

October 7, 2024

PERSPECTIVE



CHANGES EVERYTHING.

WIPFLI

Operational Performance and Coaching

Strategic
Development

Operations
Improvement

Business
Assessments

Due Diligence

Harbour IQ

October 7, 2024



Market Trends and Economic Factors Affecting Plastics

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WIPFLI



HARBOUR | IQ™
Powered by Wipfli



Study Participants



Assessments



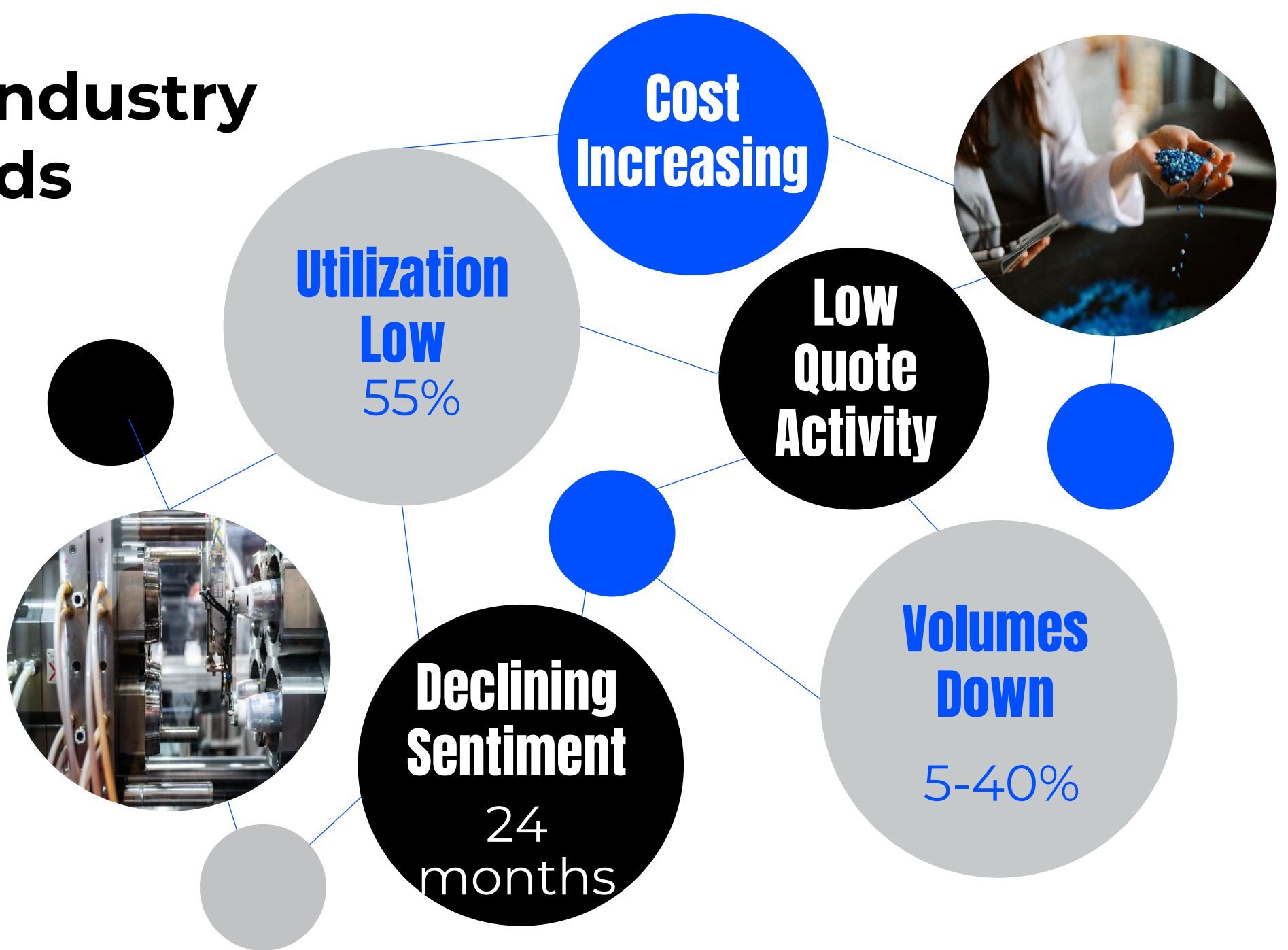
Is Manufacturing in a Recession?

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Challenging U.S. Economy



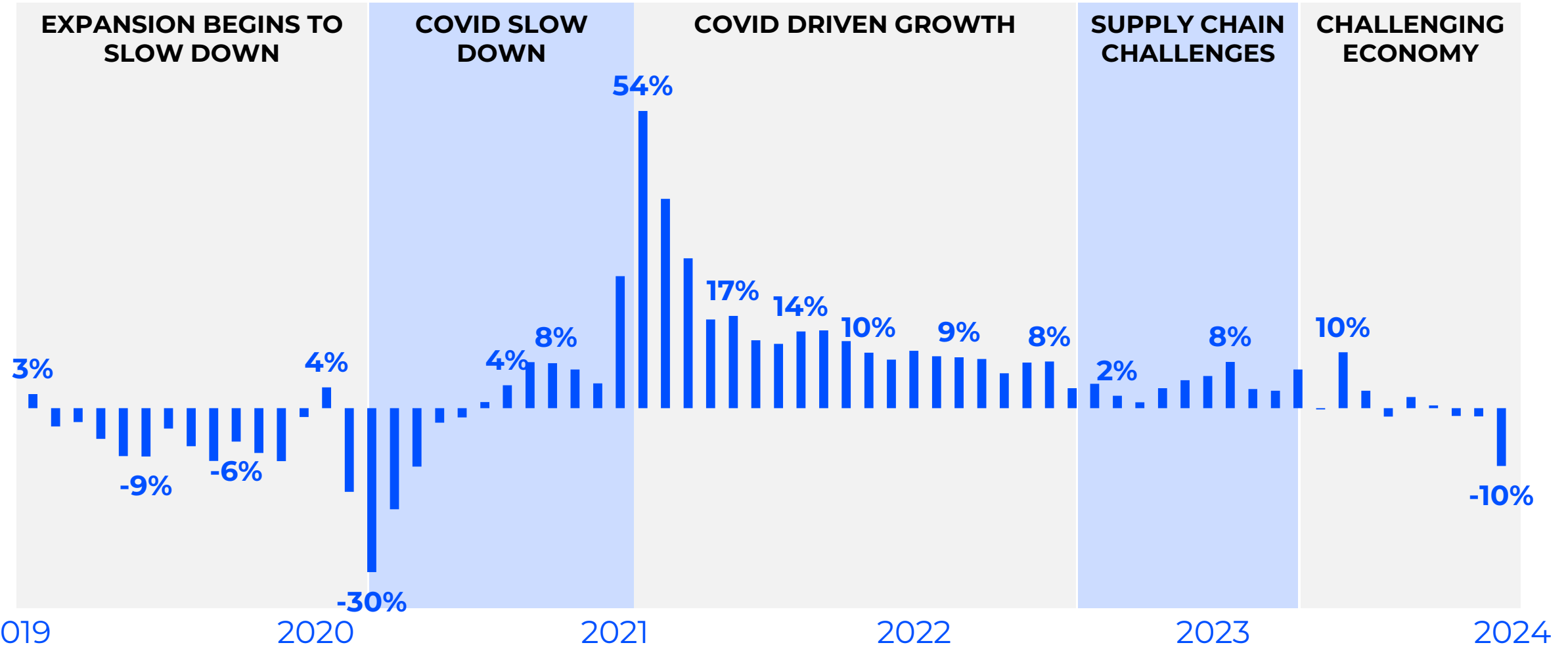
Plastics Industry Headwinds



New Orders Hit Lowest Level in 4 Years

Durable Goods: New Orders (Millions USD)

% Change from Prior Year



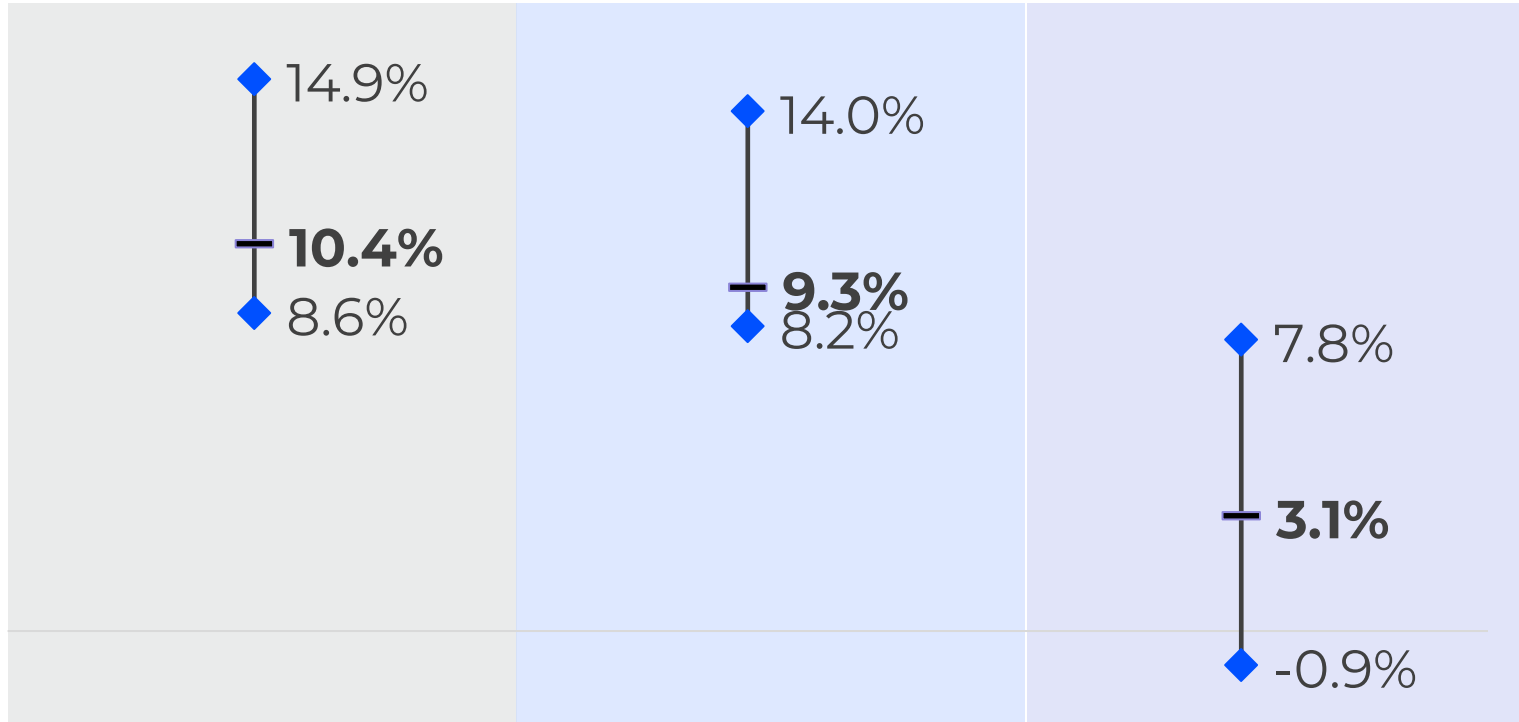
Manufacturing is Walking a Tight Rope

Bankable

Somewhat Bankable

Questionably Bankable

EBITDA %



0-1.4

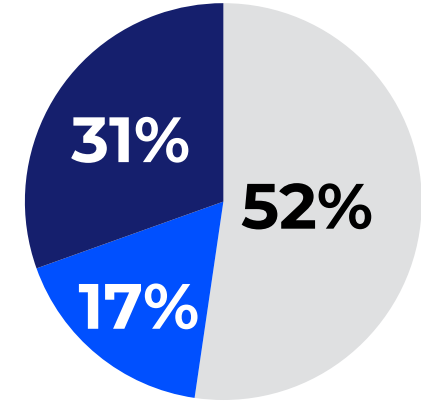
1.5-3.4

3.5+

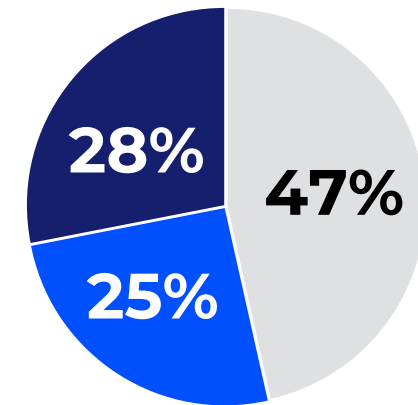
Debt to Earnings

◆ High/Low Quartile — Median

2022 All MFG



2023 All MFG



0-1.4

1.5-3.4

3.5+

Industry Outlook Bleak



Aerospace



Agriculture &
Off-Highway



Appliance



Automotive



Consumer
Products



Medical &
Dental

3.8%

-7.7%

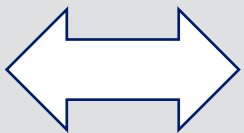
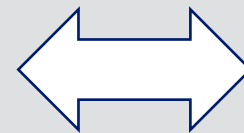
-3.1%

-4.1%

0%

-4.7%

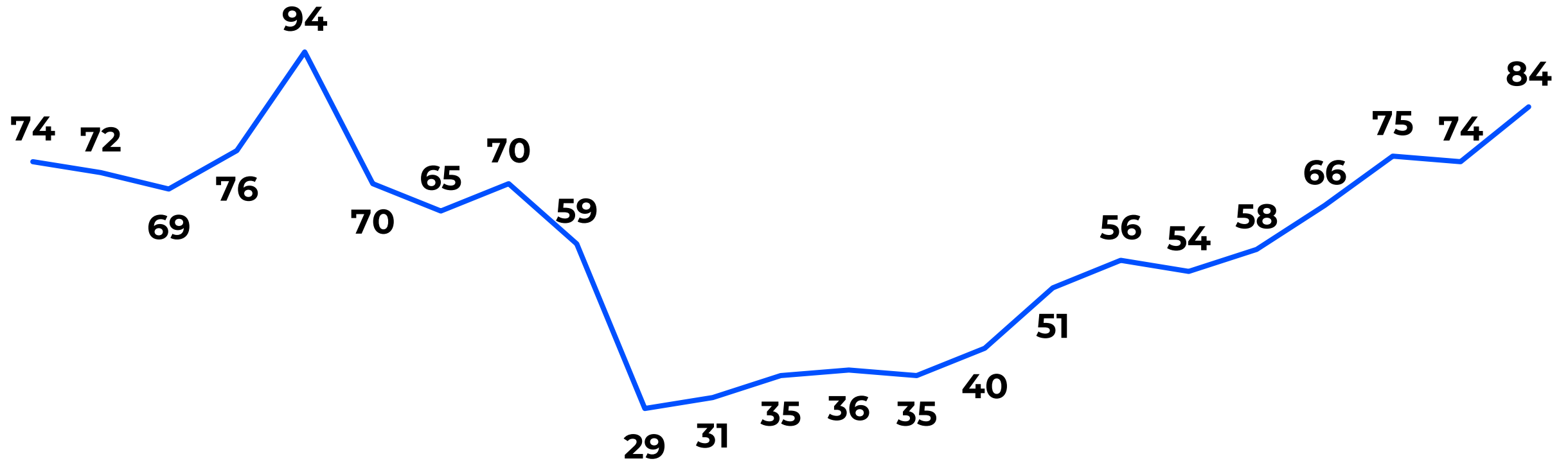
Expected Revenue Change 2023-2024



Industry Health

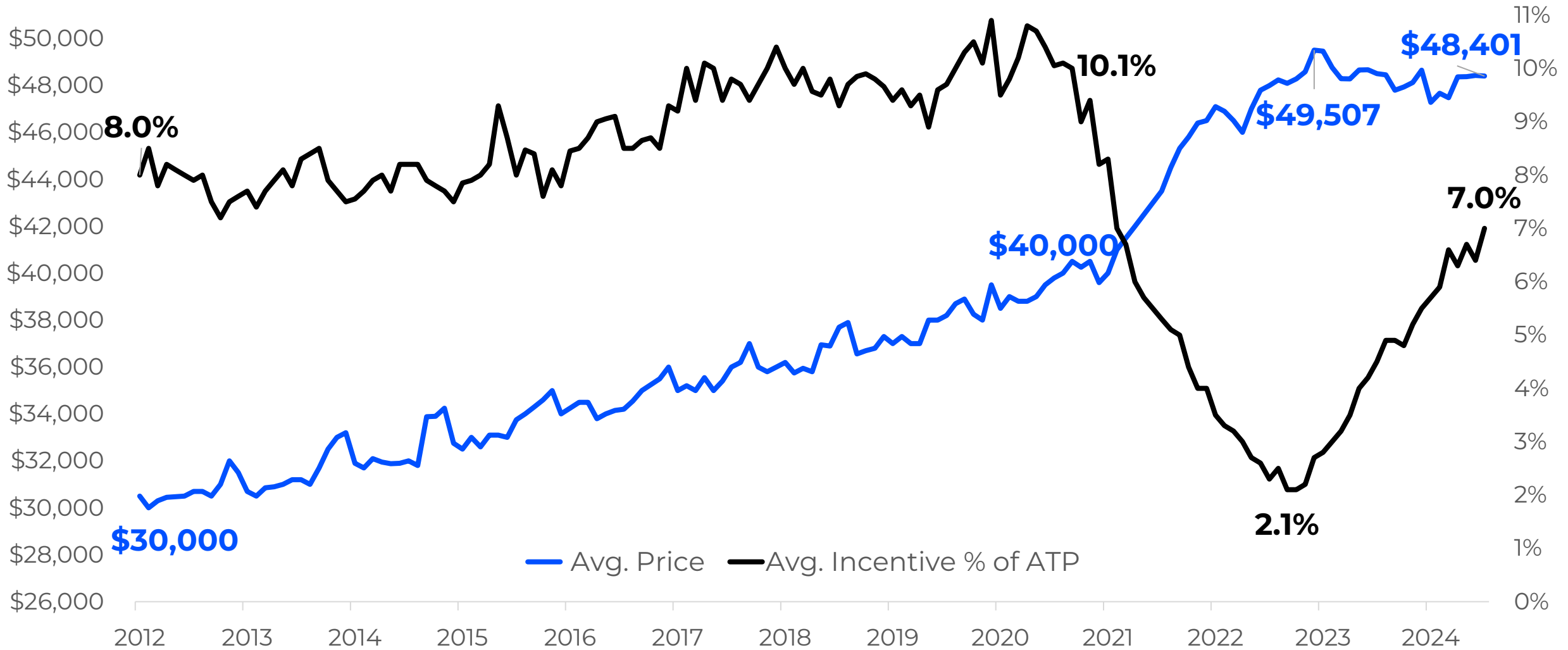
Old Automotive Behaviors Return - Inventory

Days Supply - New Vehicle



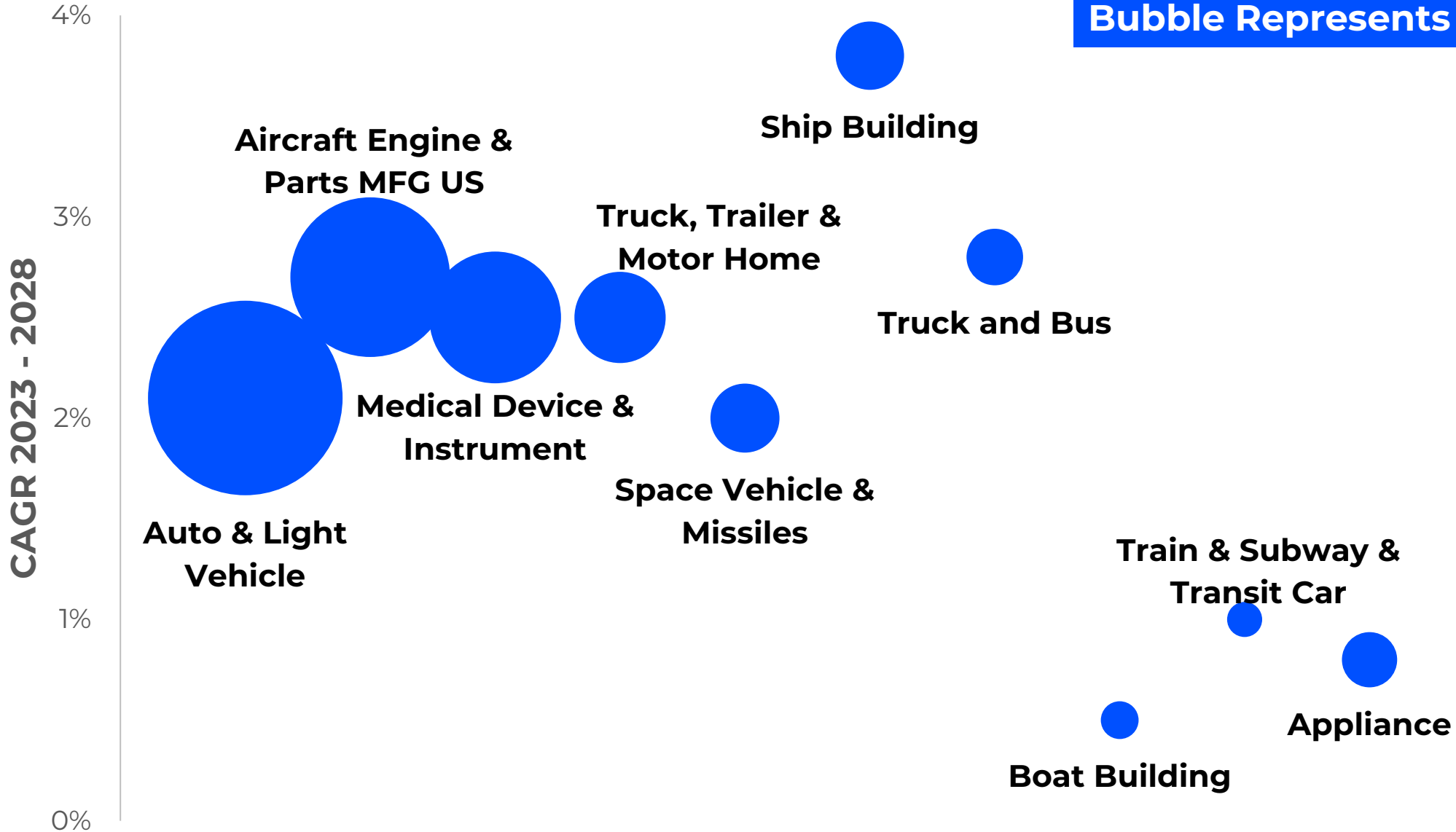
Traditional Levels				COVID Troubles				Supply Chain Crisis				Recovery Begins				Return to Normal						
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
2019				2020				2021				2022				2023				2024		

Old Automotive Behaviors Return - Pricing



Industry Opportunities Are Minimal

Bubble Represents Industry Size



Profitability is Impacted for Most OE's

Percent Change 23Q2– 24Q2

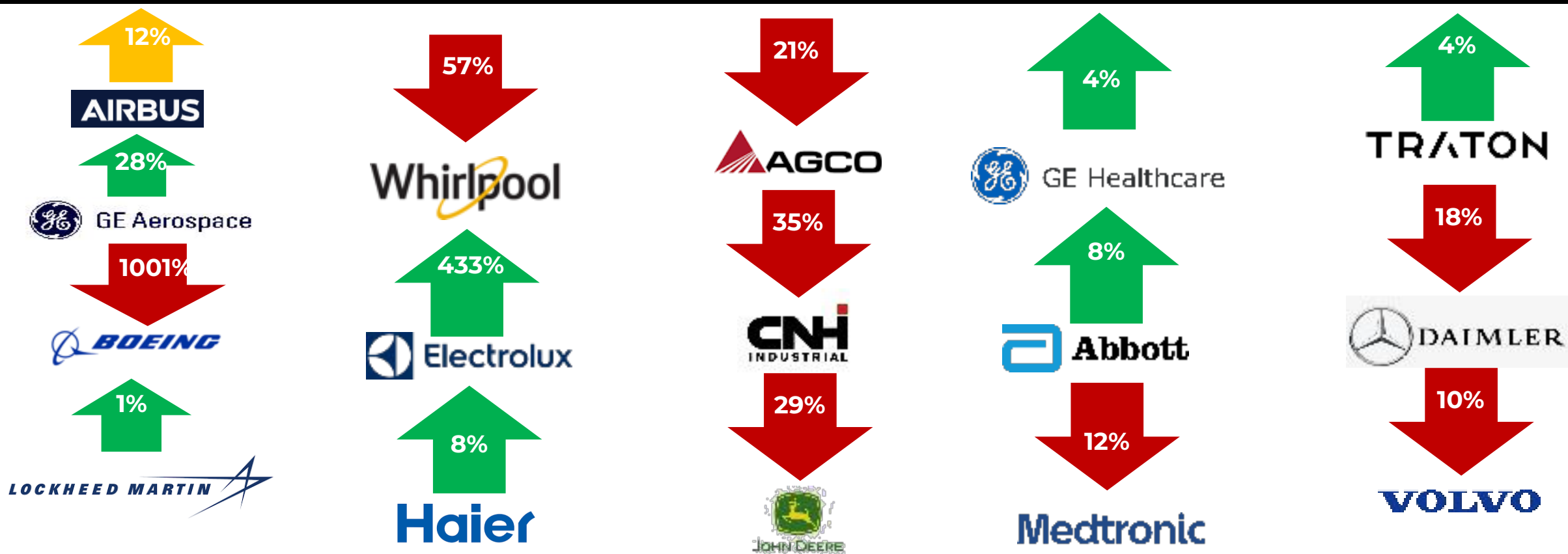
AEROSPACE

APPLIANCE

AGRICULTURE

MEDICAL

COMMERCIAL VEHICLE



Where Are We Headed?

2024

Revenue
Flat/Declining

81%
Mfg

Profit
Flat/Declining

2%
Plastics are
Decreasing Labor

0%
Mfg

Labor
Are Hiring



17%
Mfg

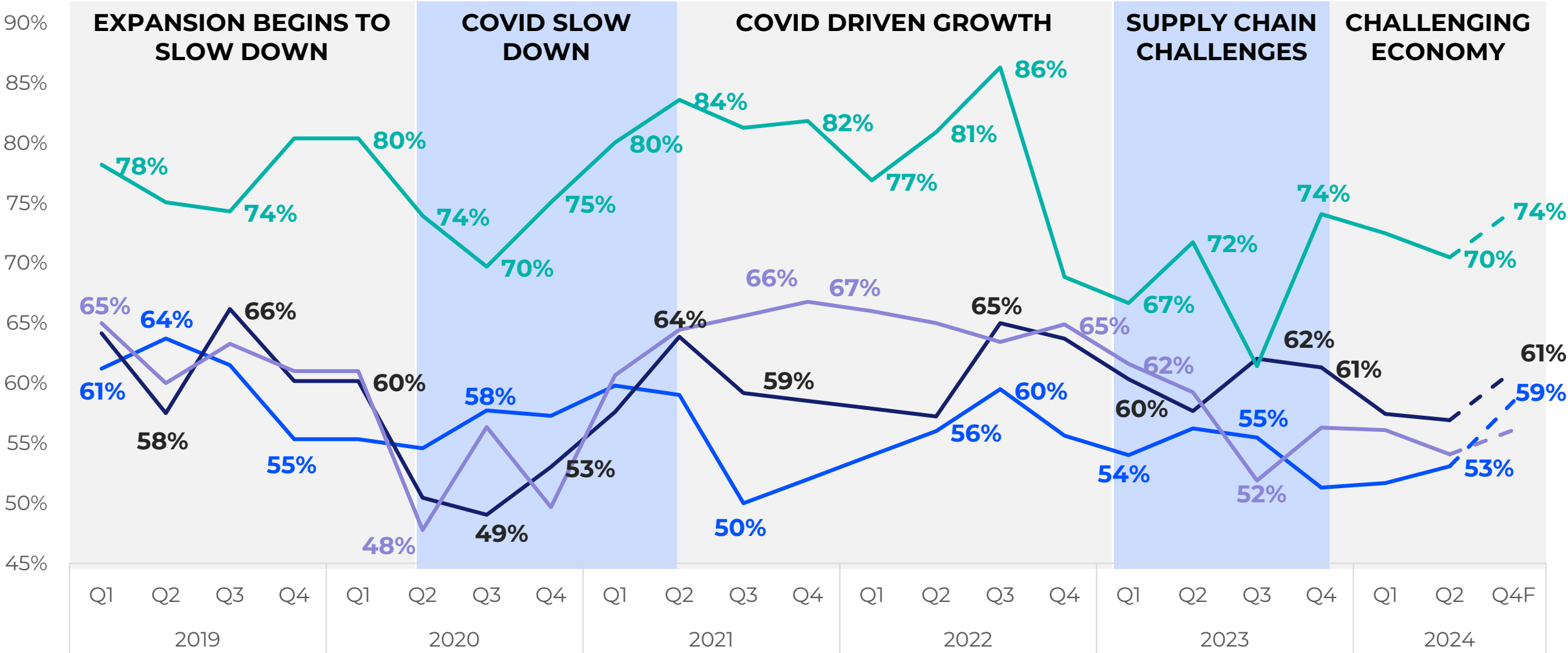
What Does the Data Show?

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Utilization is Below Desired Levels

Capacity Utilization by Process Type

Plastics Processor Metalformer Die Casting Tooling



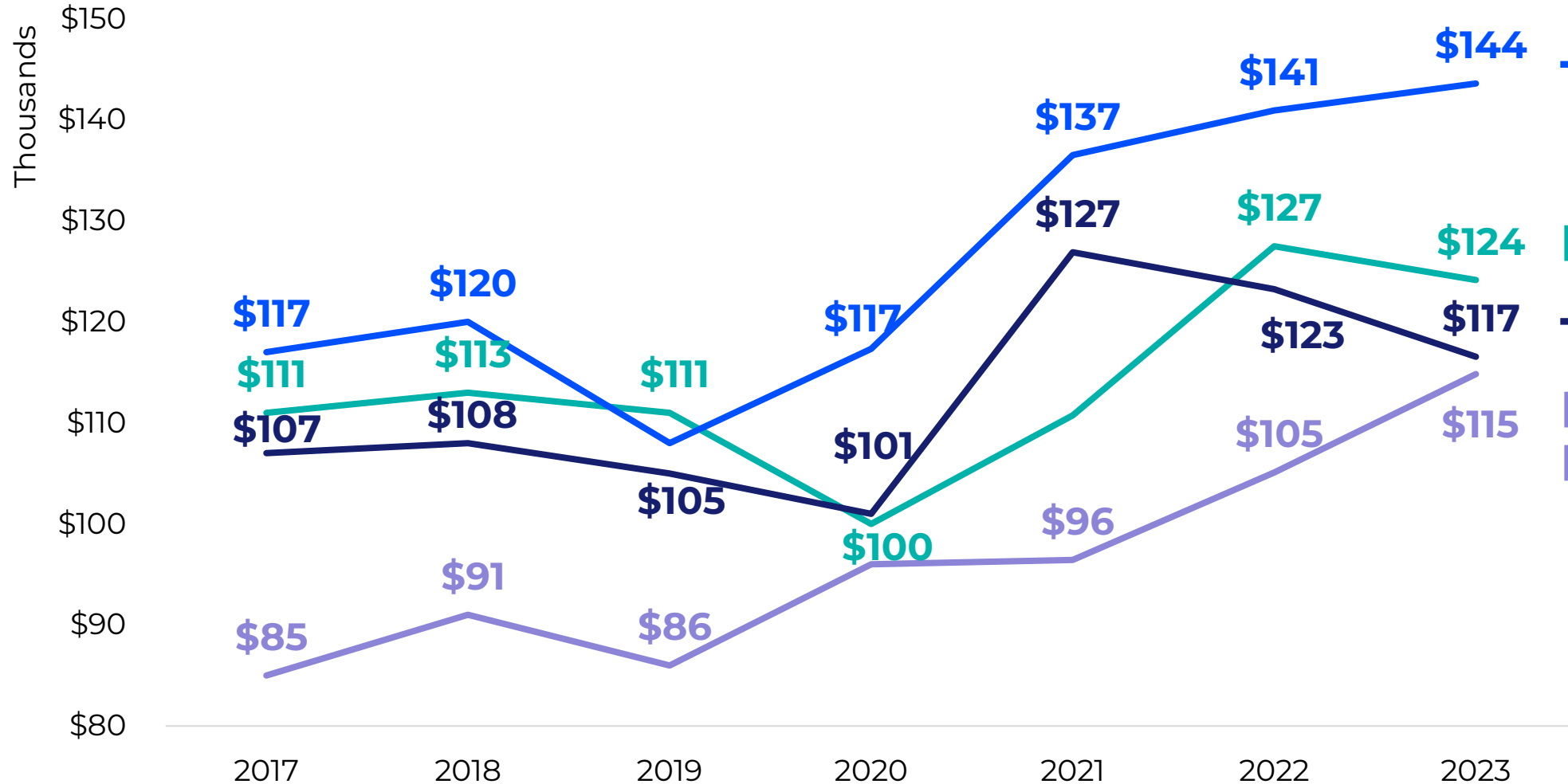
Question: Based on a 24-hour, 5-day shift structure, what is your facility's capacity utilization?
Source: Harbour IQ

Efficiency Improved Through Necessity

\$167K

All MFG Top Quartile 2023

Throughput



Top Performer

Metalformer

Tooling

Plastics Processor

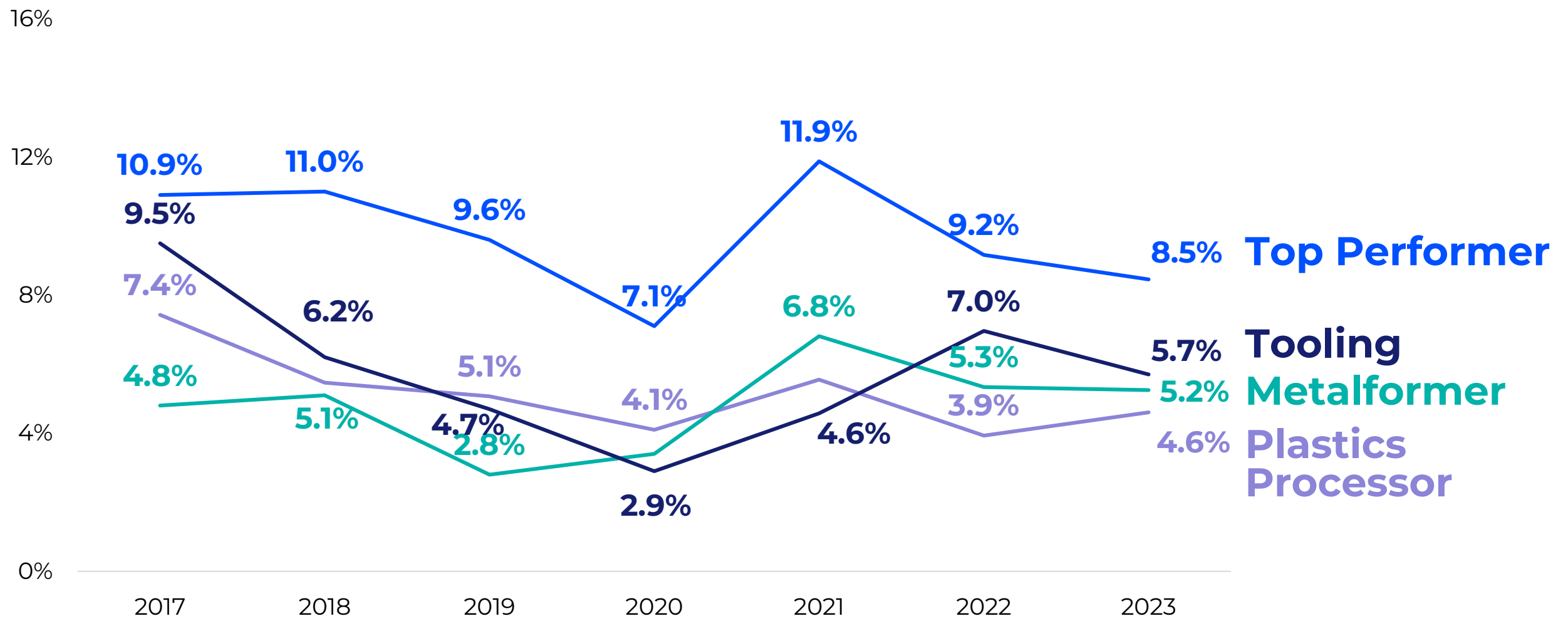
Formula: (Net Sales - Materials - Outsourcing) / FTEs

FTEs = Salary Employees + (1+overtime %)*(All hourly employees) Region: North America. Source: Harbour IQ.

Profitability Declines for Most

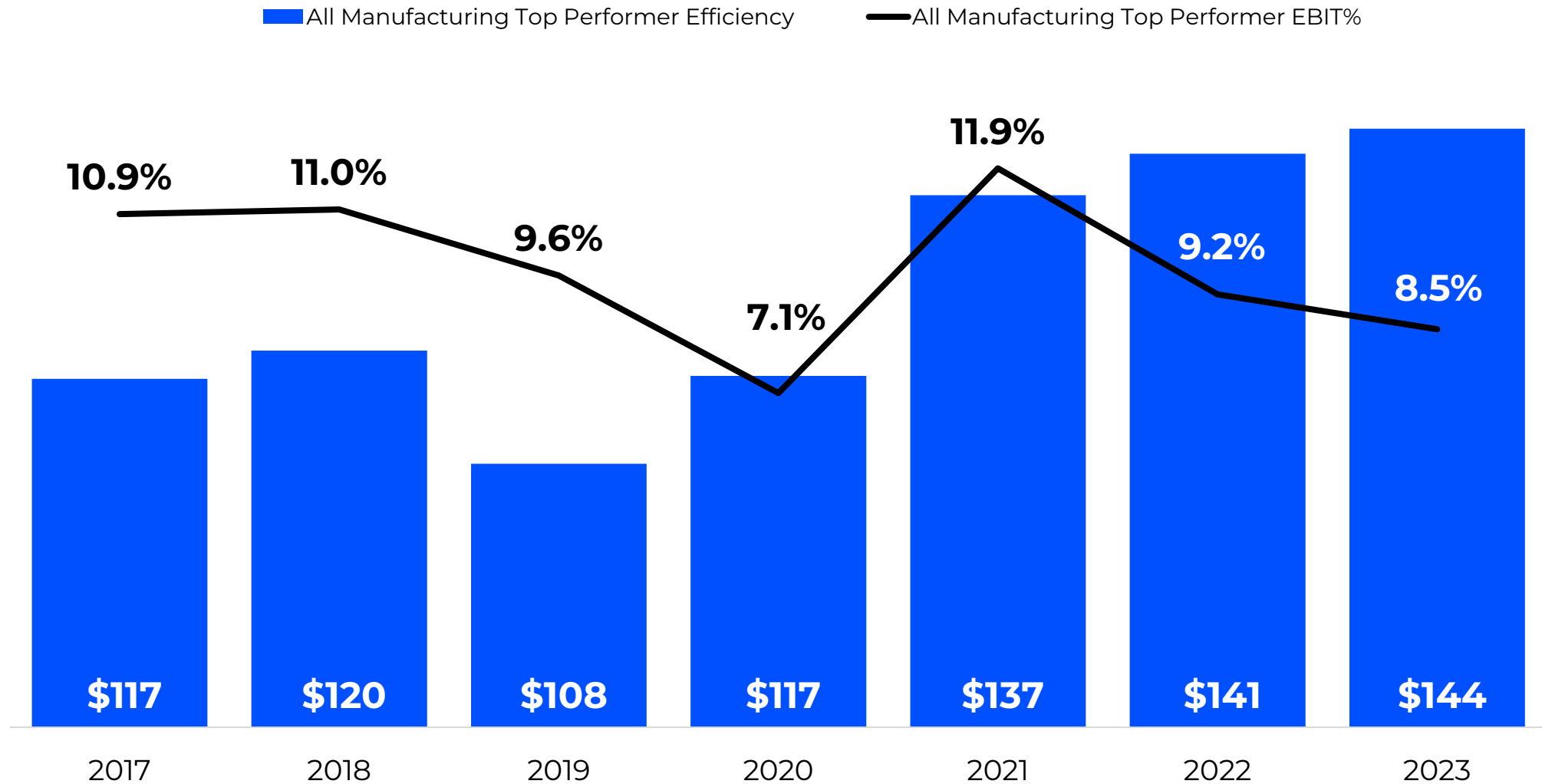
All MFG Top Quartile 2023
11.4%

Profitability (EBIT %)



Efficiency Improving; Not Hitting Bottom Line

Efficiency vs. EBIT% Trend

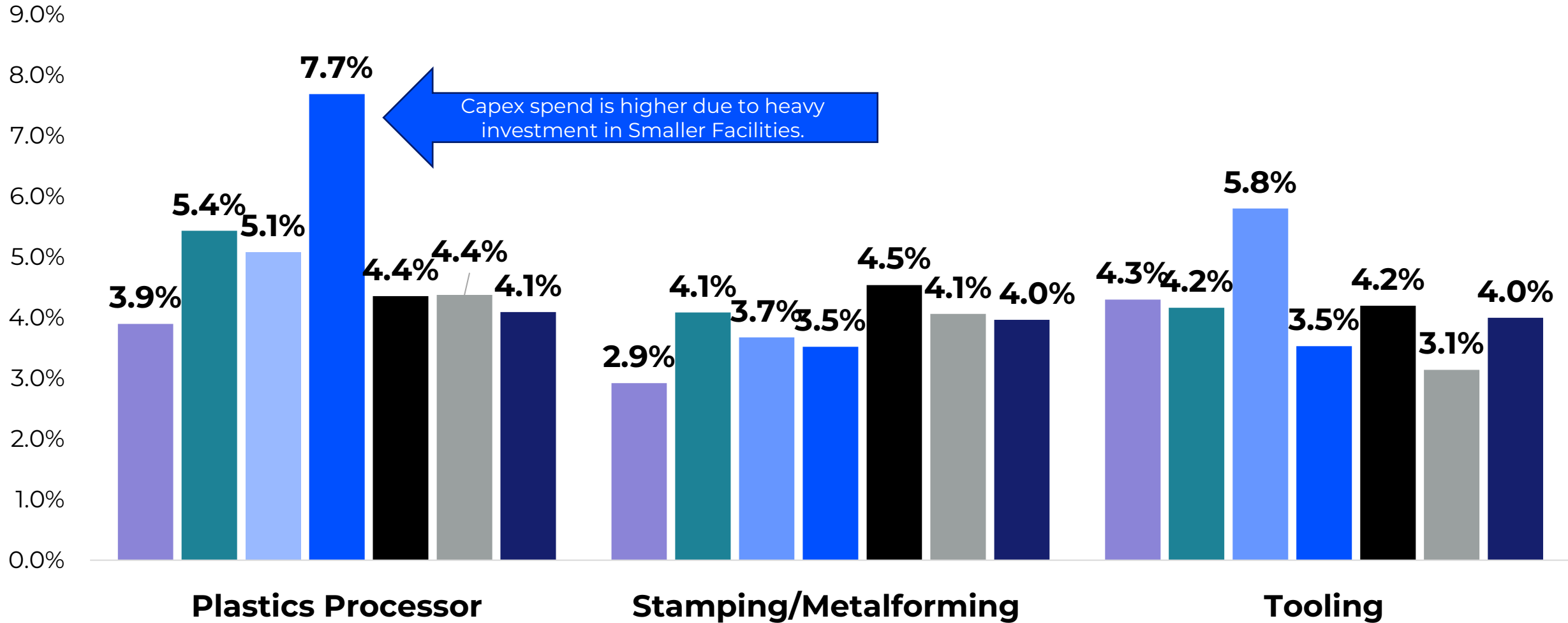


Formula: $(\text{Net Sales} - \text{Materials} - \text{Outsourcing}) / \text{FTEs}$
FTEs = Salary Employees + (1+overtime %)*(All hourly employees)
EBIT % = EBIT / Net Sales
Region: North America. Source: Harbour IQ.

Capital Spend on Downward Trend

Average Capex Spend

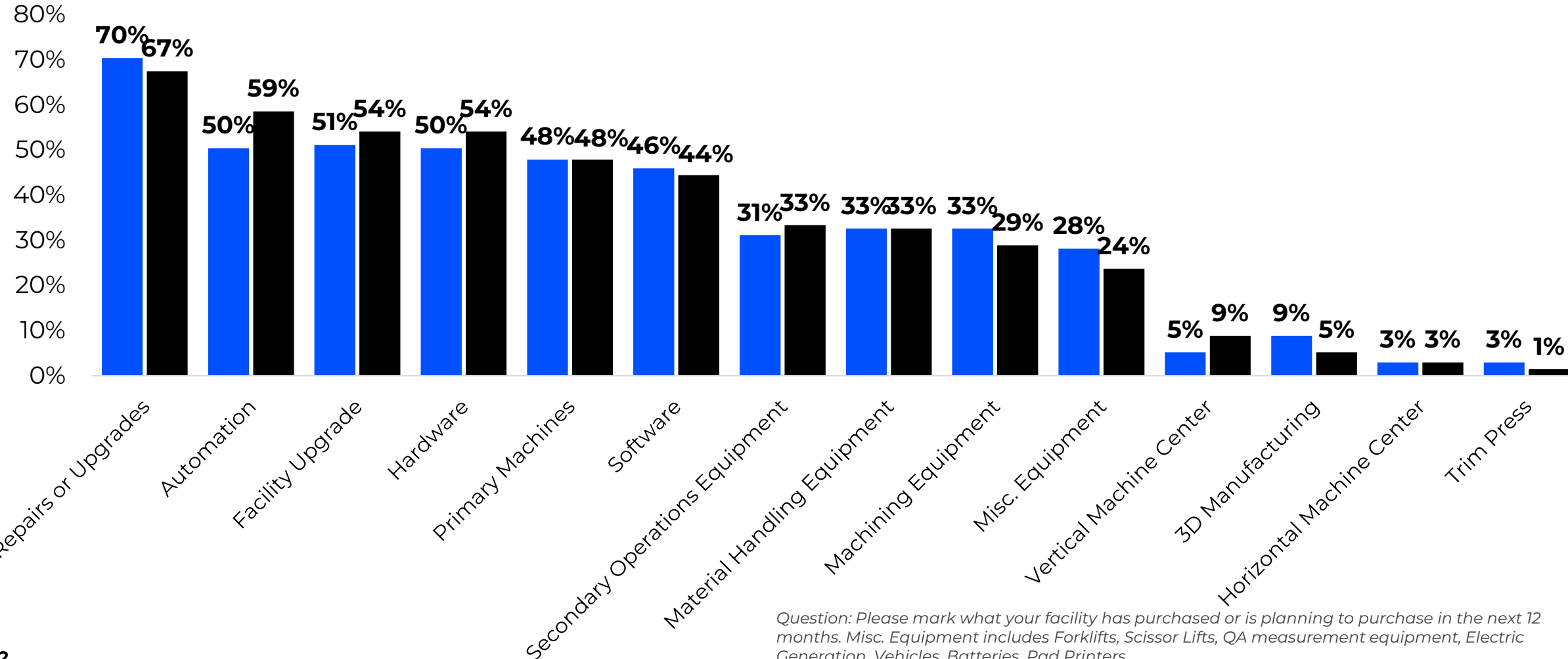
2020 2021 2022 2023 2024F 2025F 2026F



What Are They Spending On?

All Manufacturing Capital Spending

■ Purchased in 2023 ■ Plan to Purchase in 2024



Question: Please mark what your facility has purchased or is planning to purchase in the next 12 months. Misc. Equipment includes Forklifts, Scissor Lifts, QA measurement equipment, Electric Generation, Vehicles, Batteries, Pad Printers
 Primary Machines Includes Molding Machines, Stamping Presses, Die Cast Machines

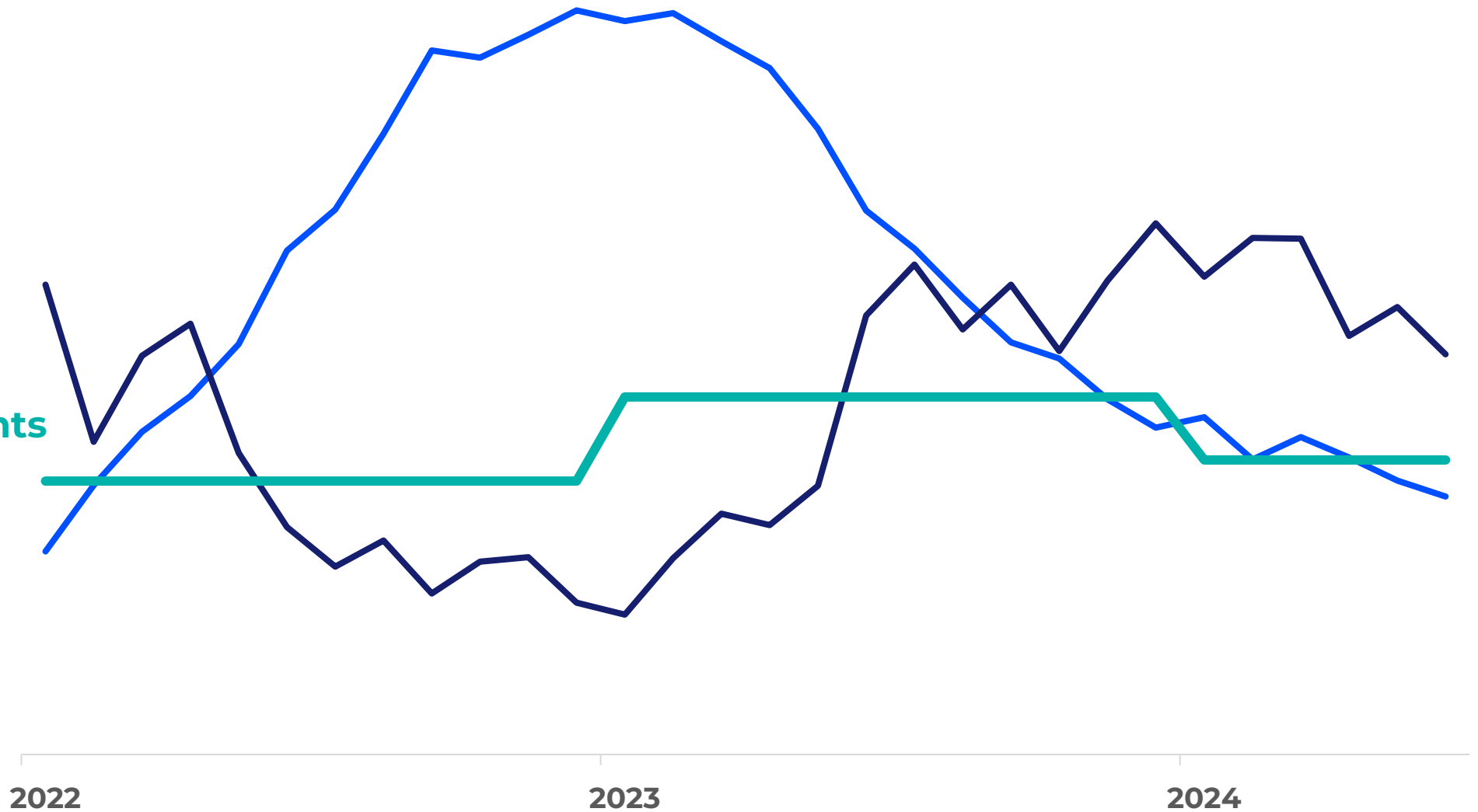
Respondent Wage Increases Below Average



**% Change
Wage Growth
– MFG BLS**

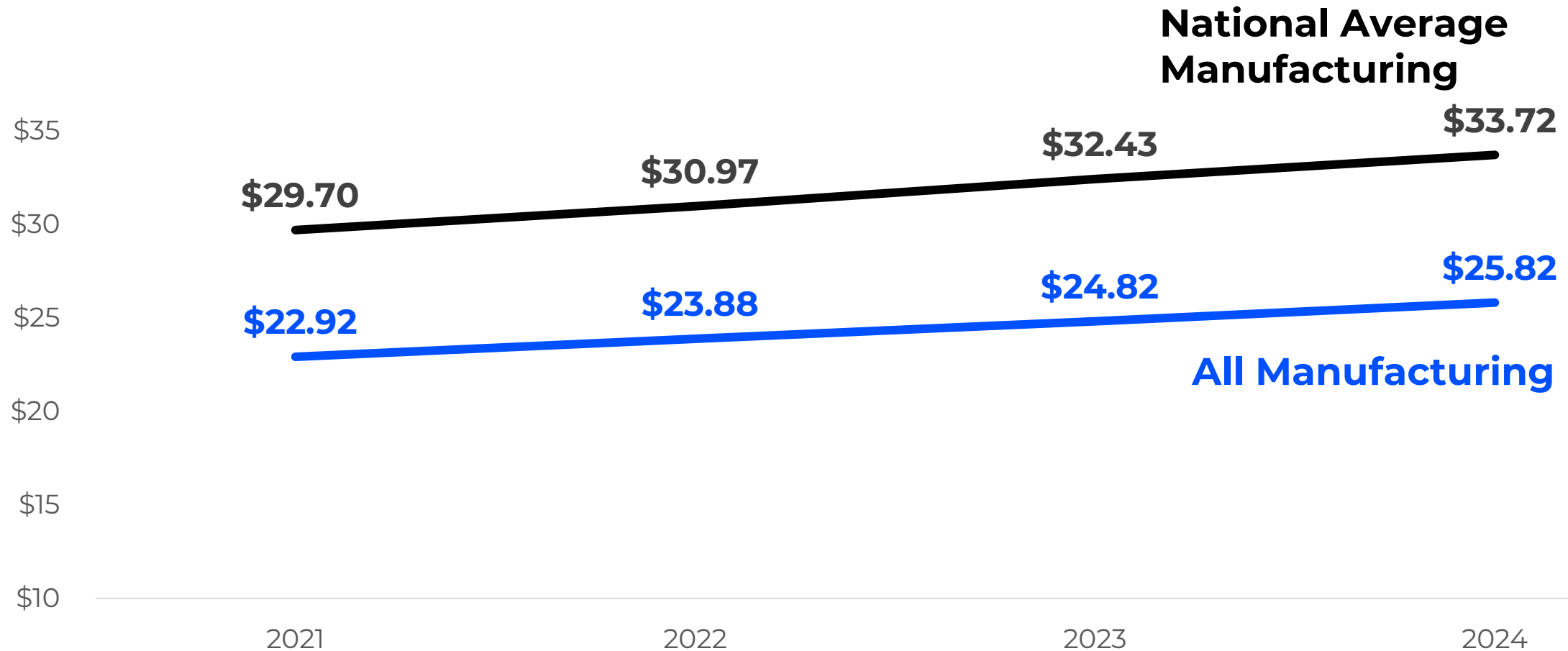
**All MFG Respondents
Annual Wage
Increases**

**Consumer
Price Index**



Manufacturing Wages Don't Compete

Average Manufacturing Wages

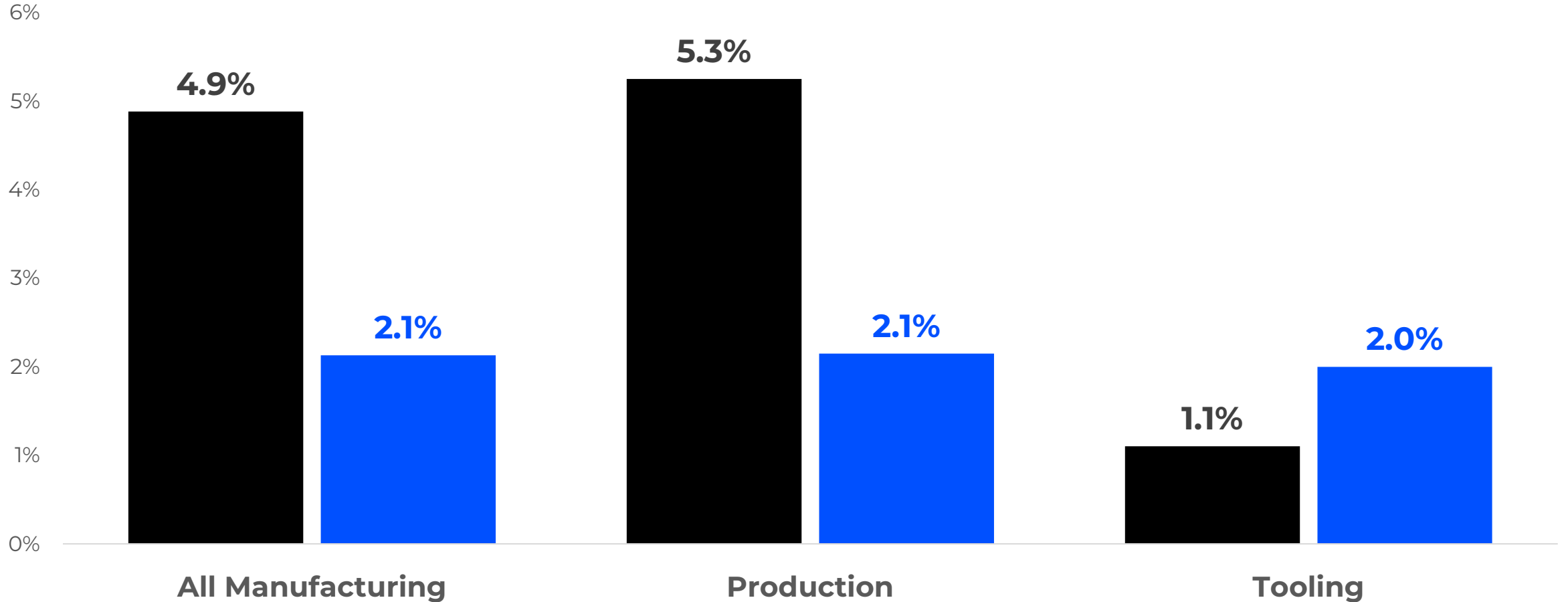


Questions: Did your company increase starting or standard wages in 2023? Has your company or does your company plan to increase starting or current employee wages in 2024? Region: North America. Source: Harbour IQ.

Is Work from Home Impacting Turnover?

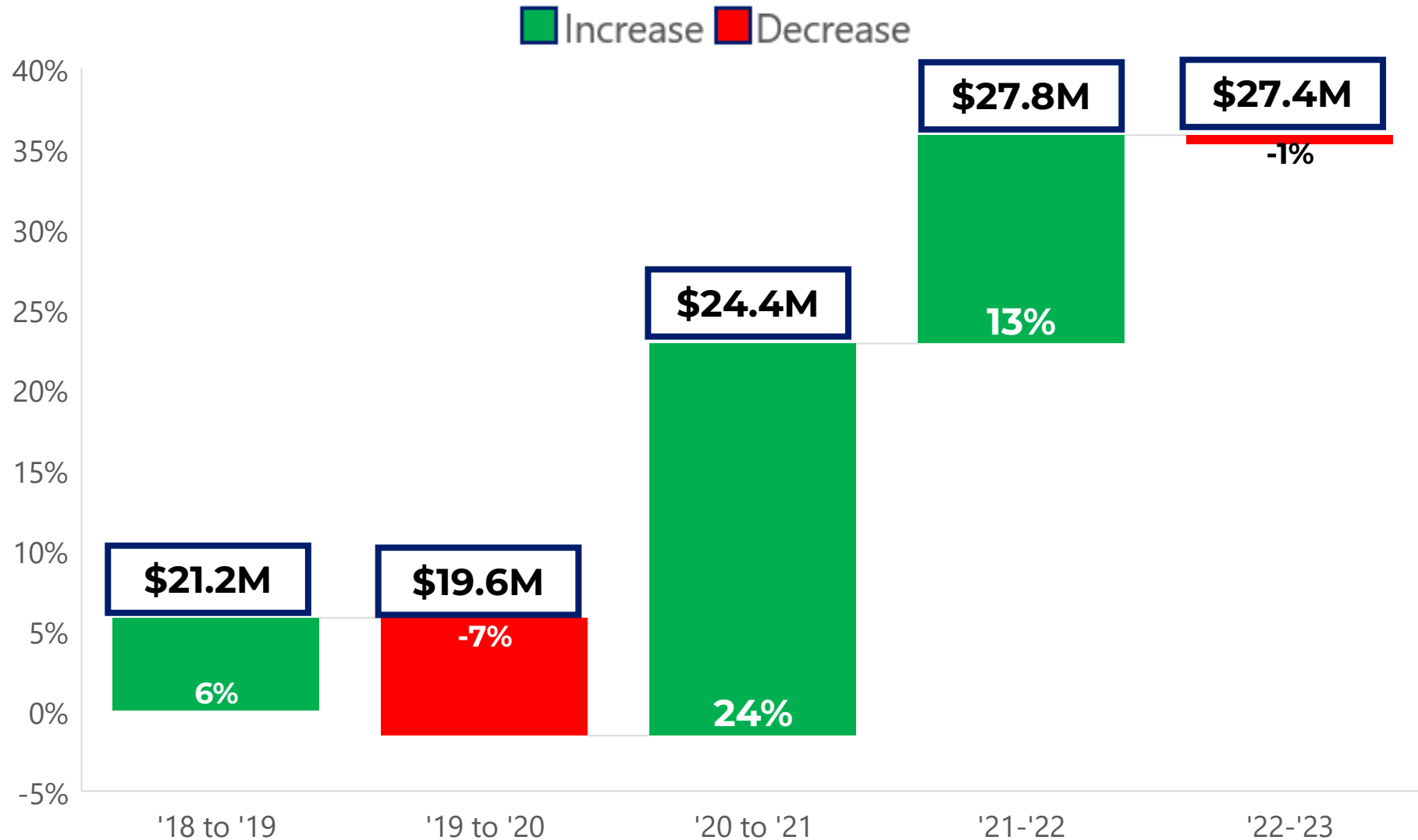
Salaried Turnover by Work from Home Offered

■ Yes ■ No



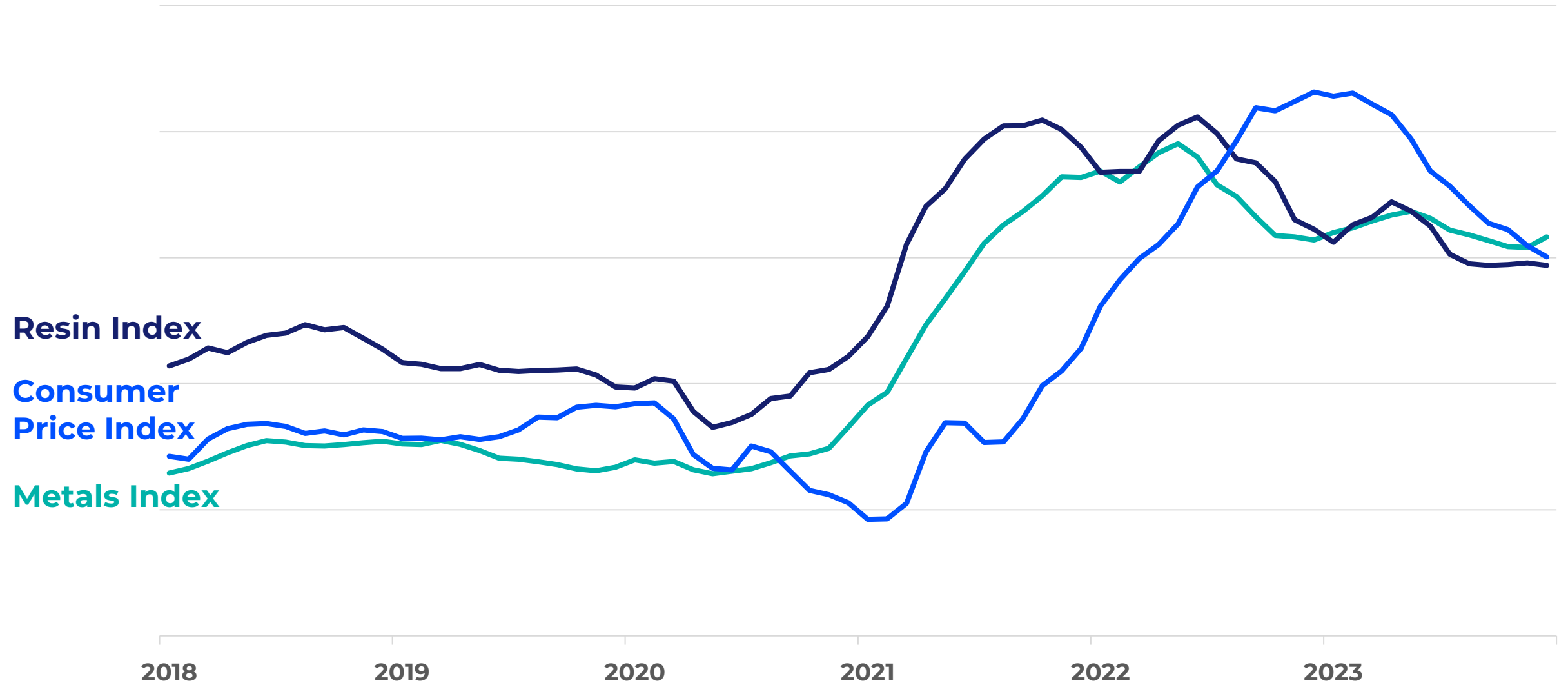
Significant Growth on Paper - is it Real?

All Manufacturing Revenue Waterfall



Material and Inflationary Costs Skyrocket

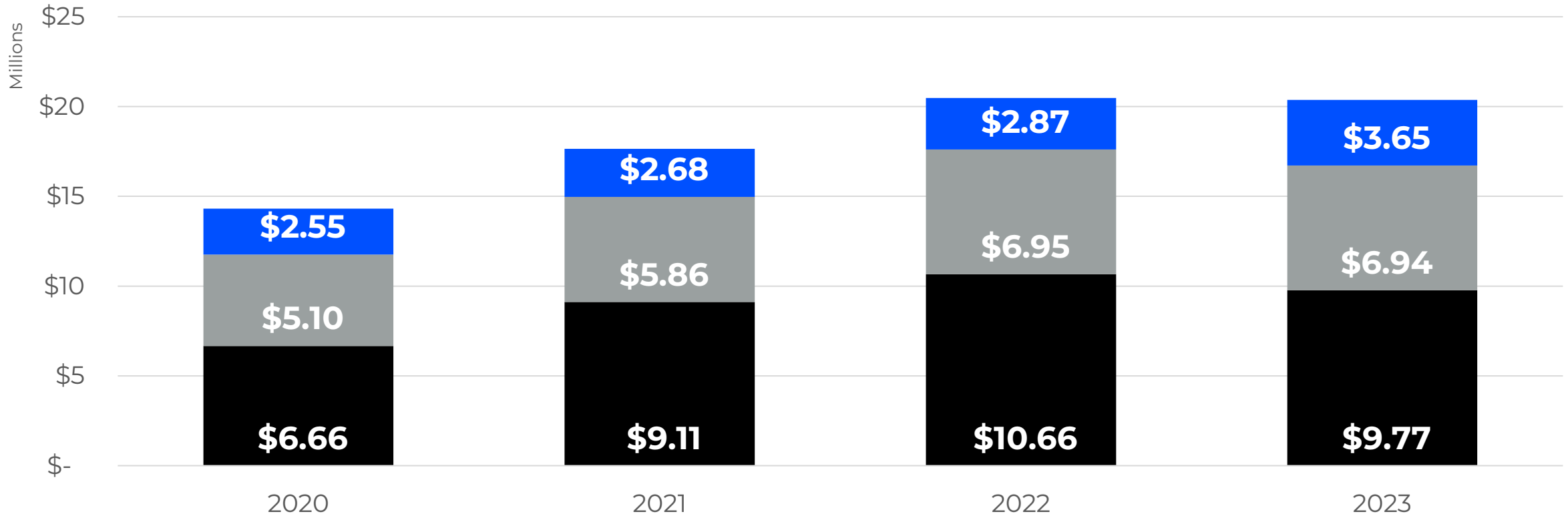
Material and Inflation Indexes



\$20M Mfgr: What Happens to Costs?

Average Costs for a \$20M Manufacturer in 2018

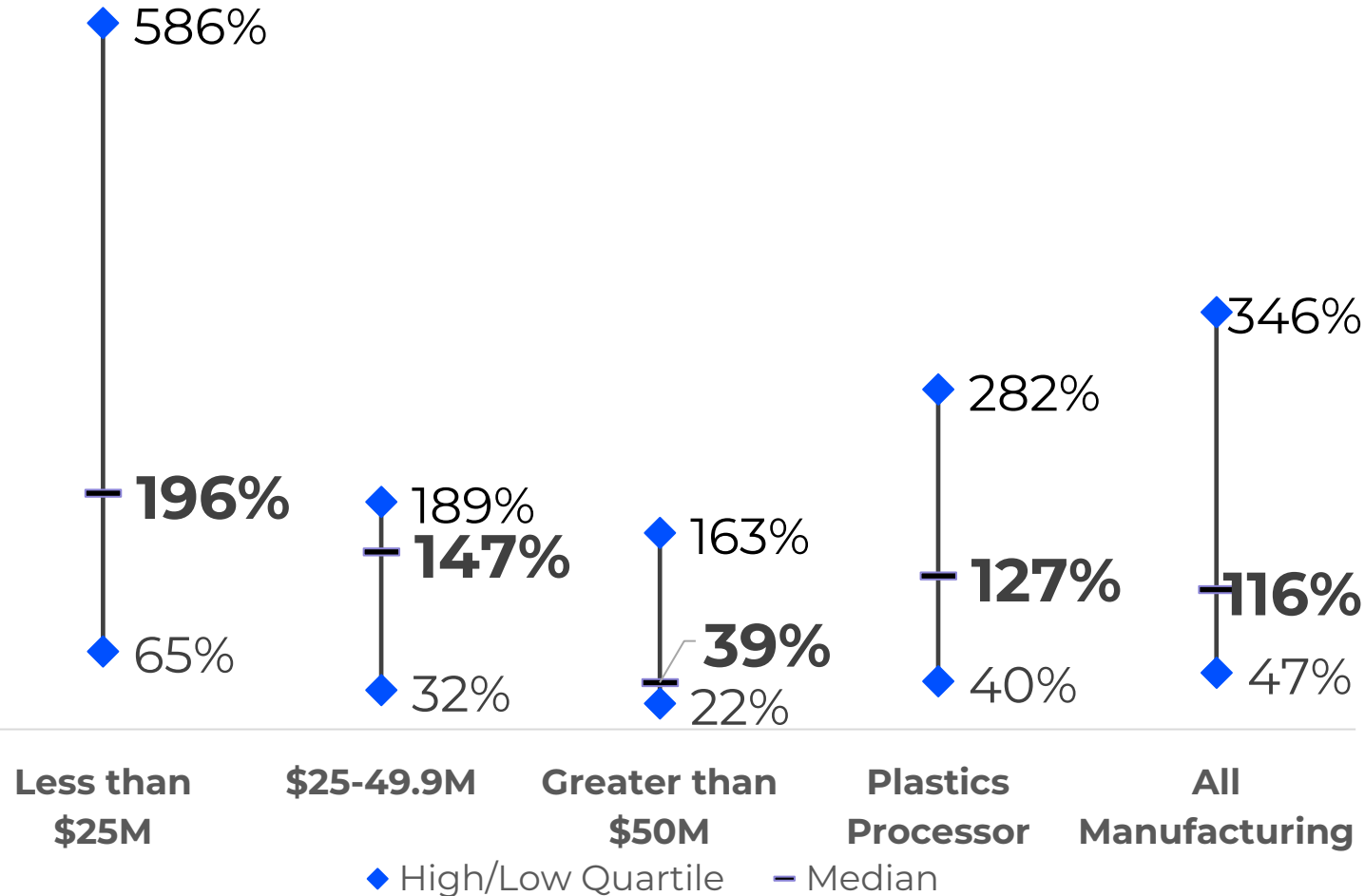
■ Materials ■ Labor ■ SG&A



47% increase in material costs
36% increase in labor costs
43% increase in SG&A

Is Your Sales Team Selling?

Plastics Processors Quote Funnel % of Revenue



65% of Forecasted Revenue Booked

5% Churn

\$6.3M Revenue per Salesperson

12% Hit Rate (\$ Value)

46 Total Number of Customers (50 in 2022)

Top Performer – Plastics

	Top Performer Average	Bottom Quartile Average	Median	Top Quartile Average
EBIT	11.7%	-1.8%	4.6%	10.0%
Throughput	\$148,103	\$90,272	\$114,834	\$149,038
Inventory Turns (days)	6.6	4.8	6.6	9.1
Hit Rate (#)	16%	5%	16%	36%
Hit Rate (\$)	14%	7%	20%	38%
Average Dart	1.56	6.15	1.89	0
Up Time	58%	40%	57%	77%
Cost of Quality (% of Revenue)	6%	8%	5%	3%
Turnover	17%	35%	14.5%	0.05%
Set-up Time (hours)	3.37	4.05	2.31	1.01

Hunkering Down is a Necessity

01. How Far Do I Cut To Right Size?

02. What Is My Data Telling Me?

03. How Good Is My Sales Process, Really?

04. Is Costing and Quoting an Opportunity?

05. Can We Squeeze More Efficiency?

What Should You Watch For?

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Election Year – Why You Should Care

Election Issues

President
Blue to Red

Inflation and Economic Issues
Immigration
Healthcare
Abortion
Climate Change
Civil Rights

Senate
Blue to Red

Immigration
Healthcare
Climate Change

House
Red to Blue

Immigration
Climate Change

Regardless Manufacturing Will Be Mostly Isolated

Manufacturing Issues

President
Blue to Red

Inflation and Economic Issues
Immigration
Healthcare
Climate Change

Senate
Blue to Red

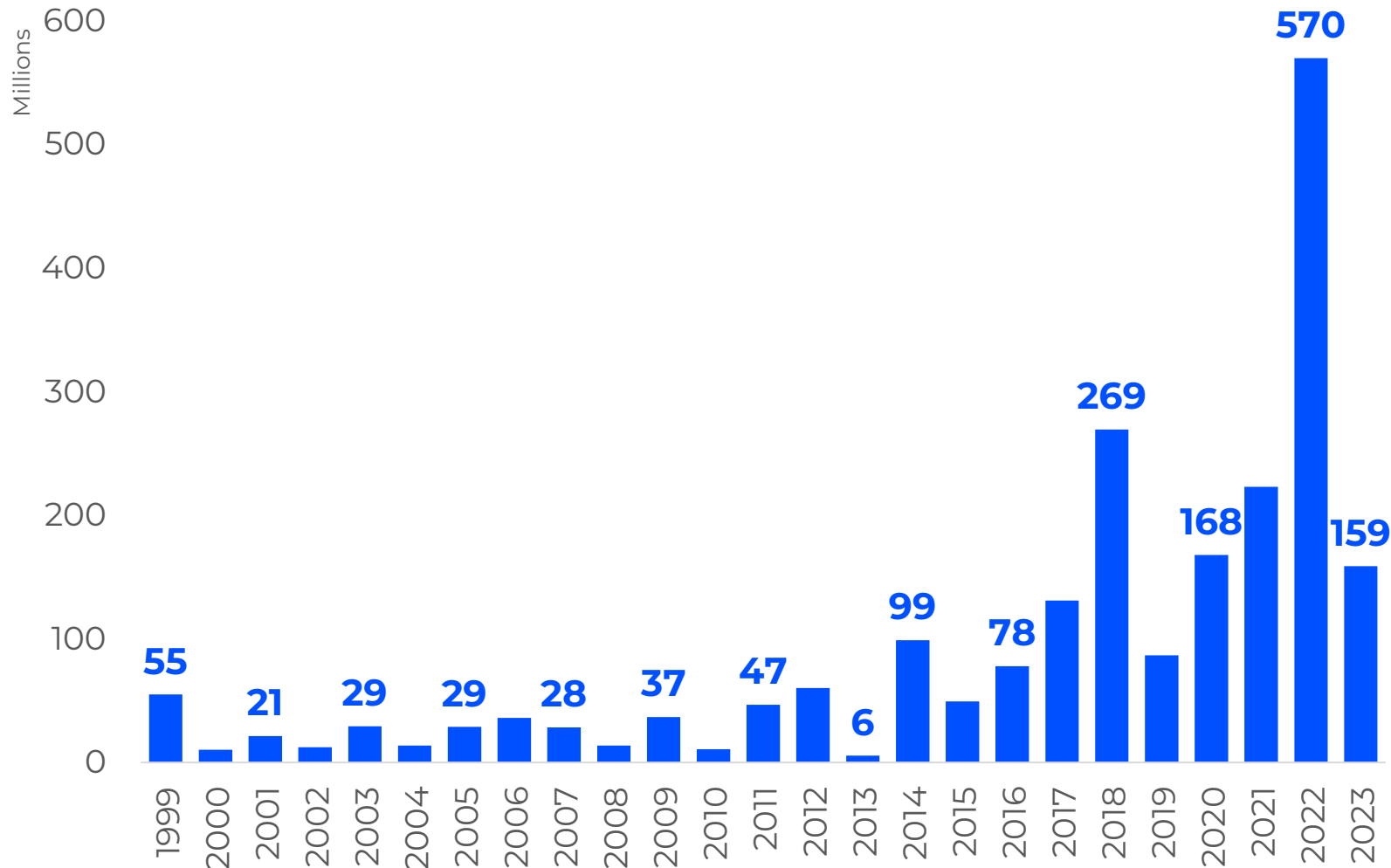
Immigration
Healthcare
Climate Change

House
Red to Blue

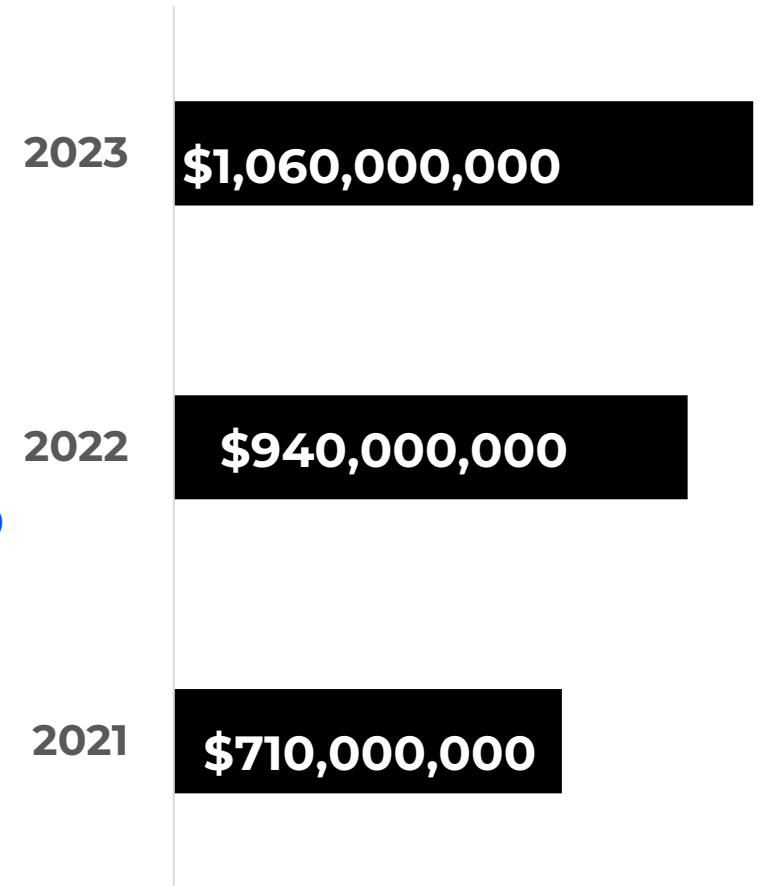
Immigration
Climate Change

China Increased Investment in Mexico

Chinese Foreign Direct Investment in Mexico (USD)



Mexican-Made Chinese Exports to US
Sales of Chinese Car Parts made in Mexico to US each year



Source: Mexico Secretariat of Economics, INA

Opportunity
Exists But
You Must
Fight the
Good Fight

**It's Time to
Act!**

Economic & Political Uncertainty – Don't Wait

Control What You Can Control

Need to Be Realistic About Your Forecast

Know Your Data and Gather Market Intel

Assess Your Business

Work on Closing Gaps

Right Size Your Business

Not Getting Worse but Not Returning Soon

Evaluate Every Cost!

Other Costs Beyond Labor are Eroding Margin

For more information

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