

FORMING OUR FUTURE

Leadership Conference

MARCH 6-9, 2024 | ORLANDO, FL

PRODUCED BY **PMA** PRECISION
METALFORMING
ASSOCIATION

MetalForming
Magazine

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Are You Prepared to Hunker Down? How to De-Risk Your Business

Laurie Harbour
President & CEO, Harbour Results, Inc.

Key Industries

HRI collaborates with clients to help identify and address pain points with a goal to improve overall business performance

Injection Molding / Plastics Processors
Metal Forming
Precision Machining
Mold and Die Building
Die Casting
Forging

Manufacturing Benchmarking Expertise

HARBOUR | IQ™

— 9 Years of Trended Data

— > 10,000 Companies

— 600+ Participants per Year

— \$30B of Manufacturing Output Represented

\$10B Metalforming

\$4B Die Casting

\$7B Plastics Processing

\$1.5B Die Building

\$2B Other

ASSOCIATION BENCHMARKING

PMA
METALFORMING
INSIGHTS
POWERED BY **HR** HARBOR RESULTS INC. plante moran

NADCA
NORTH AMERICAN DIE CASTING ASSOCIATION

MAPP Plastics Benchmarking
MANUFACTURERS ASSOCIATION FOR PLASTICS PROCESSORS
POWERED BY **HR** HARBOR RESULTS INC.

IF INDUSTRIAL FASTENERS INSTITUTE®

CI CHEMICAL COATERS ASSOCIATION INTERNATIONAL

pci Powder Coating Institute

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Metalforming Insights Participants

| | <u>PMA</u> | <u>Dynamic Data Results</u> | | | <u>MetalForming Insights</u> | | |
|------------------|------------|-----------------------------|------|------|------------------------------|------|------|
| | | | | | | | |
| >1 Study | 70 | 76 | 61 | 60 | 109 | 62 | 128 |
| Unique Companies | 191 | 163 | 147 | 120 | 234 | 147 | 215 |
| Studies | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |

28 Members Responded to All 5 Studies!

It Has Been a Bumpy Road



Manufacturing Climate

Top Concerns

62%

Higher Cost of Doing Business

58%

Upward Wage Pressures

51%

Access to Labor

51%

Continued Inflation

47%

Pass Price-Throughs

Supply Chain

Reduced Demand

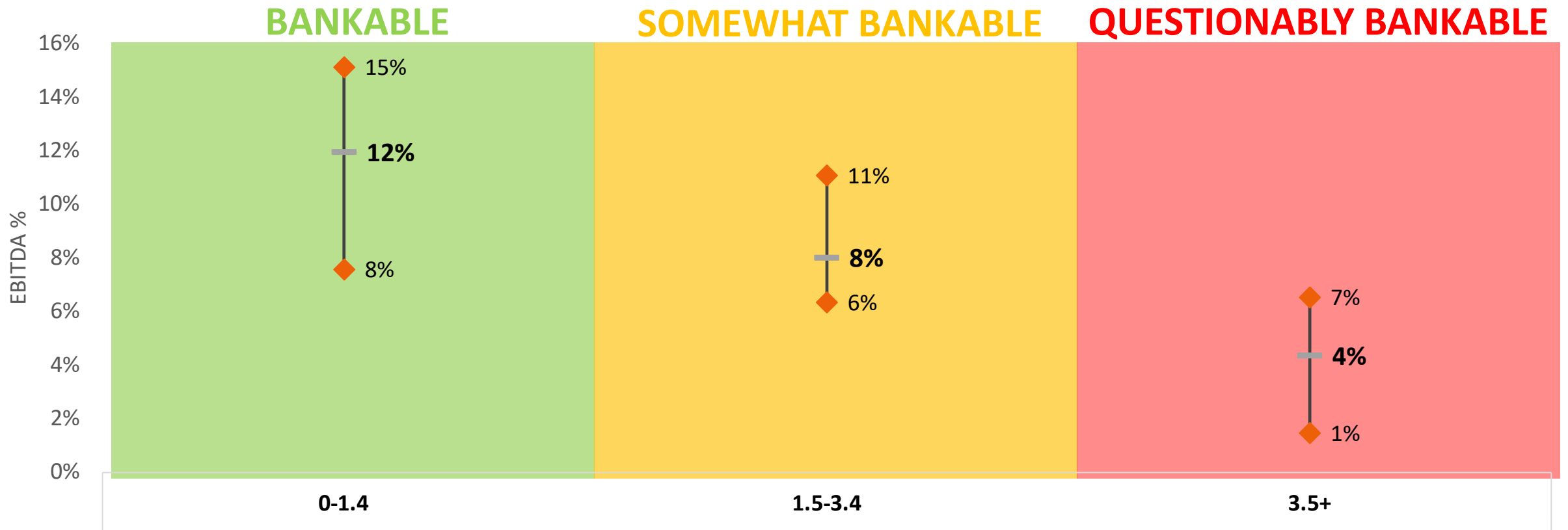
Global Unrest

LCC Threats

Election Year

Approximately 100 MFGs are *Questionably Bankable*

Debt-to-Earnings Trends – All MFG



| | 0-1.4 | 1.5-3.4 | 3.5+ |
|-------------|------------|------------|------------|
| 2021 | 58% | 23% | 19% |
| 2022 | 50% | 21% | 29% |

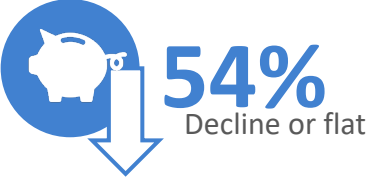
Metalformers Adding Labor but Why?

Metalformers

Revenue



Profit



Labor



With revenue expected to decline in 2023 and profits going down why are shops planning to hire labor?

Is all that labor needed or is it time to right size business?

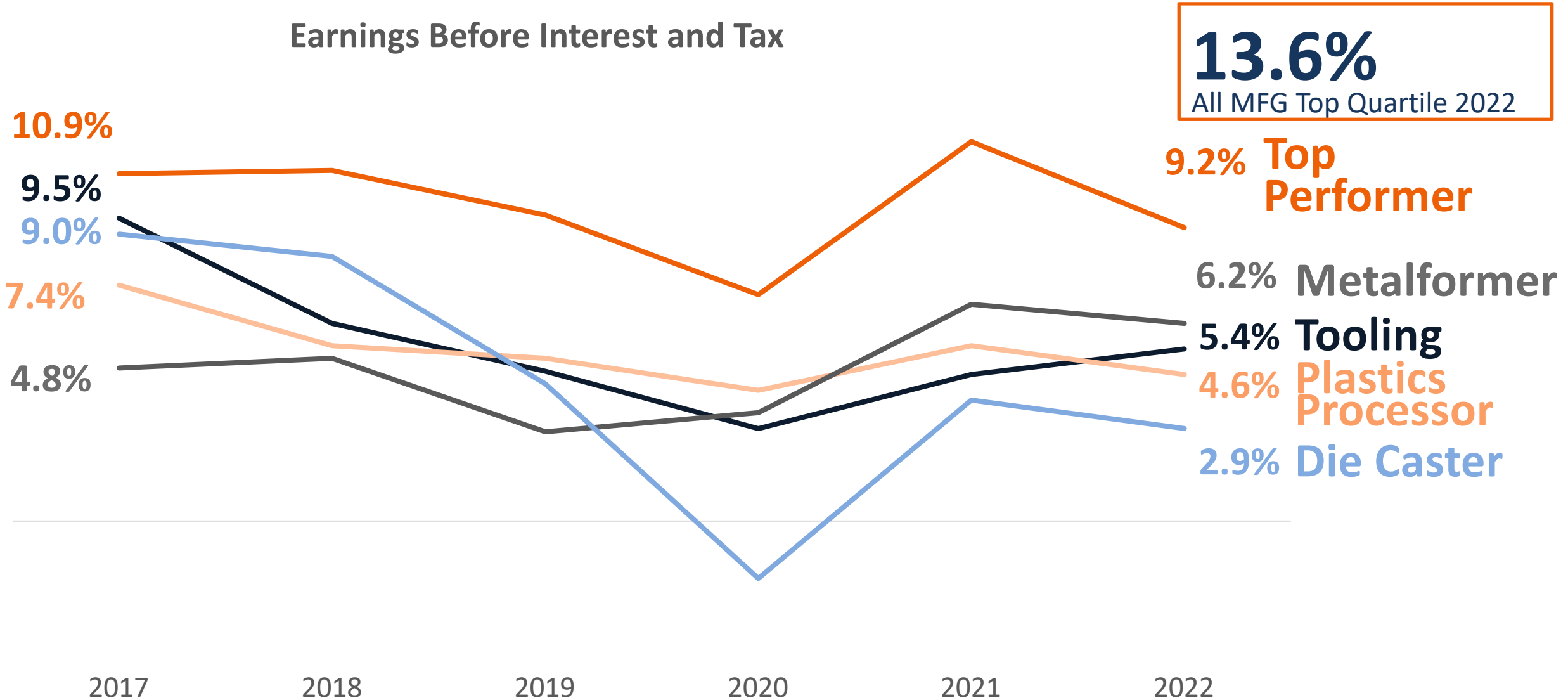
All Manufacturing



Question: How much do you expect your revenue to change from 2023 to 2024? How much do you expect your profit to increase in 2024 compared to your 2023 profit? In 2024, what direction is your headcount changing? Source: Harbour IQ

The Ultimate Scorecard

Earnings Before Interest and Tax



13.6%

All MFG Top Quartile 2022

9.2% Top Performer

6.2% Metalformer

5.4% Tooling

4.6% Plastics Processor

2.9% Die Caster

2017

2018

2019

2020

2021

2022

Source: Harbour IQ

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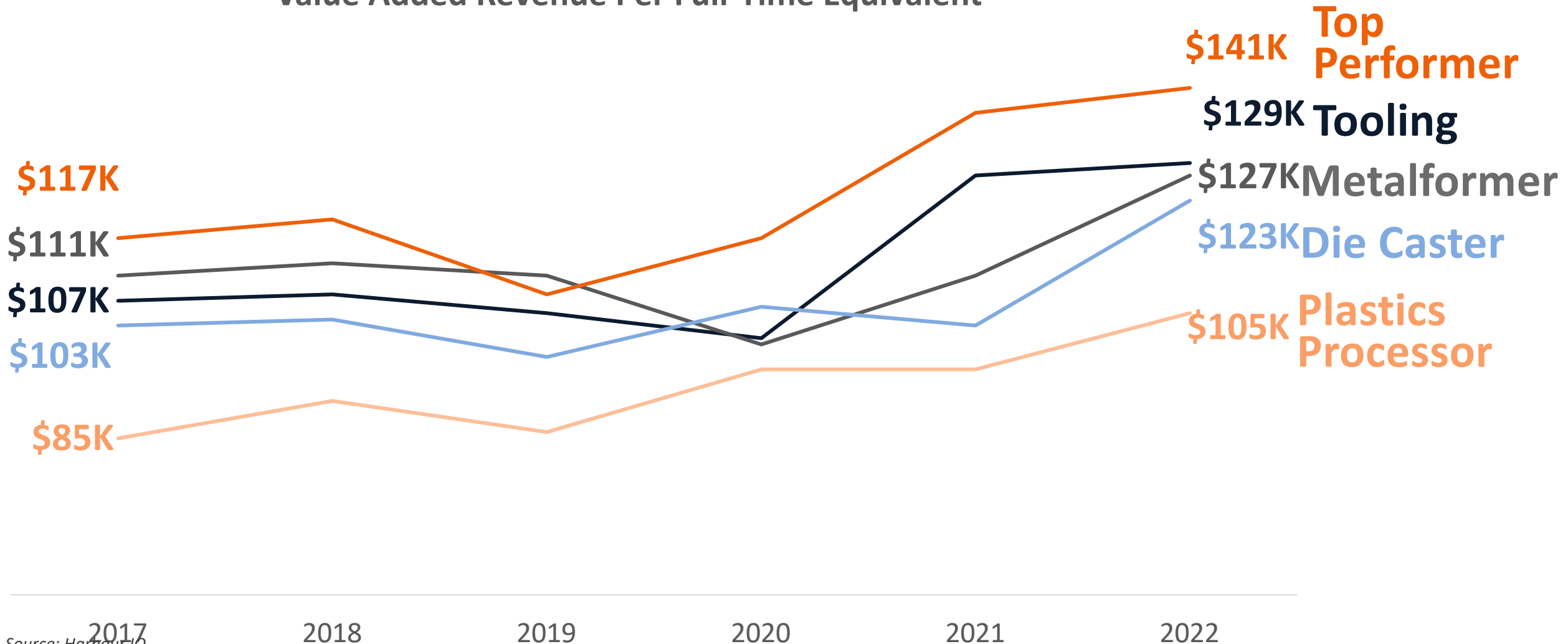
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The Key to Profit

\$163K
All MFG Top Quartile 2022

Value Added Revenue Per Full-Time Equivalent



Source: HarbourIQ

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Where Does Your Company Sit Today?

PMA Top Performer Impact

Average Top Performer EBIT dropped from 11.9% in 2021 to 9.0% 2022

FIXABLE

Recovery & Get-Well Plan

- Need the right plan
- Open to help
- Some bank questions
- DOABLE but requires humility

SUSTAINABLE

Strong & Edgy

- Doing a lot right
- Need long-term sustainability
- Capitalize on opportunities

MUST IMPROVE

Stable, But...

- Company is average
- Can improve
- Needs help
- Lost focus

OH CRAP

Immediate Action

- Numerous challenges
- Cut to survive
- Running out of options
- Consider exit strategy

What Does Hunker Down Mean?

hunker down/hungkR dOUUn/vb

1. Determine current position
2. Build plan to evolve
3. Connect experience, tribal knowledge with tech-driven young generation
4. Take to the next level



Leadership = Sustainability



Leadership Impacts Organizational Performance

Top Assessment Scores

| | |
|------------|-----------|
| 77 | 71 |
| Leadership | Overall |

VS

Bottom Assessment Scores

| | |
|------------|-----------|
| 47 | 51 |
| Leadership | Overall |

Metal Forming Top Performer Profile

EBIT

9.0%

Throughput

\$163k

Inventory Turns

6.1

Avg. DART

3.7

Uptime

70%

Hit Rate

11%

Cost of Quality

2%

Turnover
(Hourly > 90 Days)

1%

Set-up Time
(Hours)

5.0

Automation
(already purchased
& planning more)

59%

Metal Forming Top Performer Profile

VELOCITY ————— **SPEED OF
DECISION MAKING** →

Why PMA Metal Forming Insights

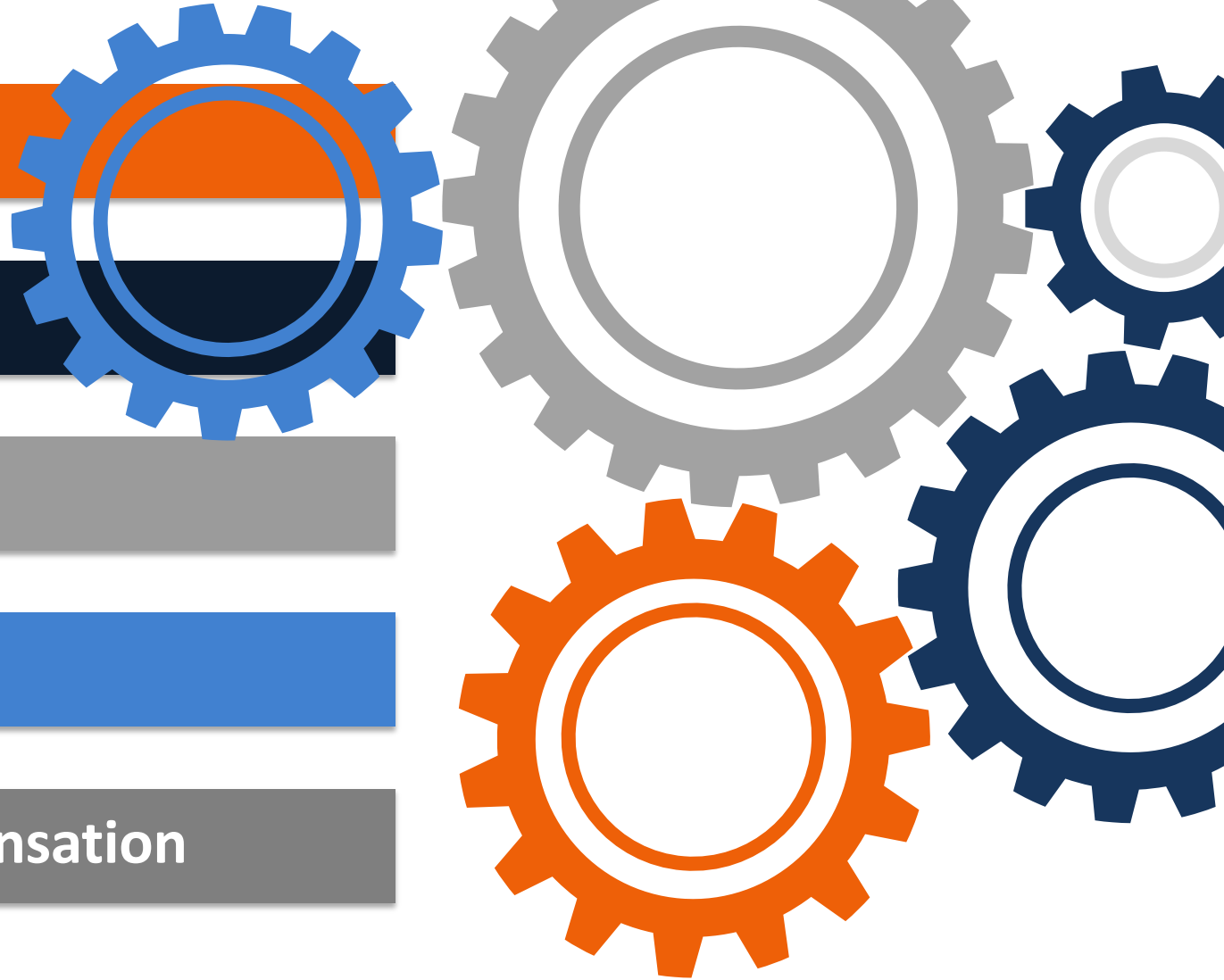
The only resource for metal forming benchmarking information

Provide members data and information critical to making informed business decisions

Allows members to understand how they rank against industry's best-in-class and other manufacturing processes as well as identify opportunities for improvement

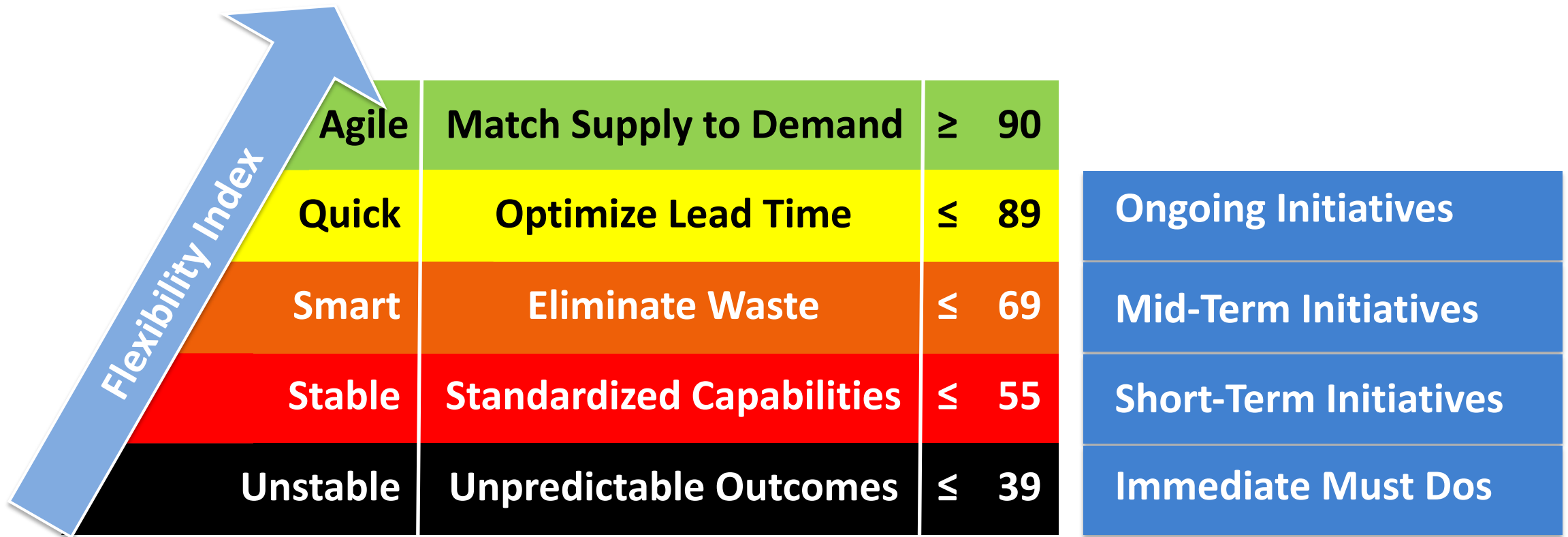
What Are We Benchmarking

- 1 Finance and Capital
- 2 Sales and Forecasting
- 3 Workforce / Human Resources
- 4 Operations
- 5 Wage & Benefit / Executive Compensation



Benchmarking **Should** Build Roadmaps for Action

MEMBER BENEFIT: PMA STRATEGIC ASSESSMENT PROCESS – 2 DAY HEALTH CHECK



Source: Harbour Results

React Now to De-Risk Your Business

FIXABLE

Financial Analysis
Develop Plan
Cash Flow Mgmt
Cut Where You Can
Drive Problem Solving
Transparency
Review With Bank

SUSTAINABLE

Review the Data
Develop Teams to Dig
into the Data
Stepped Change in
Improvements
New Sales Plans
Drive Flexibility

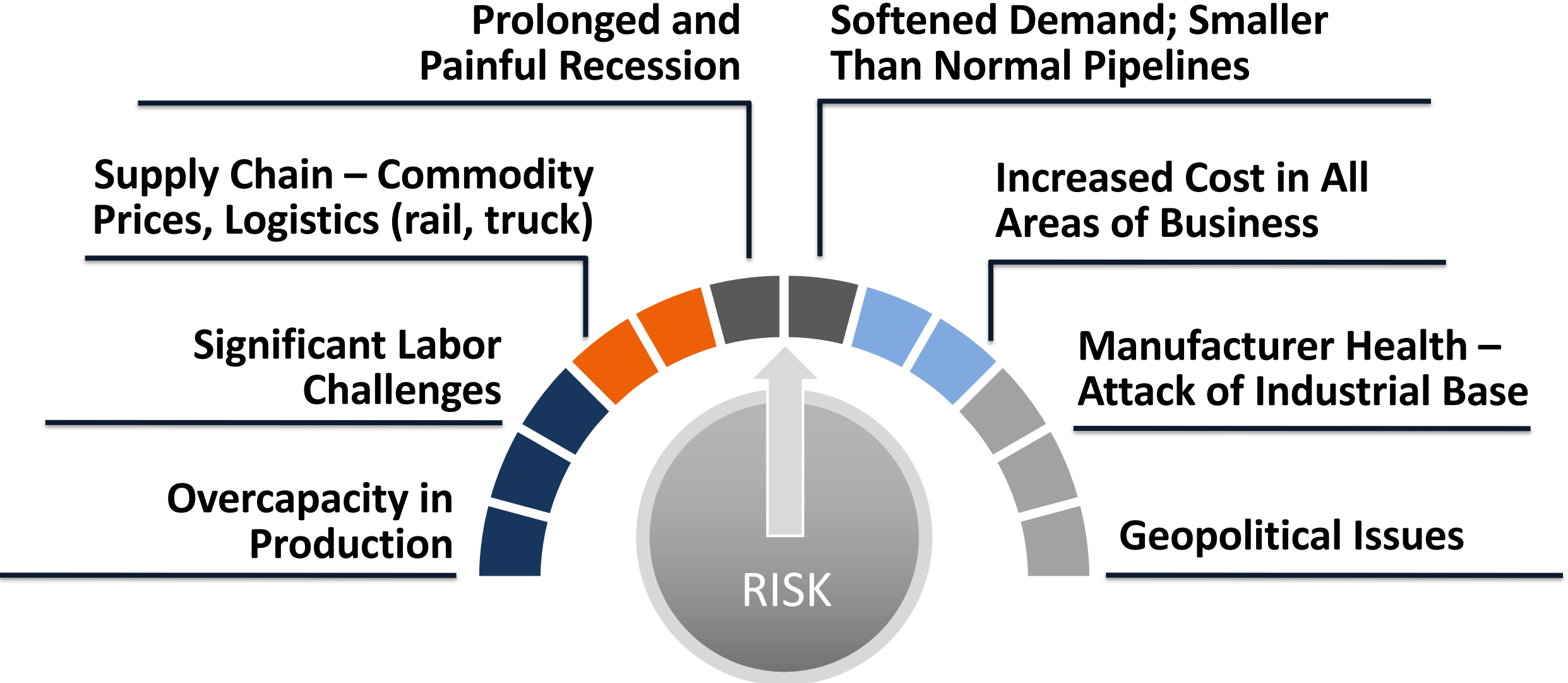
MUST IMPROVE

Challenge Team
Review the Data
Develop Improvement
Action Plans
Focus On Throughput
Develop Sales Plans

OH CRAP

Ask For Help
Don't Wait Too Long
Financial Analysis
Freeze Hiring
Force Rank People
Cut Where You Can
Transparency
Meet With Bank
Be Proactive

What to Watch for to Hunker Down



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Questions

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