

Report on development of the procurement market situation V

Einsiedeln, September 2nd, 2021

Dear customers

In our cooperation with you, we pursue a long-term and sustainable partner approach with clear and direct communication. The situation on the procurement market for electronics has become even more difficult and, in our opinion, the "die is cast" for existing products for the year 2022. This new report therefore aims to provide you with future-oriented recommendations for action and to intensify our cooperation with you in such a way that both parties can go into the future even stronger.

Starting position

Many of you have followed our recommendations for action, which we have been communicating since November 2020 in several reports on the development of the procurement market, and have sent us long-term and binding forecasts, plans or orders (at least 12 months in advance). A big thank you for this trust! Where this is not the case, there are currently hardly any regular possibilities to influence the situation significantly and in the short term. Several well-known manufacturers of electronic components, to name an example, will not accept any more orders until June 2022. If the order has not already been placed, a delivery date in spring 2023 must be expected.

The next few months will be extremely challenging for all those involved in the supply chain. And despite forward-looking planning and jointly initiated measures, unexpected supply interruptions must be expected. What we predicted in Report IV has unfortunately come to pass (preliminary information from STEINEL dated [23 July 2021](#)):

- Container prices for a 40' container are currently at 17,000 USD, raw material and component prices are also continuing to rise.
- Special purchases of certain controllers, crystals or pressure sensors can only be made (if at all) at exorbitant additional costs.
- Customer orders cannot be started or completed due to individual missing parts for which no binding information is available on the delivery date.
- Production planning and consequently the communication of a precise, medium-term delivery date by our internal sales service is almost impossible in some cases.
- The financial strength and stability of all actors in the supply chain sometimes becomes a fundamental factor for the coming months.

Here we refer to the article "[Why is there a chip shortage?](#)" published in the BBC News (27.08.2021), which gives a good overview of the various reasons for the semiconductor shortage, highlights influences and effects and explains connections.

Outlook

It can be assumed that logistics and customs processes as well as their costs will stagnate at a high to very high level in the next few years, that the corona virus will continue to shape the world and that unit labour costs in Asia will have to increase disproportionately. Since the beginning of the crisis in the procurement market, we have noticed a number of common features among our customers, who are active in a wide range of markets and industries:

- The focus is mainly on existing products. This is basically correct in a crisis situation. However, due to the situation on the procurement market, demand plans can neither be increased, postponed nor cancelled in the next 12 months - for existing products "the die is cast", so to speak.

- We have the impression that investments in new products, i.e. product developments, are still being made cautiously. We suspect that this is due to uncertainty about the price development and the "hope" that the market situation will soon ease. We estimate this probability to be very low before Q4/2022.
- Product developments in our "market environment" usually take about 10-18 months from the specifications to the approval and the "start of production". In addition to the development time, the complexity and duration of the procurement of materials, operating resources and plastic tools, as well as the high workload of the approval authorities, should not be underestimated in the coming months.

Our recommendation for action - short and sweet:

- Put the focus on "new" and best of all "innovative".
- Start product development now so that you are ready in 2023. Use the time for new things now.
- Think about re-shoring (moving manufacturing back to Europe) to reduce supply chains and complexity.

How can we support you as a partner?

The setup of STEINEL Solutions is almost unique in Europe, as has been confirmed to us several times in recent months in discussions with international companies.

Thanks to our one-stop-shop, complexity is reduced for you because interface management is eliminated and the supply chain is shortened. If you consider other aspects - "locals for local, sustainability, CO₂ balance, TCO", to name just a few buzzwords - the sense of the STEINEL "Made in Europe" manufacturing strategy becomes clear. Our vision is to work together with our customers and partners even more intensively in a product development with subsequent manufacture in addition to contract manufacturing, thus exploiting all synergies and offering even greater added value.

We are a true one-stop-shop:

- Product development with expertise in sensor technology, communication, low power management and compliance management
- Industrialisation
- Manufacturing networks in the fields of electronics, plastics, testing and assembly
- Consulting and services around the product life cycle

Let's talk about the future!

The long-term benefits that a customer can experience thanks to a partner like STEINEL Solutions, which masters all facets of product development, manufacturing and life cycle management, impressively underlines the current market and global economic situation.

Do you have new products to be launched soon and/or are you looking for a manufacturer for your products? We would be very happy to discuss the medium-term future with you now, so that we can optimally adapt to your needs in terms of personnel and infrastructure. Talk to us about new things - we look forward to brainstorming with you!

STEINEL Solutions AG
Your Sales Team

Attachments/ References

- BBC News: «Why is there a chip shortage?»: [Link to article](#) (27.08.2021)

Upon request, we will provide you with a dossier of various letters from our suppliers.

Previous references

- Report as of November 06, 2020: [Link to PDF](#)
- Report as of December 18, 2020: [Link to PDF](#)
- Report as of January 29, 2021: [Link to PDF](#)
- Report as of April 27, 2021: [Link to PDF](#)
- Report as of June 22, 2021: [Link to PDF](#)
- Report as of July 23, 2021: [Link to PDF](#)