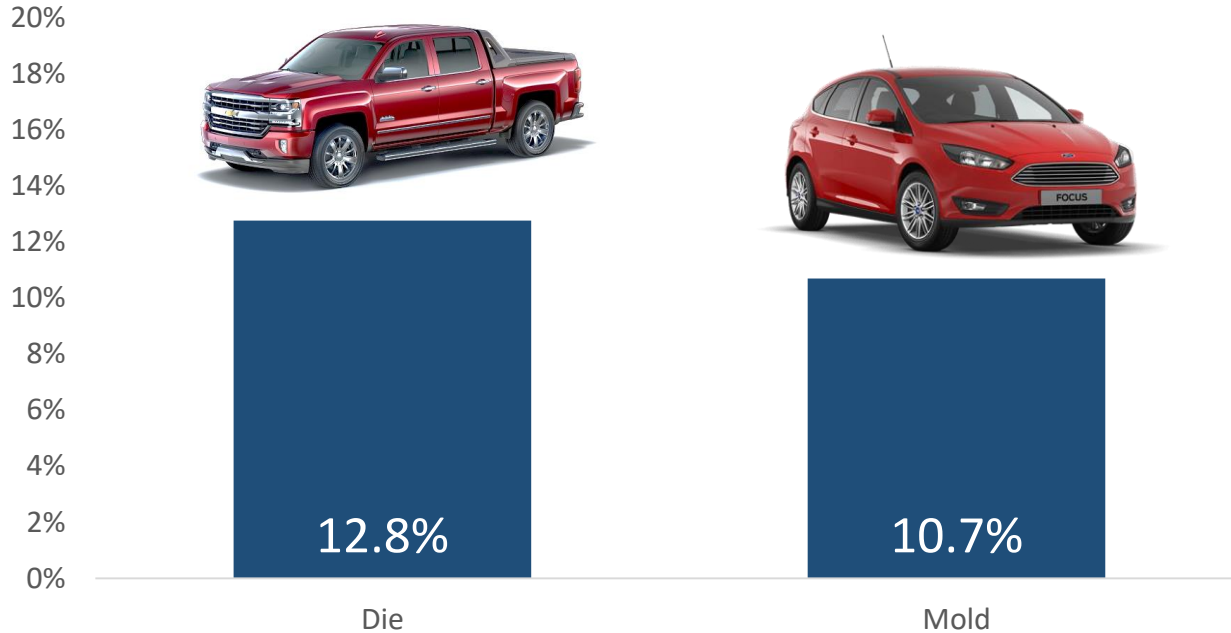


The clearly cyclical nature of work on hold continues, as a significant number of shops (particularly on the mold side) are experiencing delays

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

# D3 Driving Significant Delays in Suppliers

Work On Hold by Shop Type - 2017 Q1

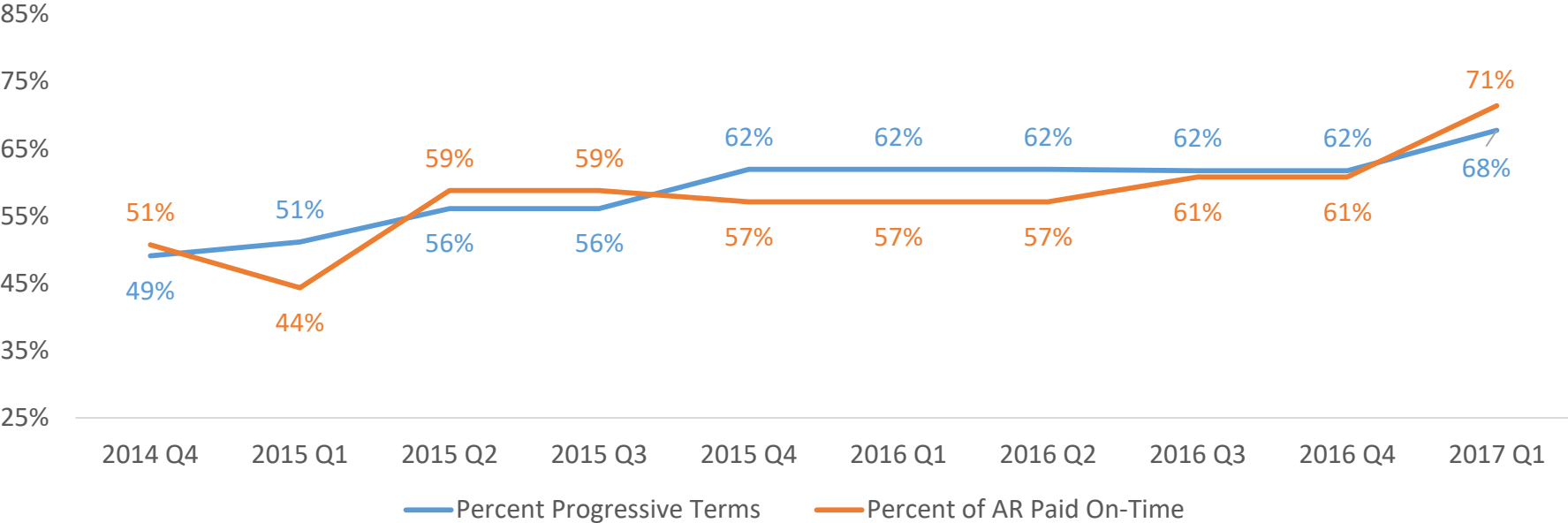


While a significant number of shops are experiencing “standard” levels of delays, there are a subset of die and mold shops experiencing significant (+20%) delays due to several key programs

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

# Payment Terms and Timing Peaked in First Quarter

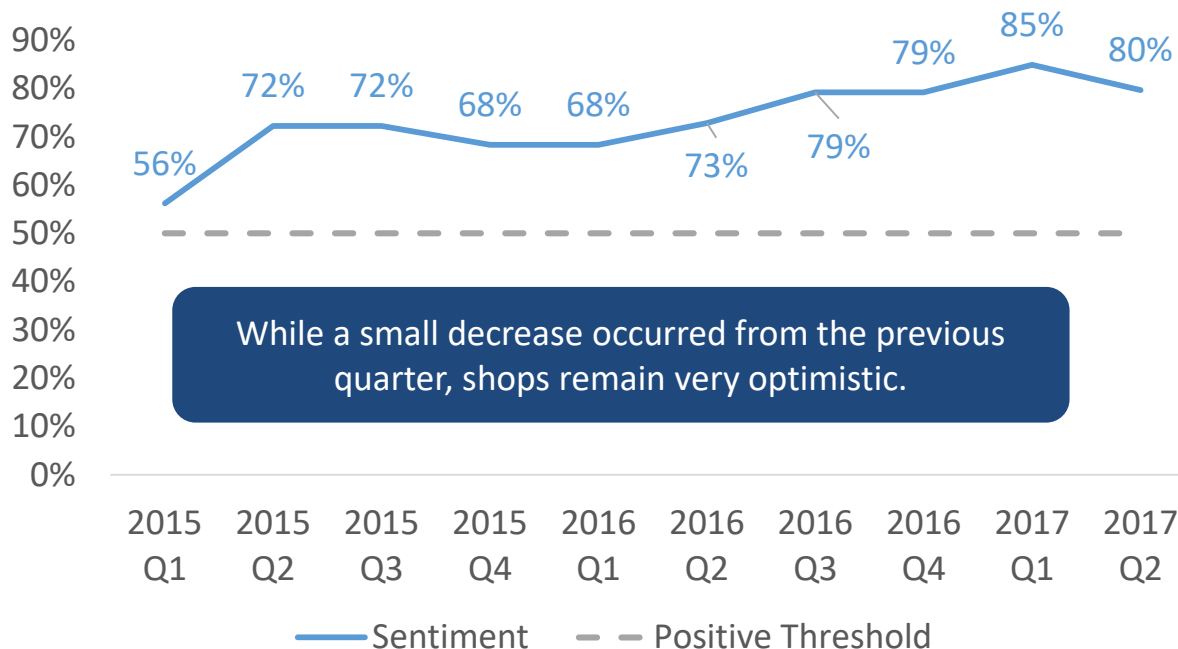
## Progressive Payment Terms and AR Paid On Time



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

# Sentiment Dips, Remains Positive

## General Business Outlook



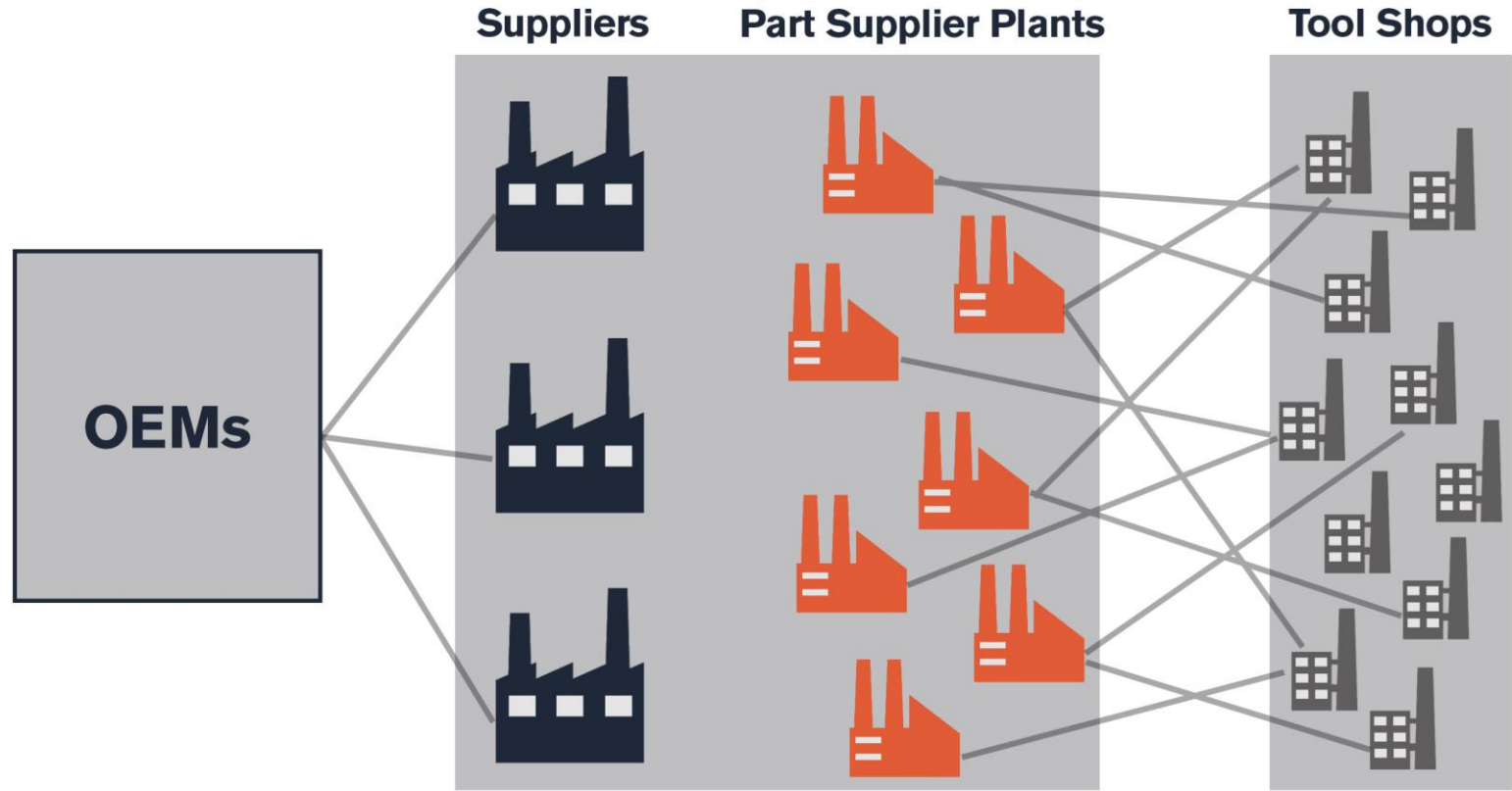
With an increase in work on hold and decreases in utilization, booked business and payment terms, shops saw a slight decrease in optimism from the first quarter.

Sentiment	% of Respondents
Pessimistic	0%
Somewhat pessimistic	3%
Neutral	14%
Somewhat Optimistic	44%
Very Optimistic	39%

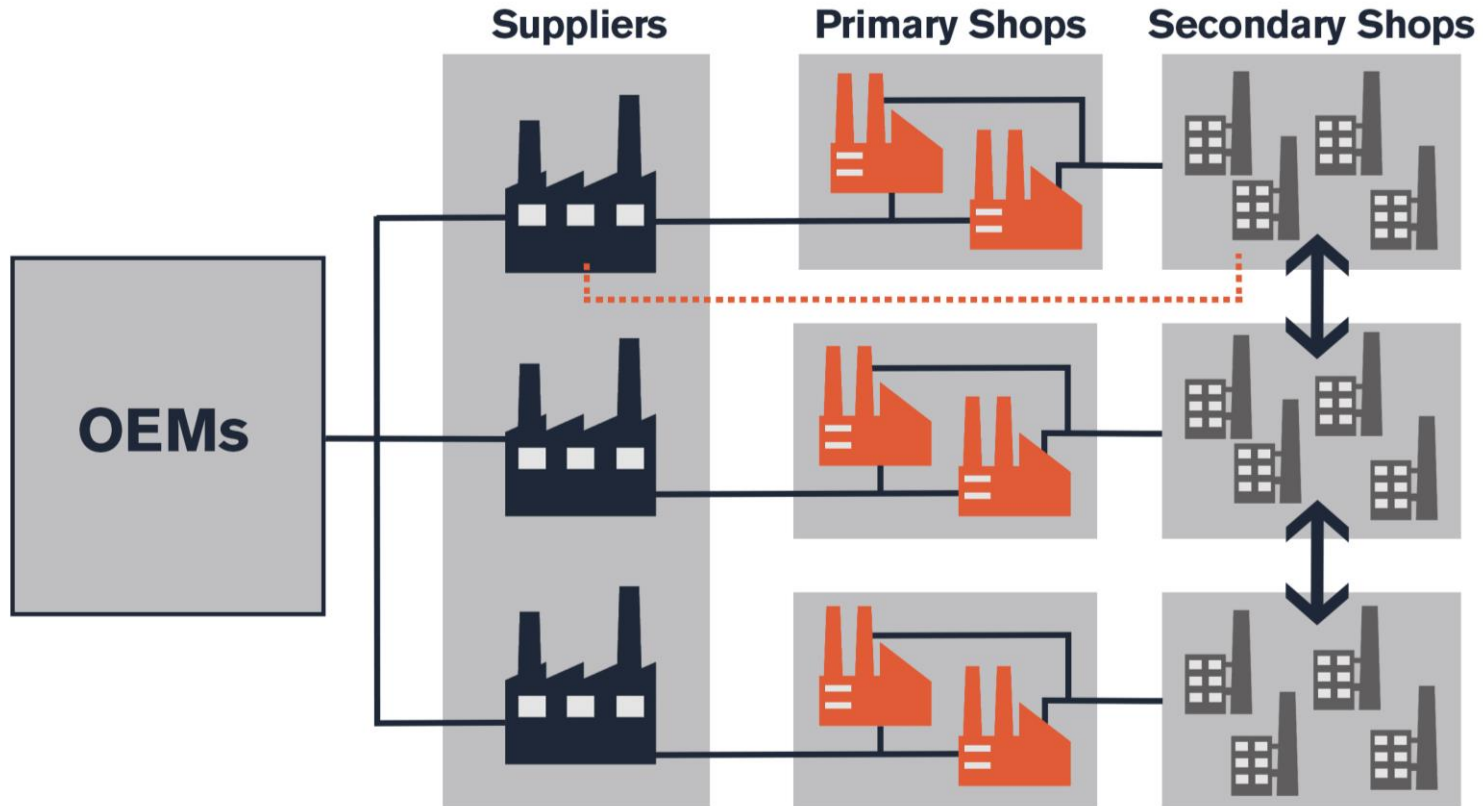
• Question: Over the next three months, the general outlook for your business is:

# PRIMARY AND SECONDARY SHOPS

# Previous State of the Mold Supply Chain

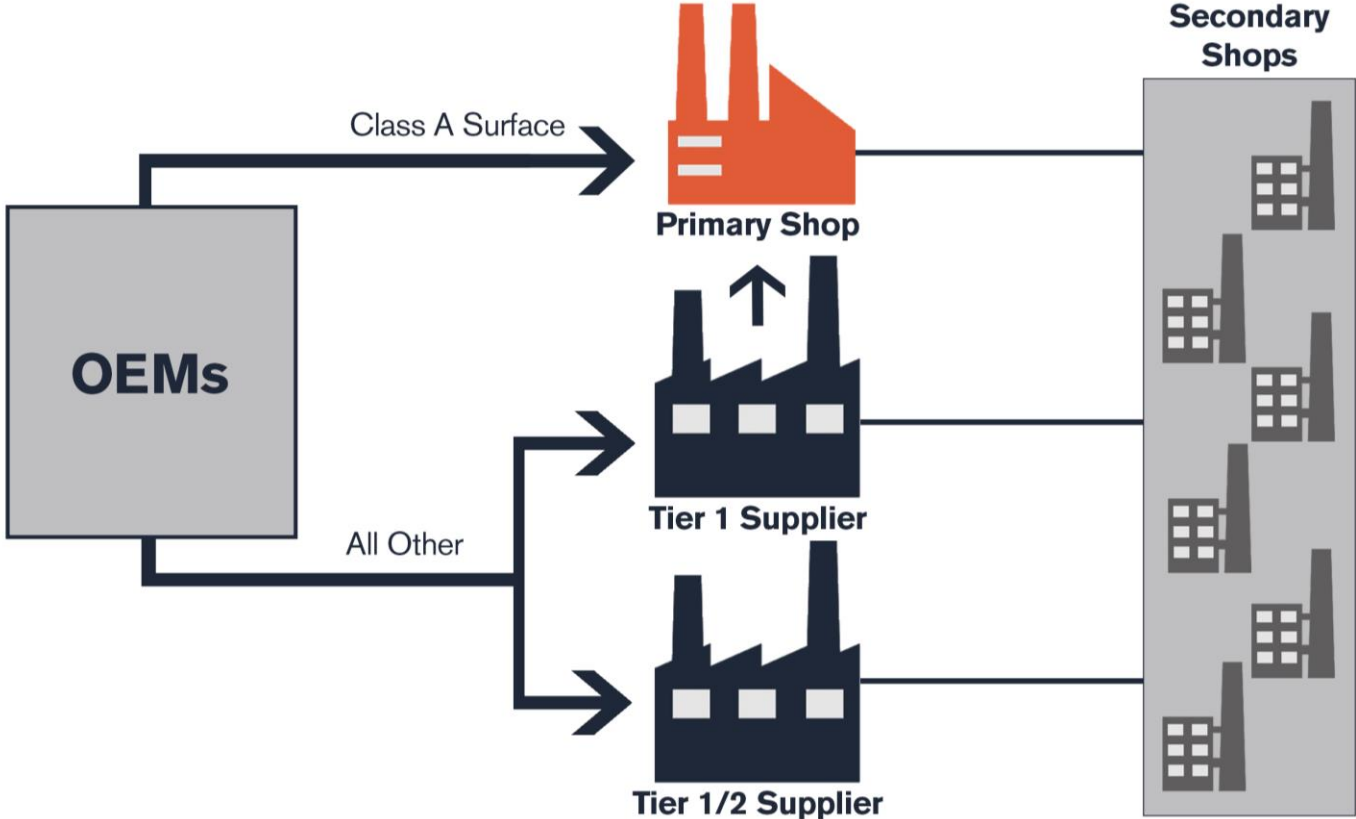


# Future State of the Mold Supply Chain



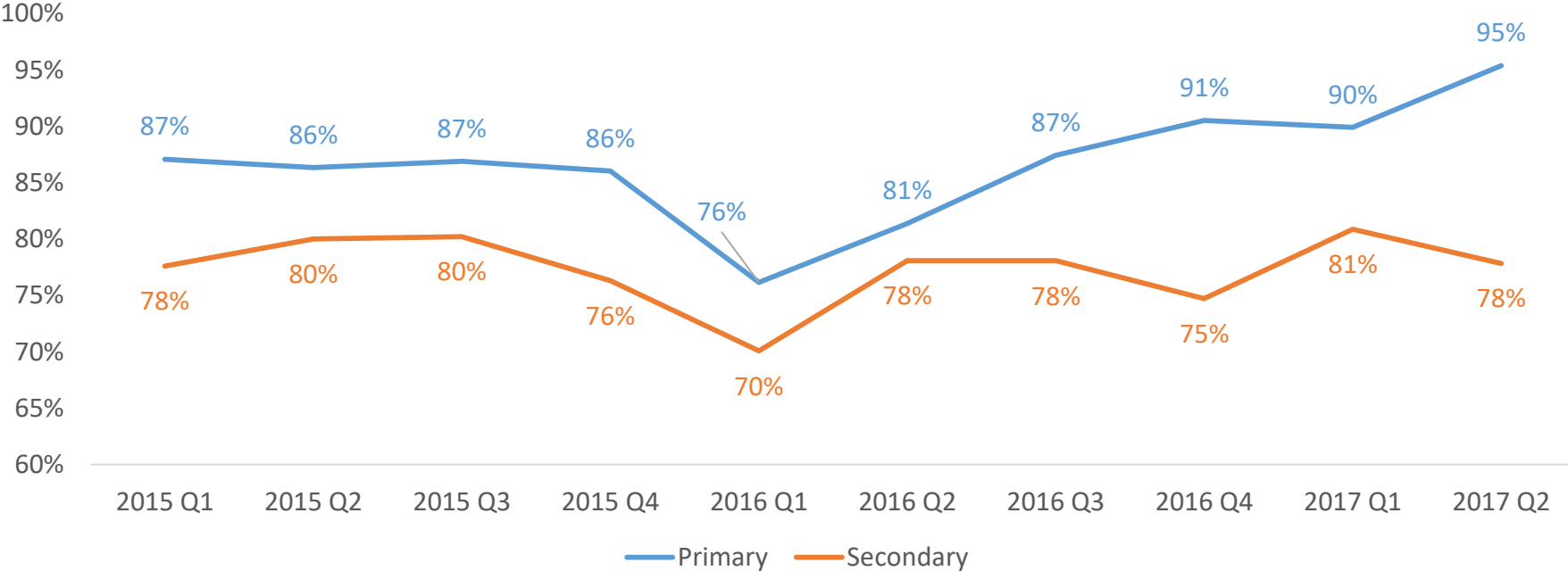


# Current/Future State of the Die Supply Chain



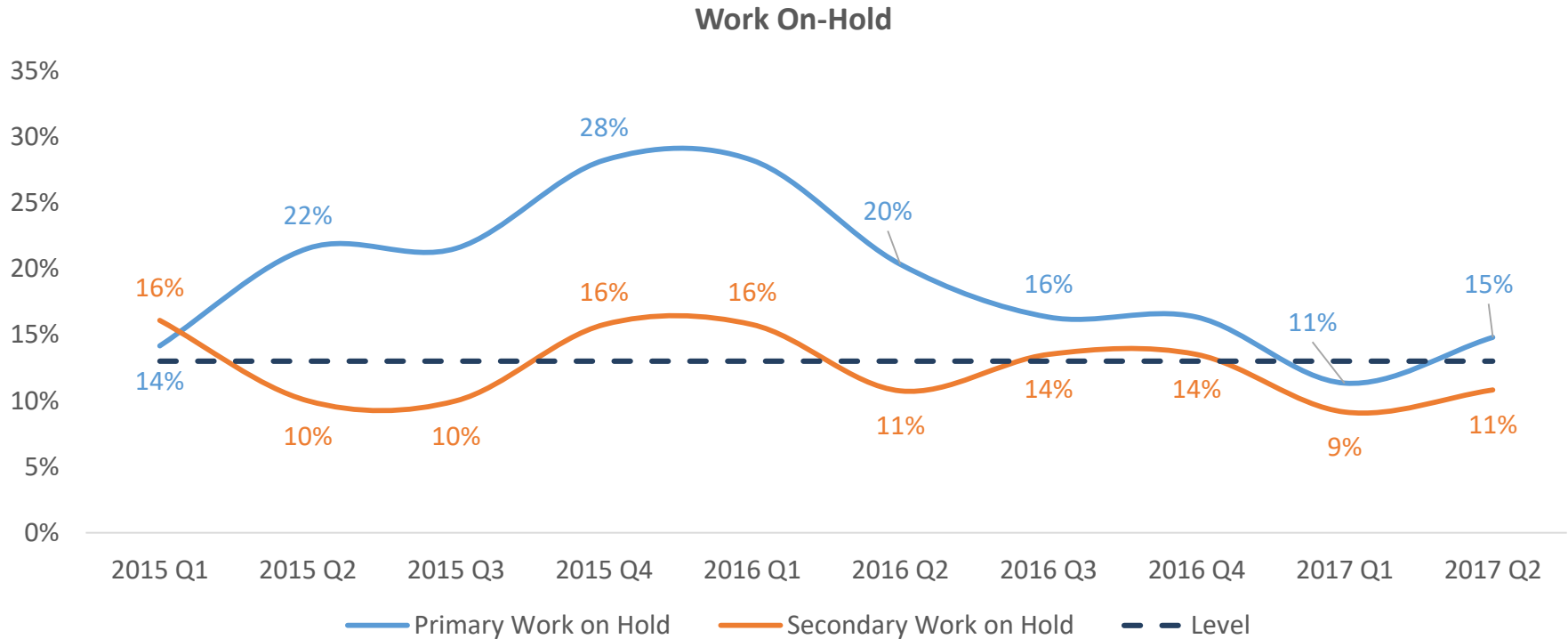
# Primary Shops Have Less Trouble Staying Full

Capacity Utilization By Primary and Secondary Shops



• Question: Current capacity utilization for design/machining/assembly

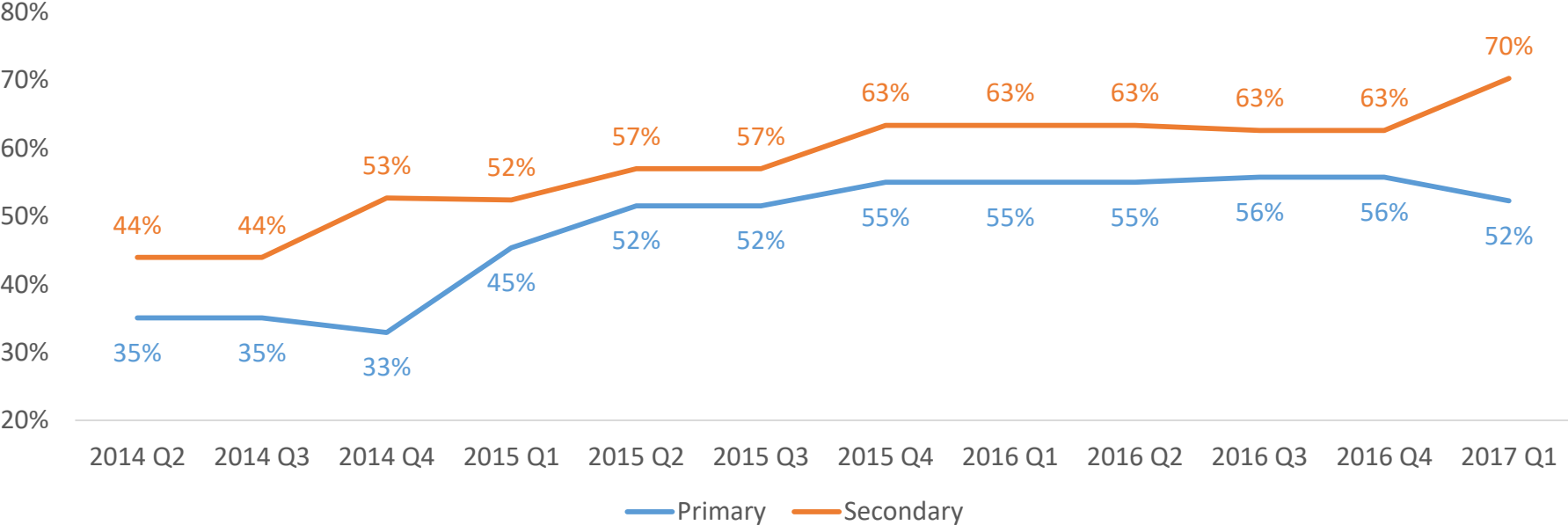
# Primary Shops More Vulnerable to Work On Hold



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

# Primary Shops Less Frequently Provided Progressive Terms

### Progressive Payment Terms



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

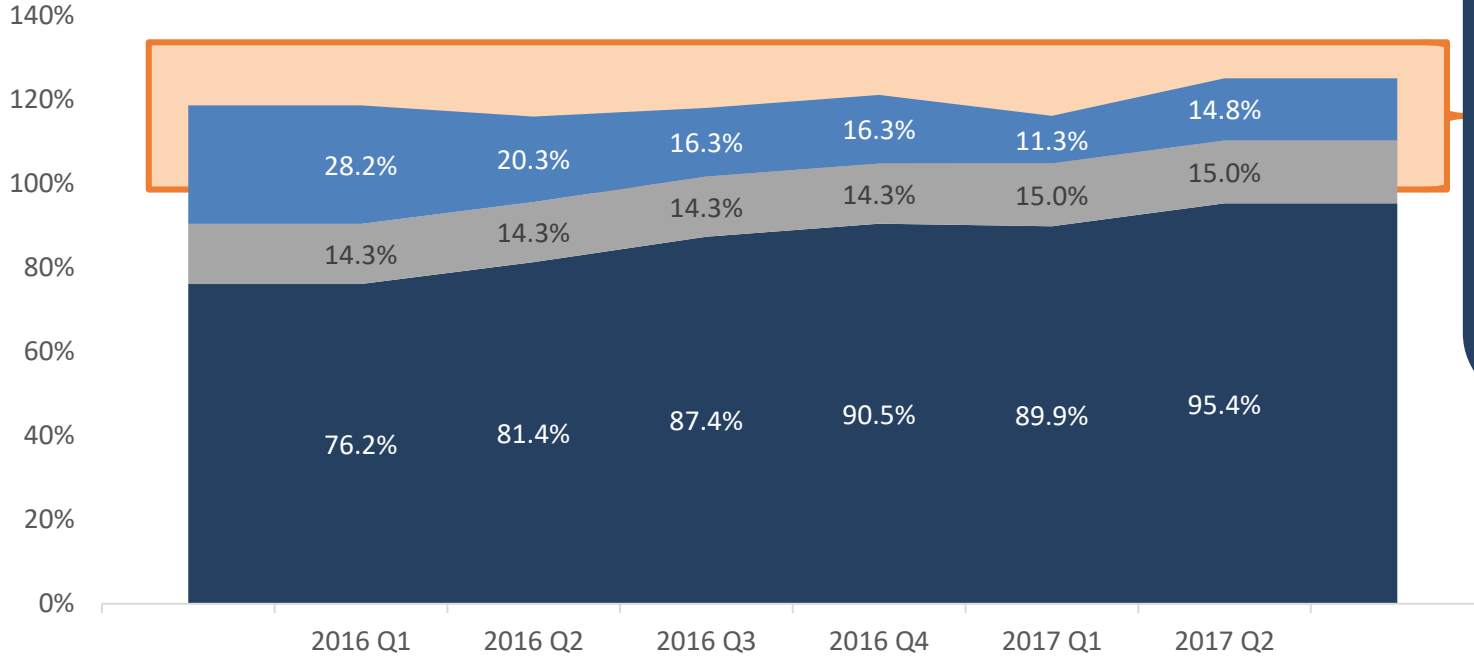
# Primary Shops Have to Oversell Capacity

## Use Outsourcing To Flex to Accommodate Work Delays/Holds

Primary Shop Utilization, Outsourcing and Work On Hold

Primary shops have to approach sales differently than other tool shops. They have to intentionally oversell their capacity and outsource whatever they cannot handle, since they are more susceptible to delays/work holds.

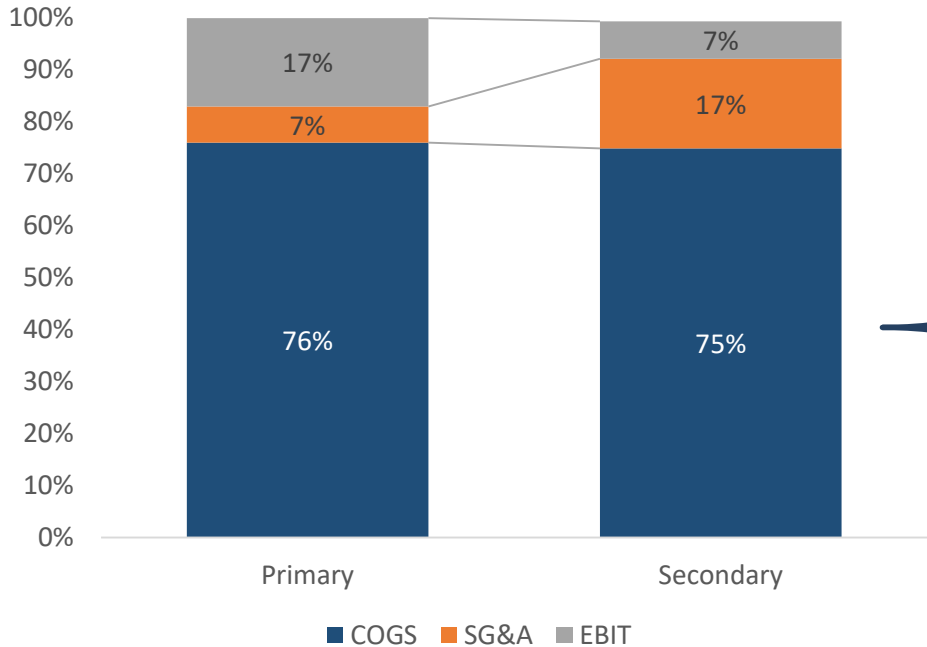
- Work On Hold
- Outsourcing
- Capacity Utilization



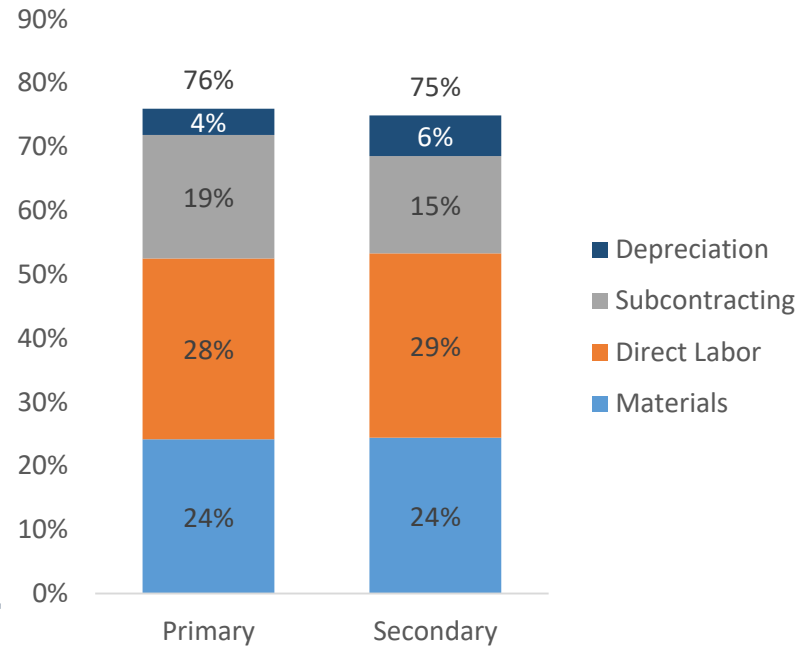
• Question: Current capacity utilization for design/machining/assembly

# Primary Shops Leveraging SG&A For EBIT

Profit and Loss Summary



Manufacturing Costs



# What Are They (or Should They Be) Doing?

## Primary Shops

- Establishing strong tooling supply base and supplier development to support them.
- Focusing on becoming preferred suppliers for OEMs and large T1s and developing these relationships
- Developing strategic sales plans to “feed the beast”
- Capacity planning to avoid lulls
- Driving efficiency in their shops and investing in capital

## Secondary Shops

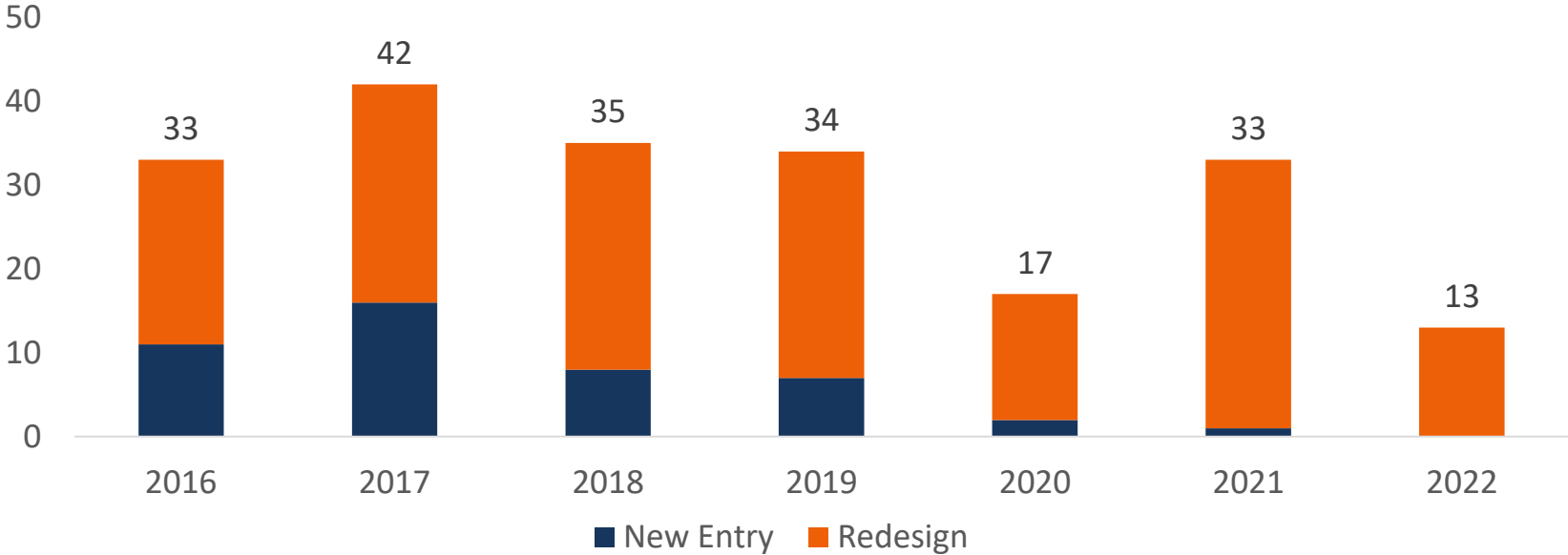
- Developing relationships with primary shops as supply base shifts
- Working to take advantage of advantageous stair steps of growth, working to drive bottom line
- Pushing for advantageous payment terms
- Sales planning to focus on filling walls with best-fit work with high margins
- Developing niche

**WHAT NEXT?**



# 2017 Still Looks to be a Very Heavy Year for Tool Sourcing

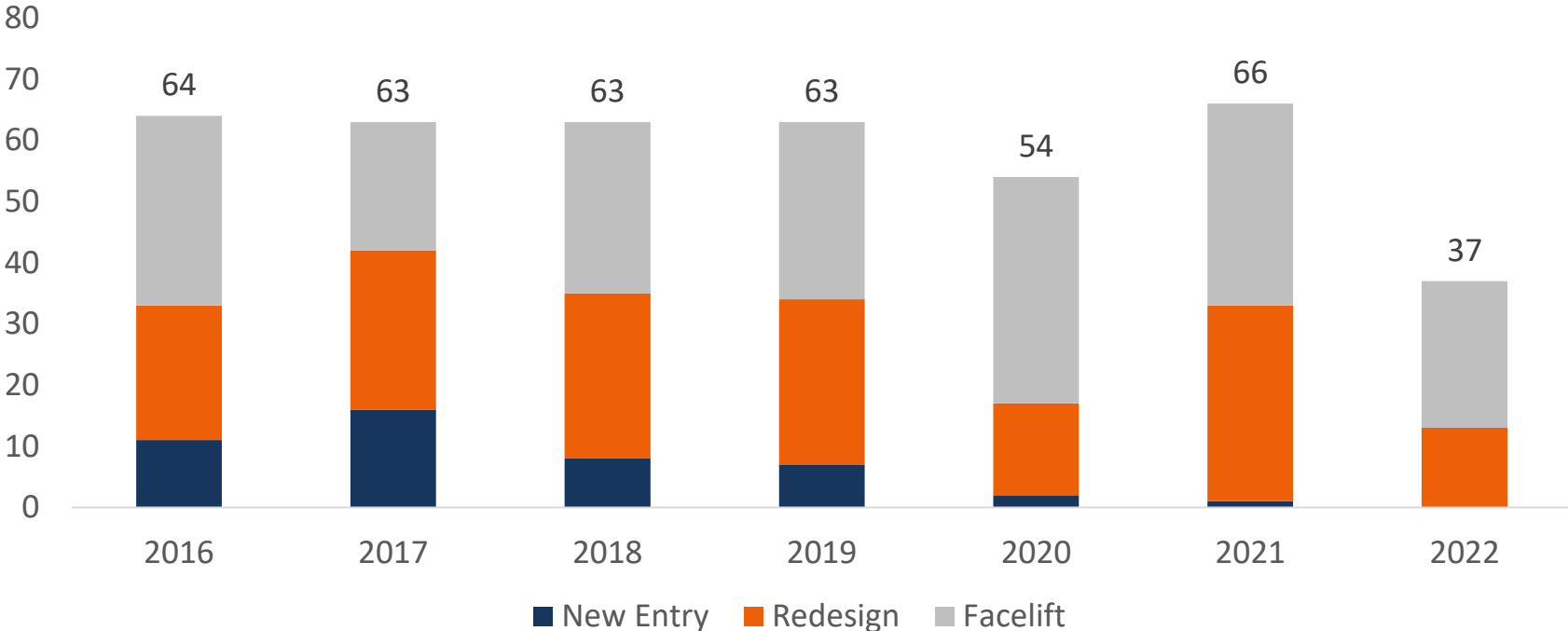
Annual OEM Launches by Type (w/o Facelift) - Tool Sourcing



**While New Entry and Redesigns showing a decrease in future years, the next 18-24 months still show strong opportunity for tool shops.**

# The Addition of Facelifts Level Out Work for Some Mold Shops

Annual OEM Launches by Type - Tool Sourcing



# Summary

- Despite small dips in key indicators, sentiment remains at one of highest points in last two years.
- There continues to be a division between shops who are very busy and shops struggling to bring work in.
- Overall averages for profitability relatively healthy, but the underlying variance strengthens the growing division.
- Shops need to capitalize on the “good times”, and make sure they are prepared for the possibility of a dip.