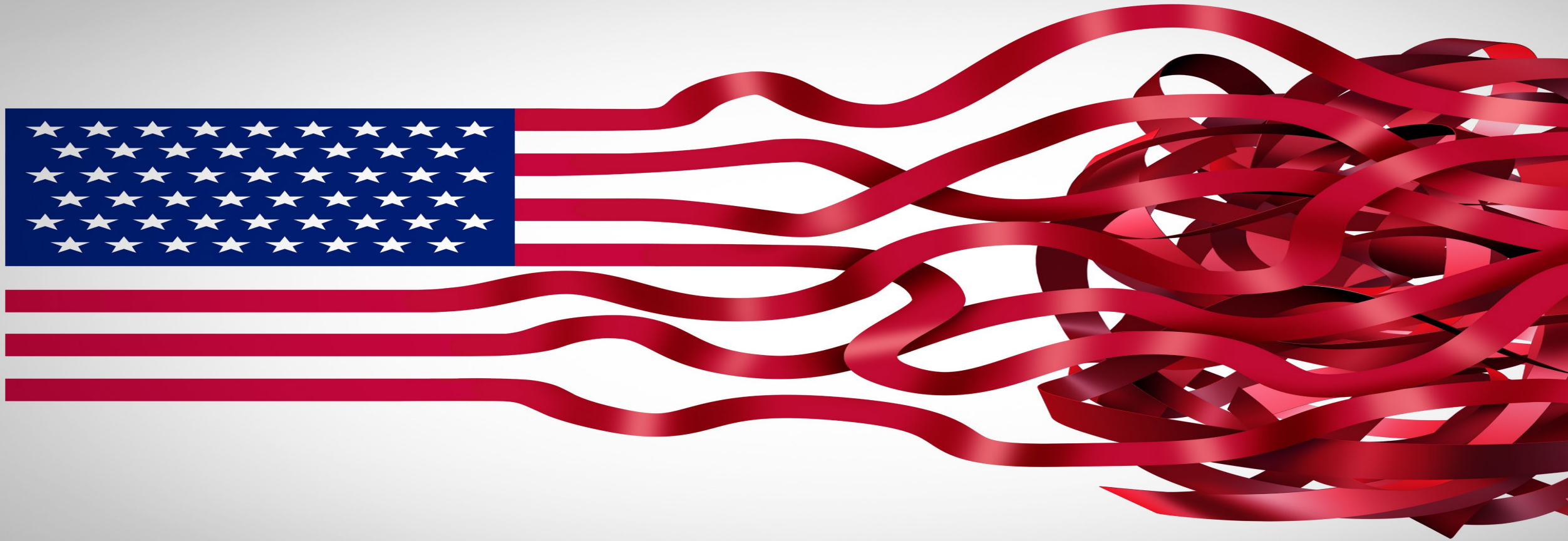


2022 MANUFACTURING SUPPLIER OUTLOOK



CONFRONTING UNCERTAINTY

AGENDA



8:30

Registration, Breakfast, and Networking

9:00

Thomas Alongi, National Manufacturing
Partner, UHY LLP

9:30

John Augustine, Chief Investment Officer,
Huntington National Bank

10:15

15 Minute Break

10:30

*Charles Clevenger, Principal,
UHY Consulting*

11:00

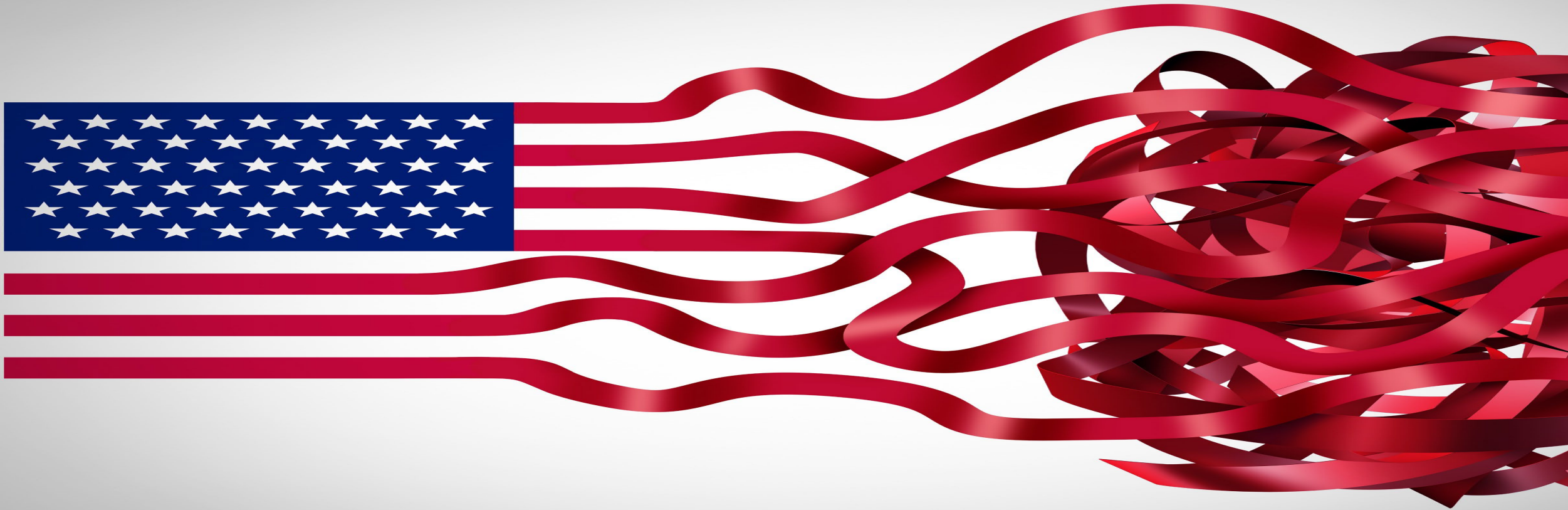
Tony Spielberg, Manufacturing Ambassador,
Cambridge Air Solutions

11:30

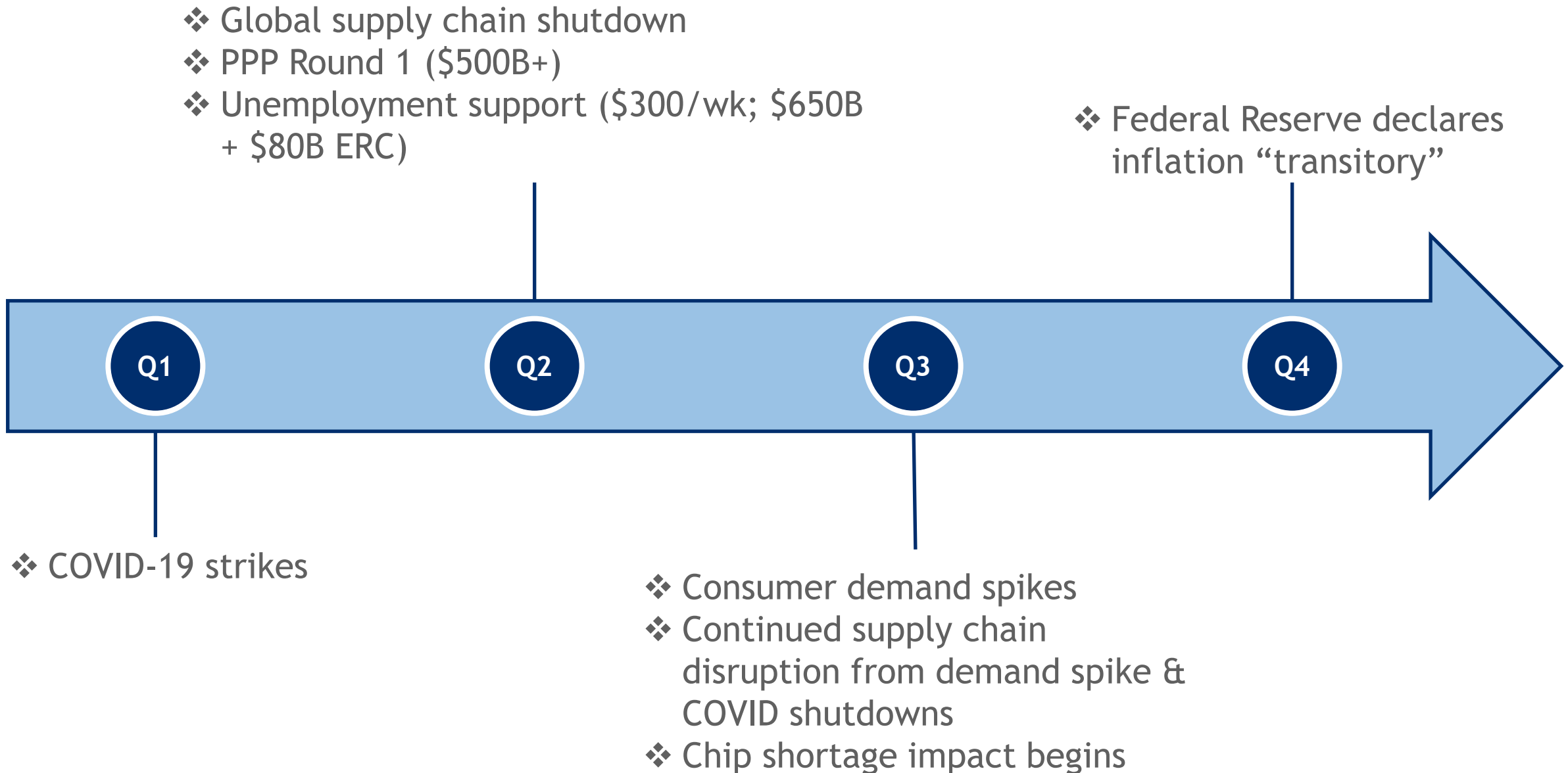
John Basso, President and Owner,
Diversified Tooling Group

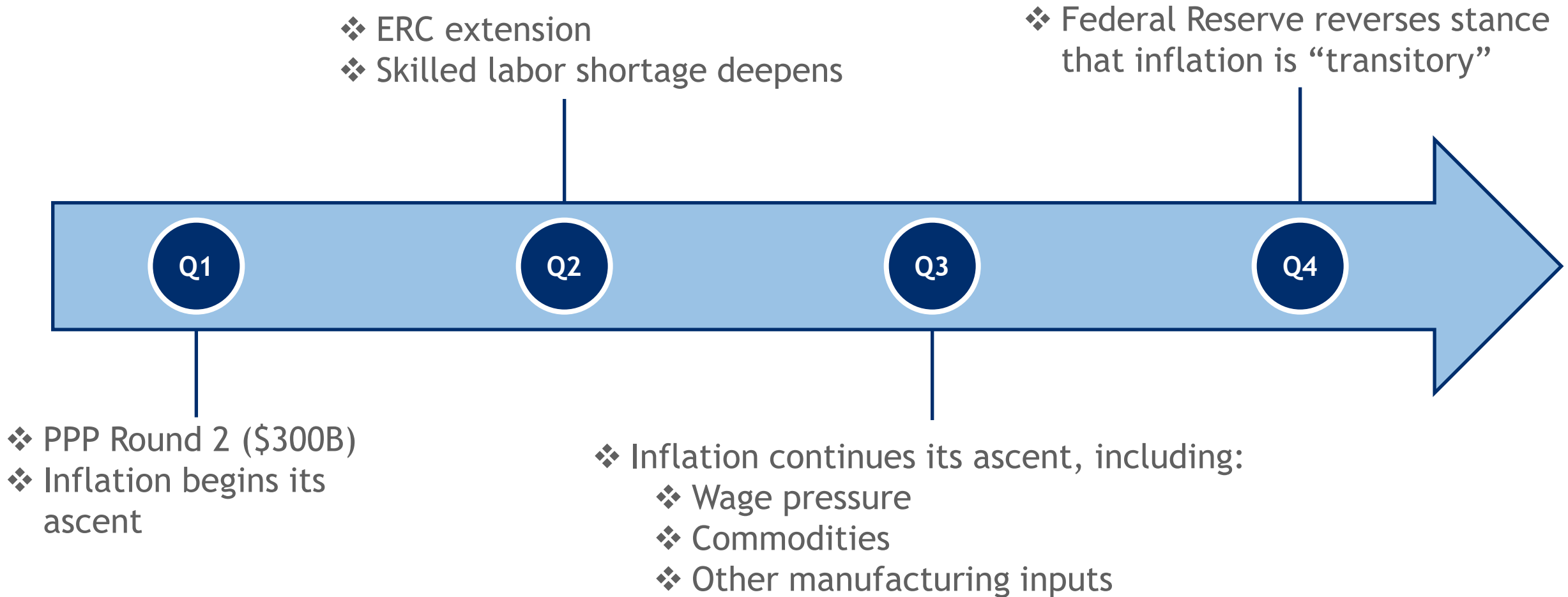
UNCERTAINTY:

When businesses face risks that are unpredictable and unmeasurable



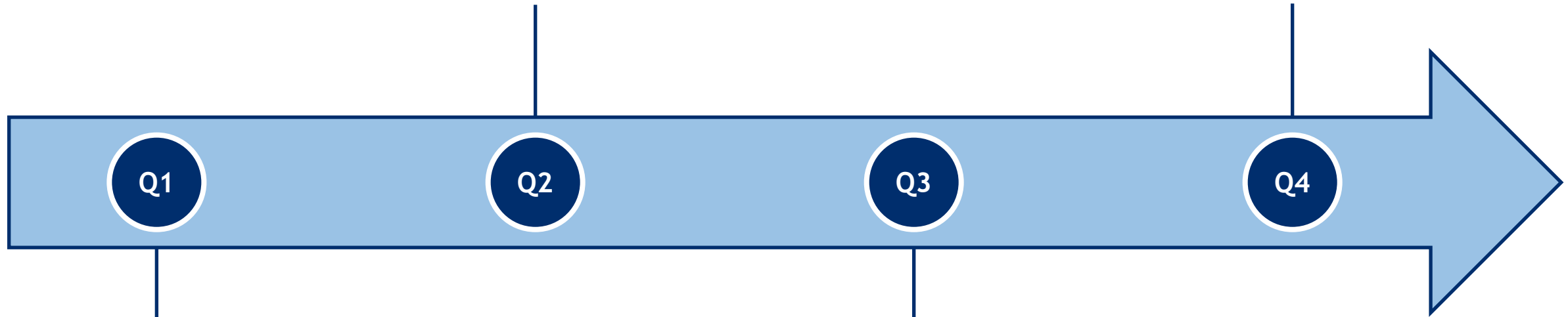
Timeline to Uncertainty - 2020





❖ Federal Reserve begins raising rates to fight inflation, creating increased uncertainty in the markets

❖ Federal Reserve continues to raise rates even HIGHER?



❖ Russia invades Ukraine

❖ Federal Reserve continues to raise rates as inflation persists

What Does It All Mean?! What Did We Learn?!



\$5 Trillion Stimulus & Aid

Supply Chain Disruption

National Security Concerns

Geopolitics / COVID-19

- ❖ Largest government relief in History!
 - ❖ \$1.7 trillion for businesses (including \$835B for PPP)
 - ❖ \$1.8 trillion for individuals (including \$817B in stimulus & \$670B in unemployment benefits)
 - ❖ \$745 billion for states (including \$93B for childcare)
 - ❖ \$482 billion for healthcare
 - ❖ \$288 billion for disaster relief/higher education/housing

“...too many dollars
chasing too few goods.”



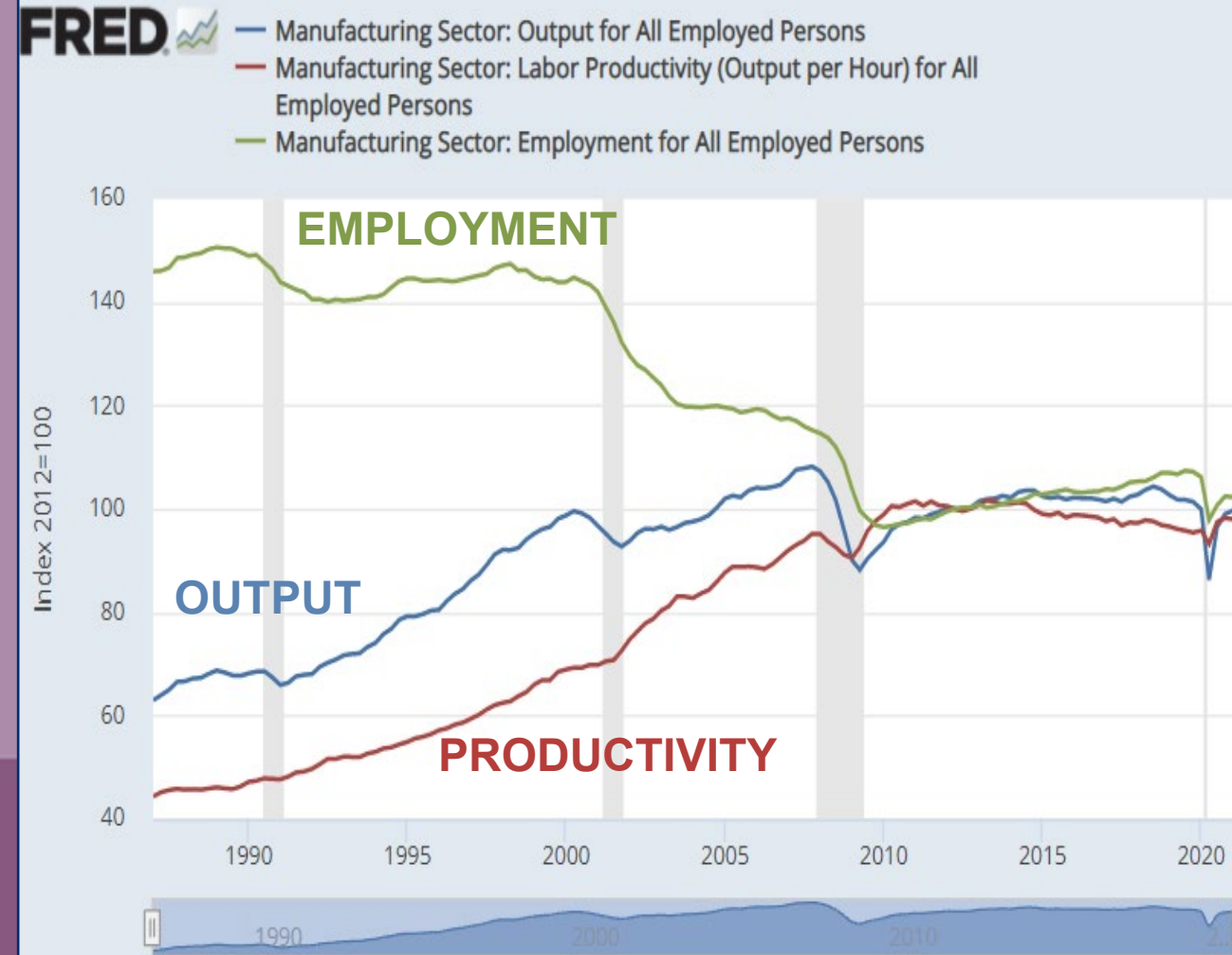
\$7 Trillion Stimulus & Aid

Supply Chain Disruption

National Security Concerns

Geopolitics / COVID-19

Unprecedented Demand



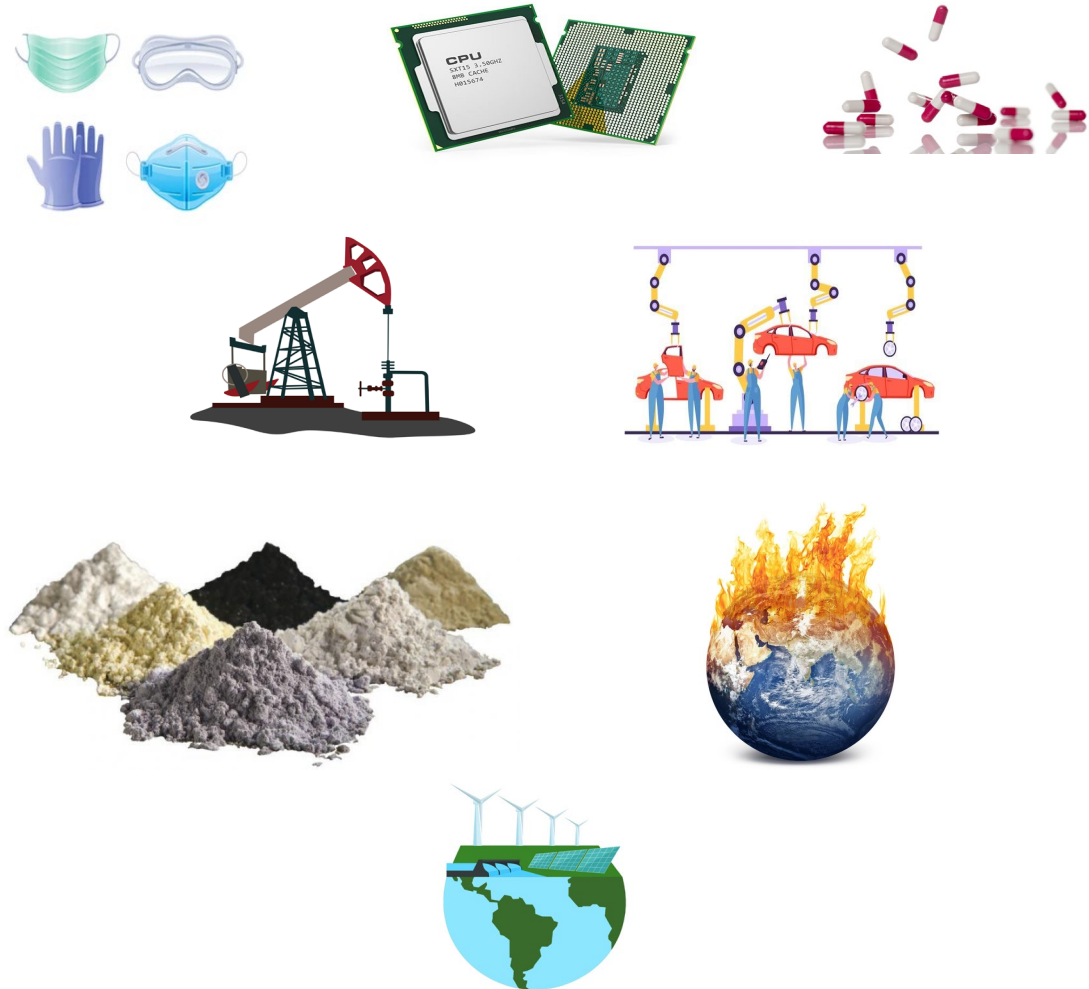
Source: U.S. Bureau of Labor Statistics

\$7 Trillion Stimulus & Aid

Supply Chain Disruption

National Security Concerns

Geopolitics / COVID-19

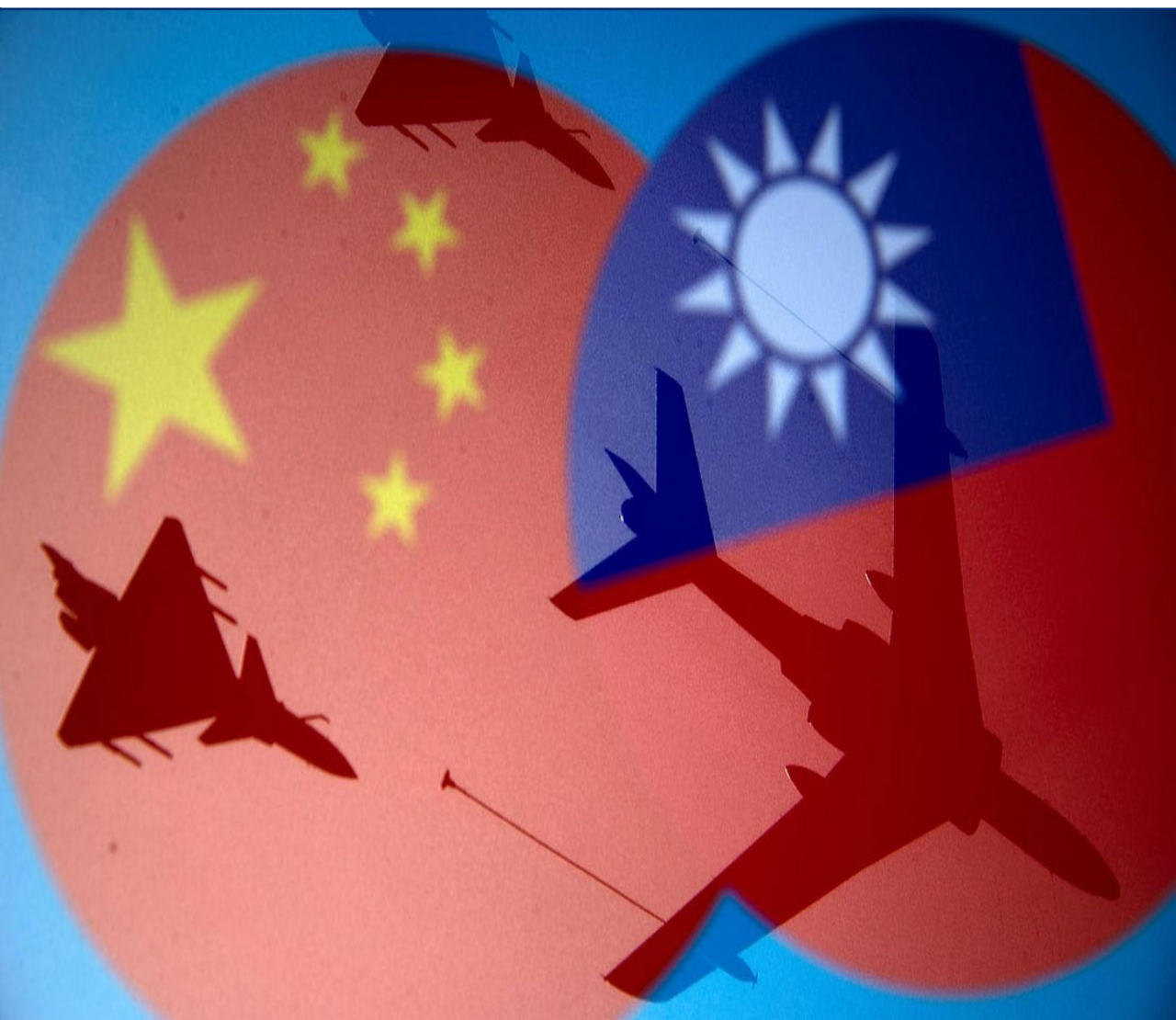


\$7 Trillion Stimulus & Aid

Supply Chain Disruption

National Security Concerns

Geopolitics / COVID-19





**CALL
TO
ACTION**

Government Doubles Down

Deglobalization & Reshoring

Private Sector Supply Chain Response

CHIPS ACT

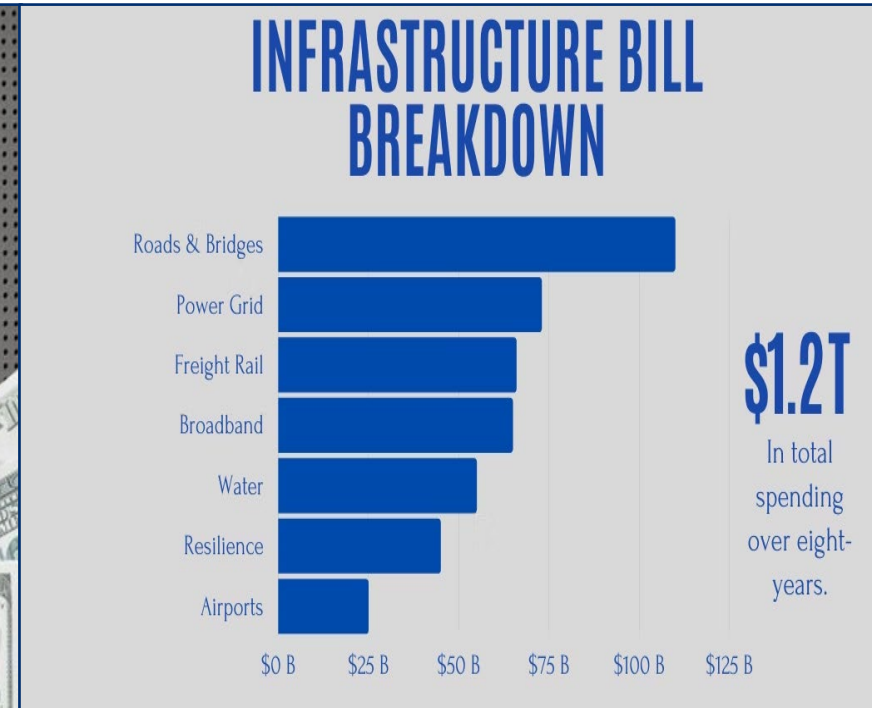
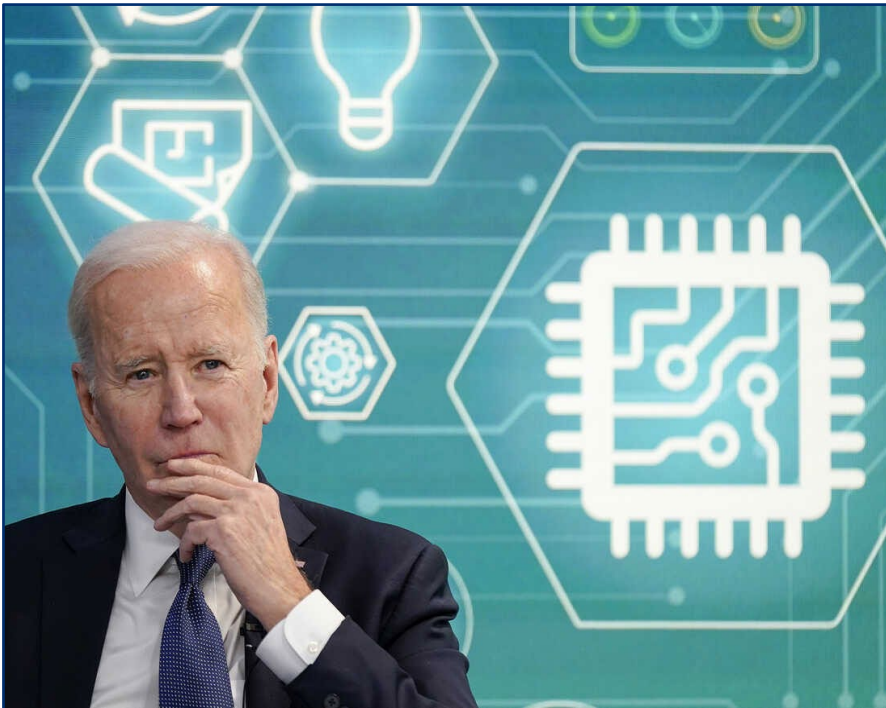
- ❖ Total \$50B+ allocated for chip research & manufacturing
- ❖ \$39B+ allocated to domestic semiconductor manufacturing
- ❖ 48D 25% tax credit for investment within semiconductor manufacturing
- ❖ \$13B allocated for STEM education

INFLATION REDUCTION ACT

- ❖ \$370B for energy security & climate change; minimum 15% corporate tax
- ❖ Section 45X tax credit for material sourcing and production within U.S.

INFRASTRUCTURE BILL

- ❖ \$5B for EV charging stations
- ❖ \$2.5B for publicly accessible alternative fuel infrastructure
- ❖ \$10.9B for low/zero emission school/transit busses & ferries
- ❖ \$3B for battery material processing & recycling



Responding To The Pressure

Government Double Down

Deglobalization & Reshoring

Private Sector Supply Chain Response



Responding To The Pressure

Government Double Down

Deglobalization & Reshoring

Private Sector Supply Chain Response



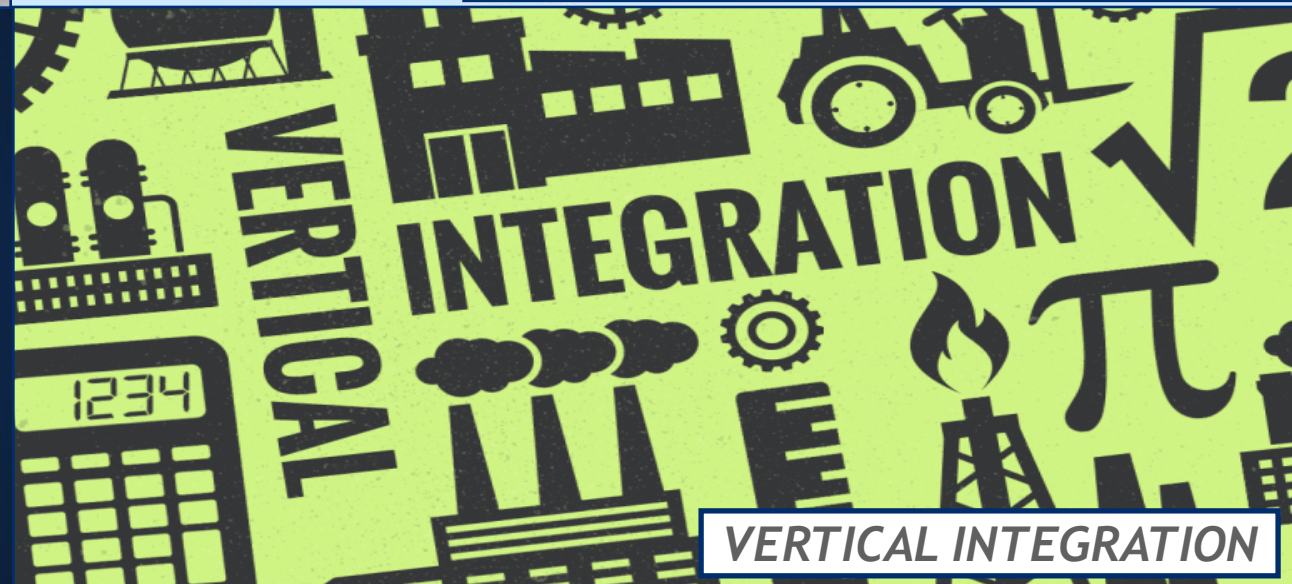
SUPPLIER DIVERSIFICATION



BUSINESS PROCESS OPTIMIZATION



PRICE INCREASES



VERTICAL INTEGRATION

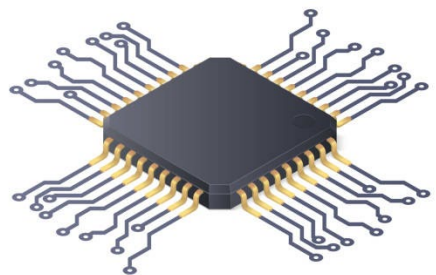
What Does The Future Hold?!



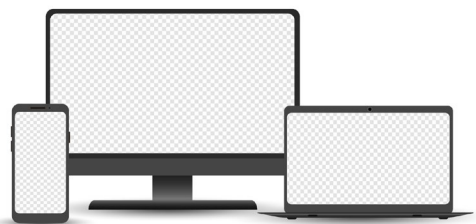
Supply Chain Investment Will Need To Be Transformational

- ❖ Transformational decisions will take time, but opportunities abound!
- ❖ Certain industries will witness a generational shift towards nearshoring, helping realize full potential of their end-customer markets

Chips / Semiconductors



Computers & Electronics



PPE



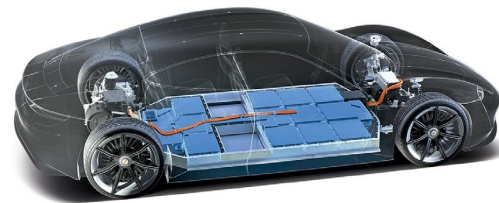
Solar & Wind Energy



Medical Devices



Automotive



Talent Attraction And Investment Will Be Key To Success

- ❖ 38% of executives report attracting talent as their #1 issue, followed by retention
- ❖ Despite recent turbulence, generational change will take time
- ❖ Targeted & thoughtful investments will allow companies to effectively navigate the turbulent labor market



SKILLED LABOR ATTRACTION



RESKILLING FOR DIGITAL FUTURE



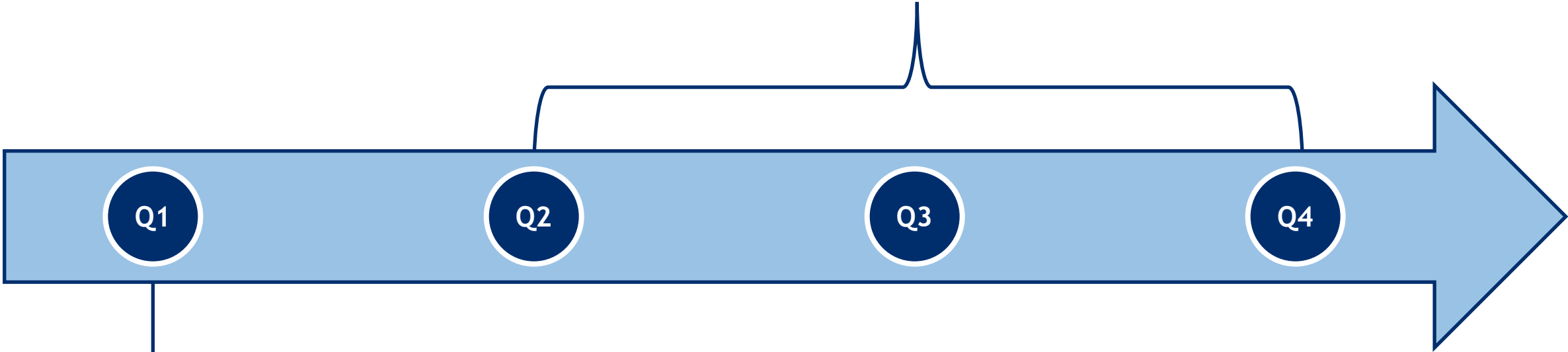
STEM EDUCATION



**HOW TO BECOME
A BRAND
ambassador**

BRANDING

❖ Recession?



- ❖ Demand Destruction?
- ❖ Dollar Continues To Rise?
- ❖ Continued Inflation?

Which Camp Are You In?

Recession Resistant, But Built For Opportunity



RETENTION



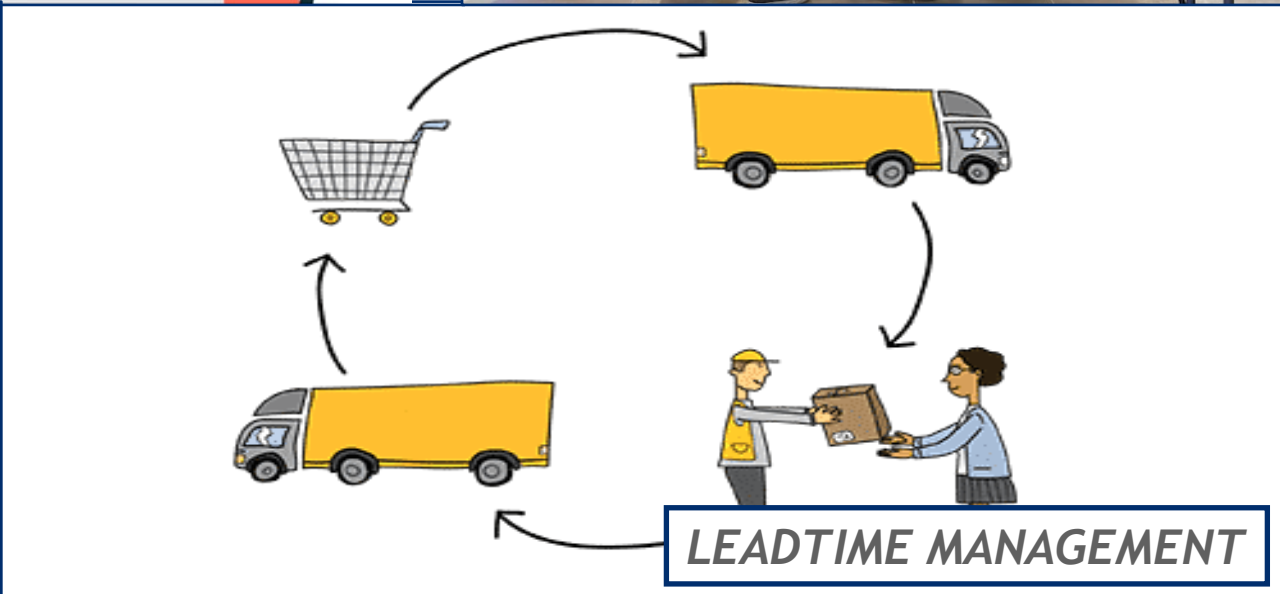
PROCESS OPTIMIZATION



TRADE ASSOCIATION ALIGNMENT



WORKING CAPITAL MANAGEMENT



LEADTIME MANAGEMENT

Which Camp Are You In?

Uncertainty/Disruption = Opportunity!





Thomas Alongi

Partner

National Manufacturing Leader

UHY LLP

talongi@uhy-us.com

586-843-2581

uhy-us.com

THANK YOU!
LET'S GET OUR EVENT
KICKED OFF!

UHY Annual Manufacturing Supplier Outlook –

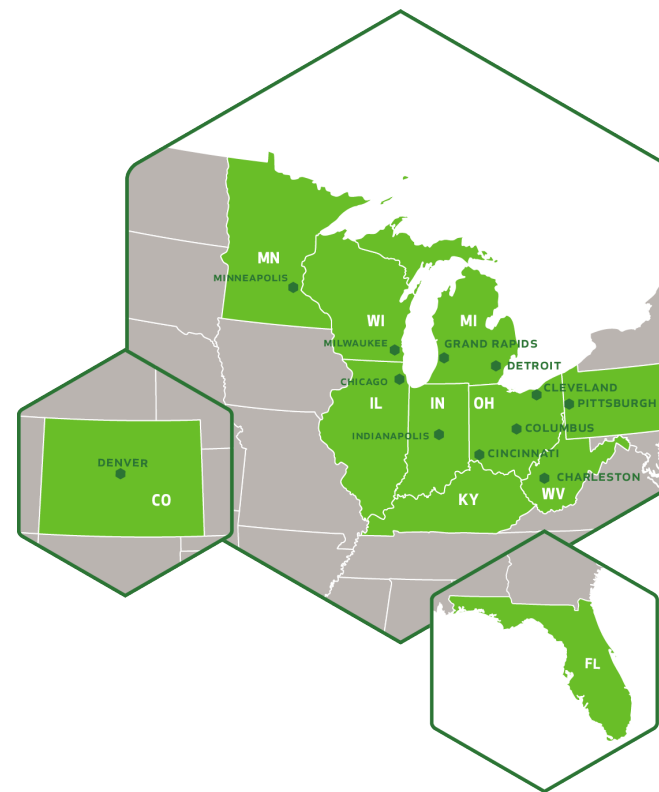
The Recession(s) of 2023

Presenter:

*John Augustine, CFA
Chief Investment Officer
Huntington Private Bank
October 2022*

Huntington National Bank

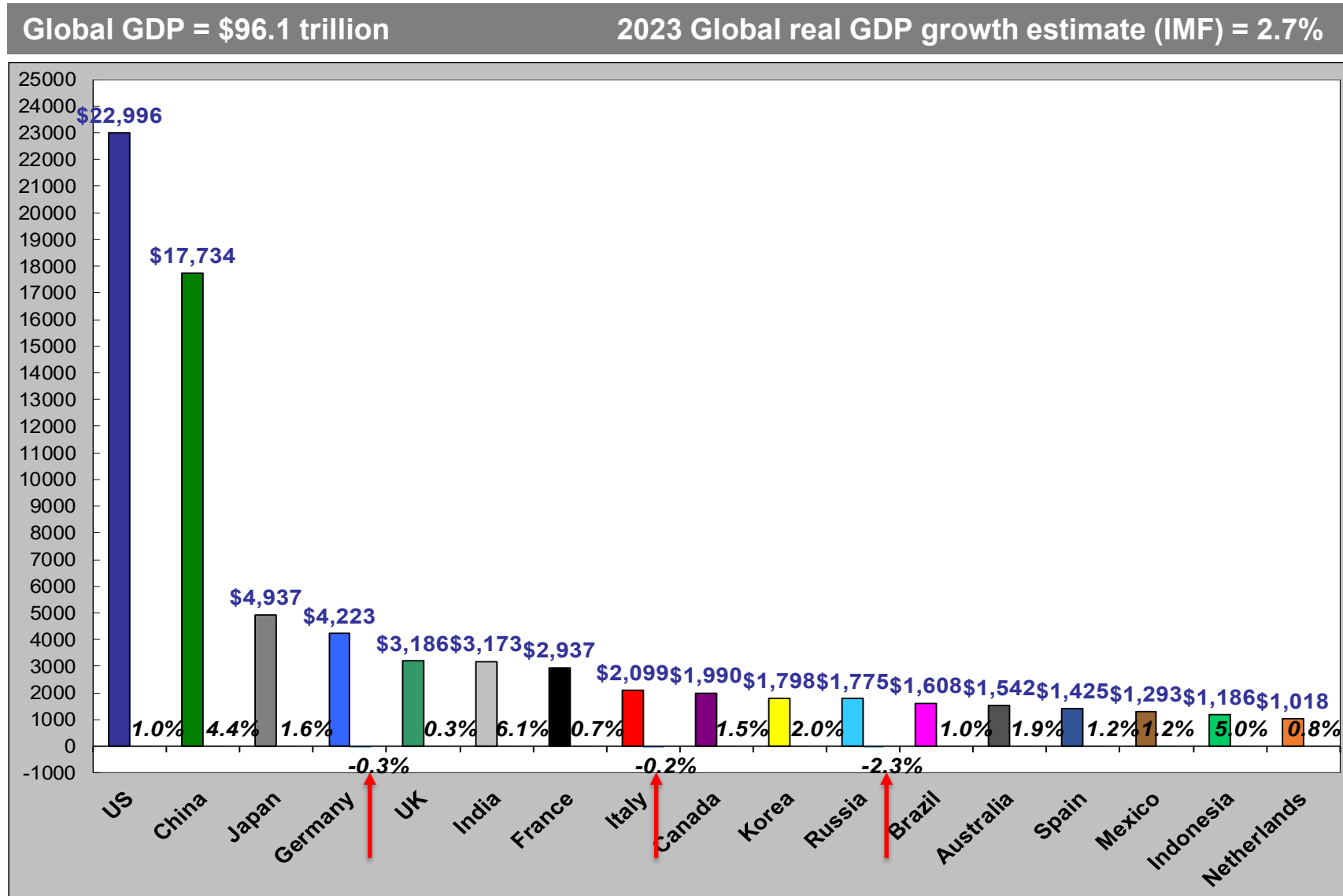
- Founded in 1866 and headquartered in Columbus, Ohio
- \$179 billion in bank assets
- More than 1,000 branches in 11 states, with certain businesses operating in extended geographies.
- *\$26 billion in assets under management*
- 31 Private Bank offices
- Listed on NASDAQ, Ticker: HBAN
- Member of S&P 500 Index



#1 Global Economy – *Inflation, energy and central banks*

#1 Global Economic Overview –

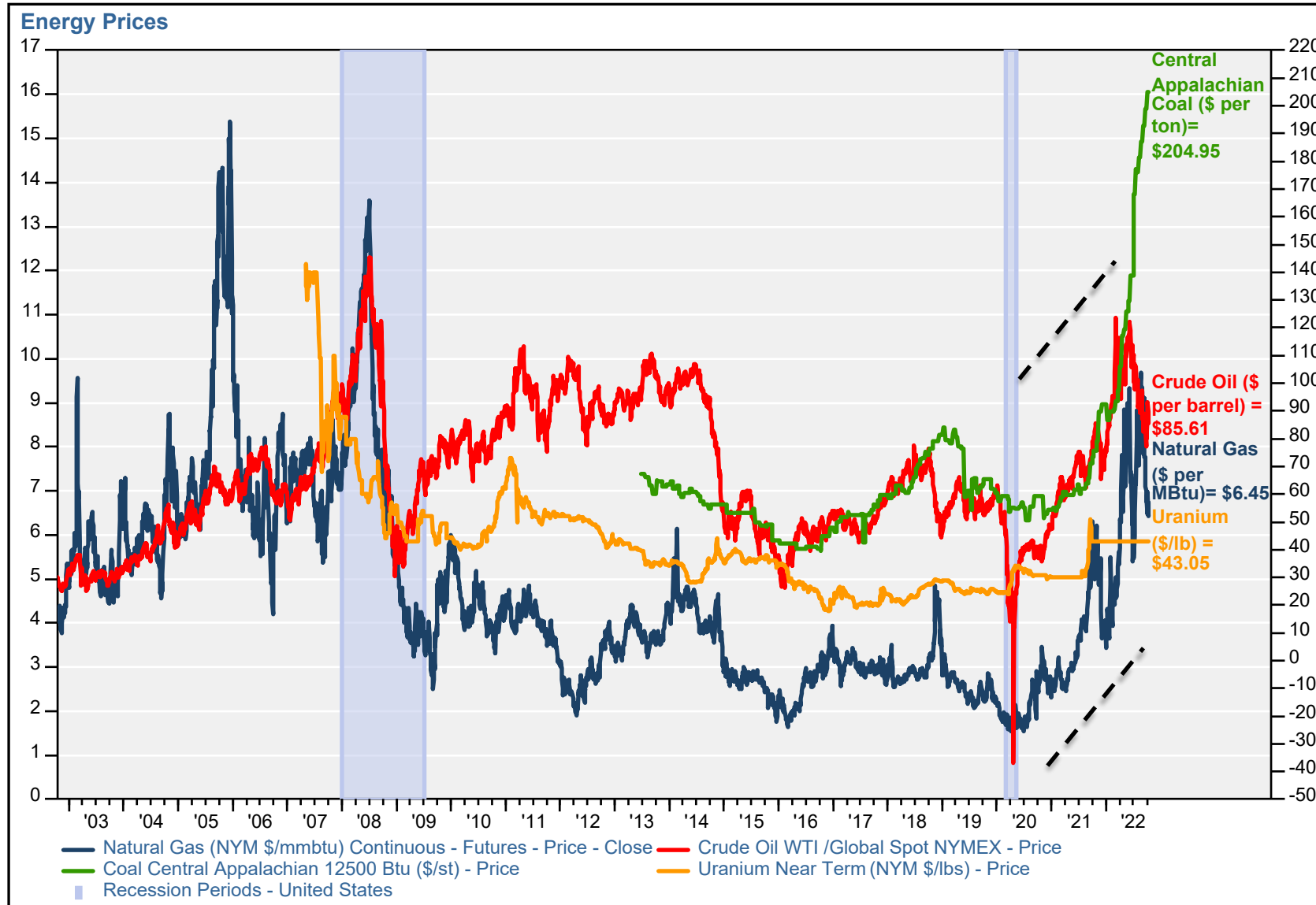
Europe and Russia have projected 2023 recessions



Source = IMF GDP estimate from 10/22; Bloomberg GDP numbers from 6/22 reports

#2 US Energy Prices –

The world is searching for energy, and prices are elevated

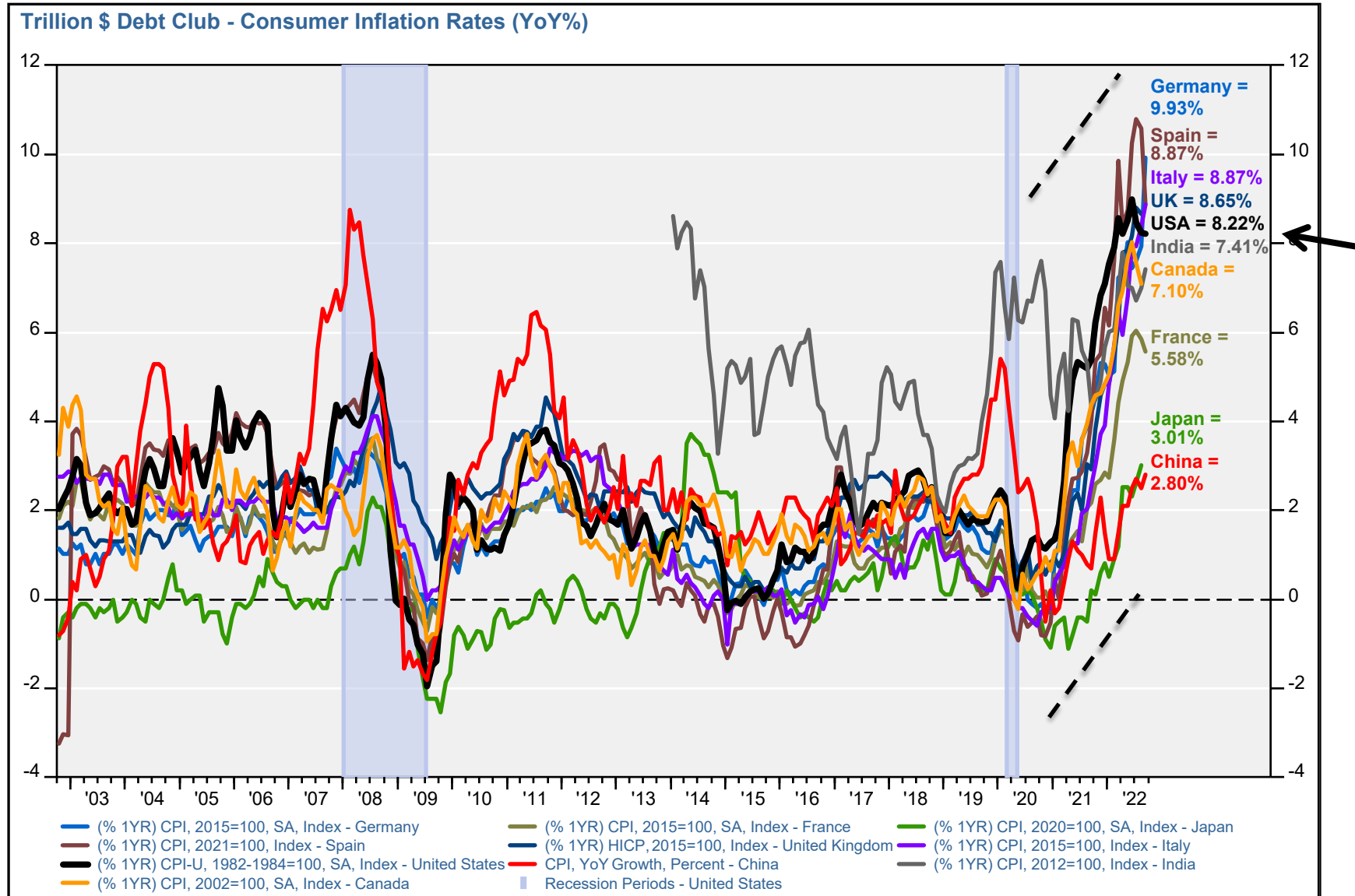


Source = Factset



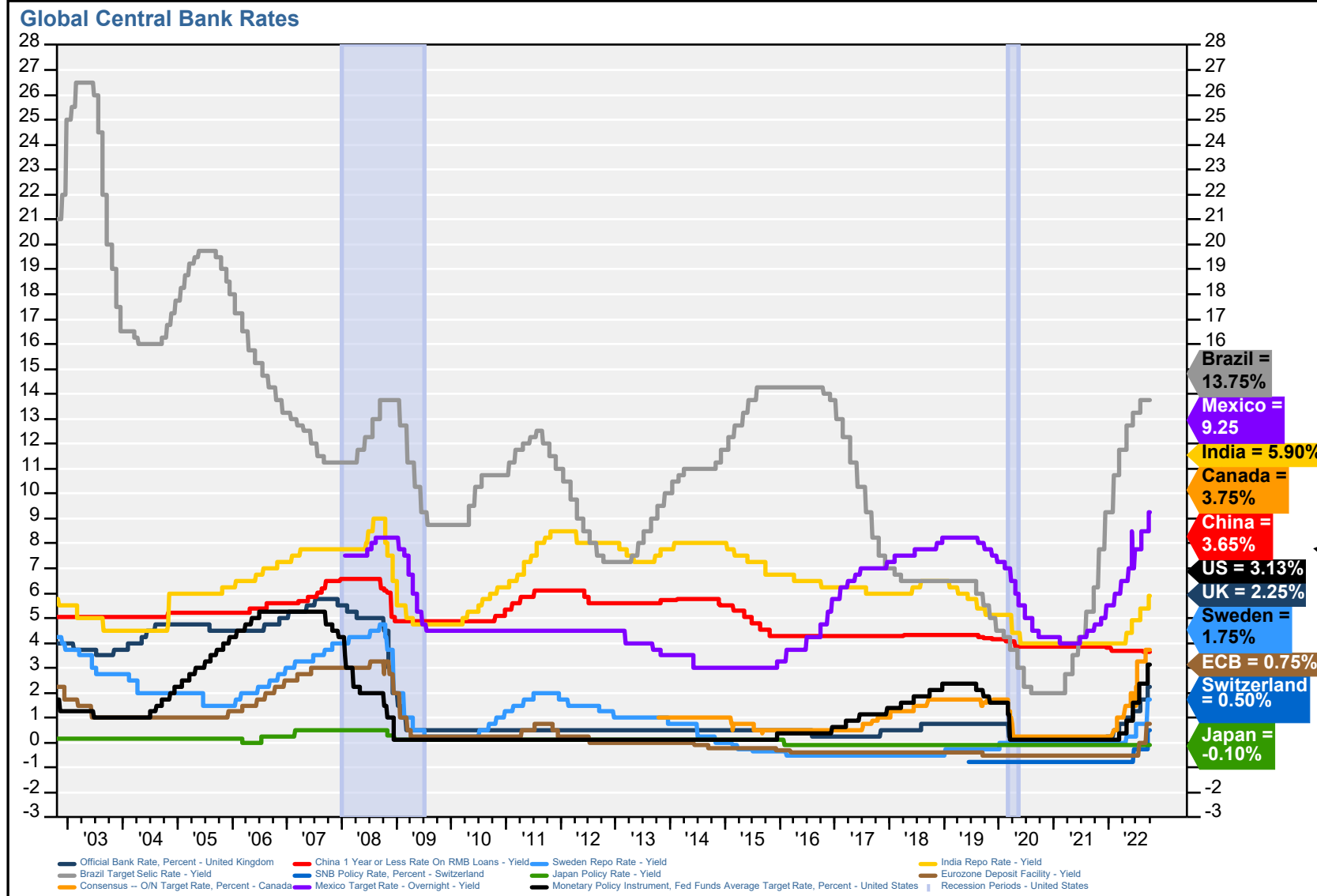
#3 Global Inflation Trends –

Inflation is a global phenomenon



Source = Factset

#4 Global Central Banks – Are they going too far too fast?

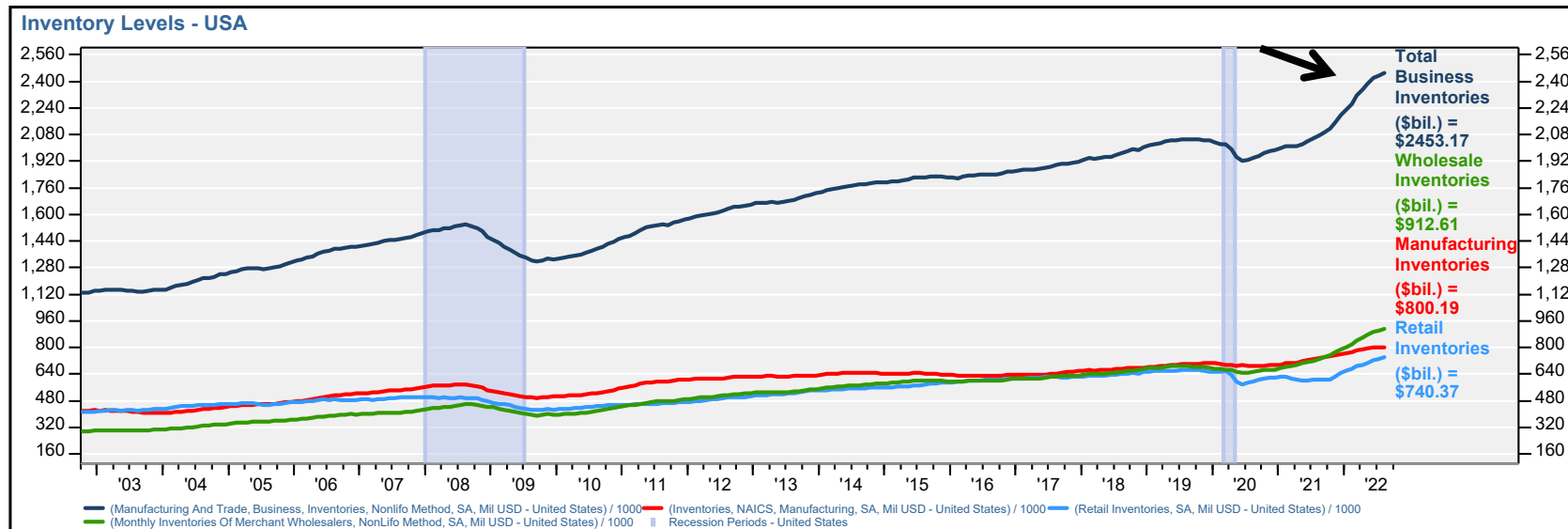
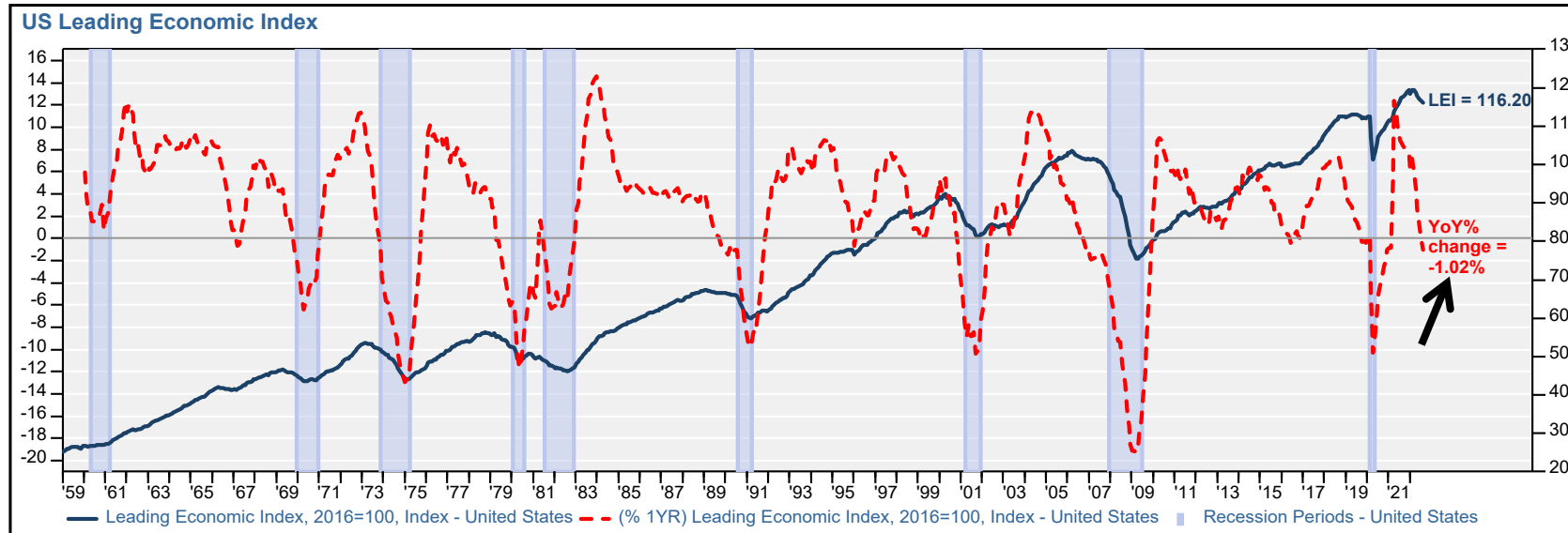


Source = Factset

**#2 US Economy –
*50/50 chance of U.S.
recession in 2023***

50% case for a 2023 recession –

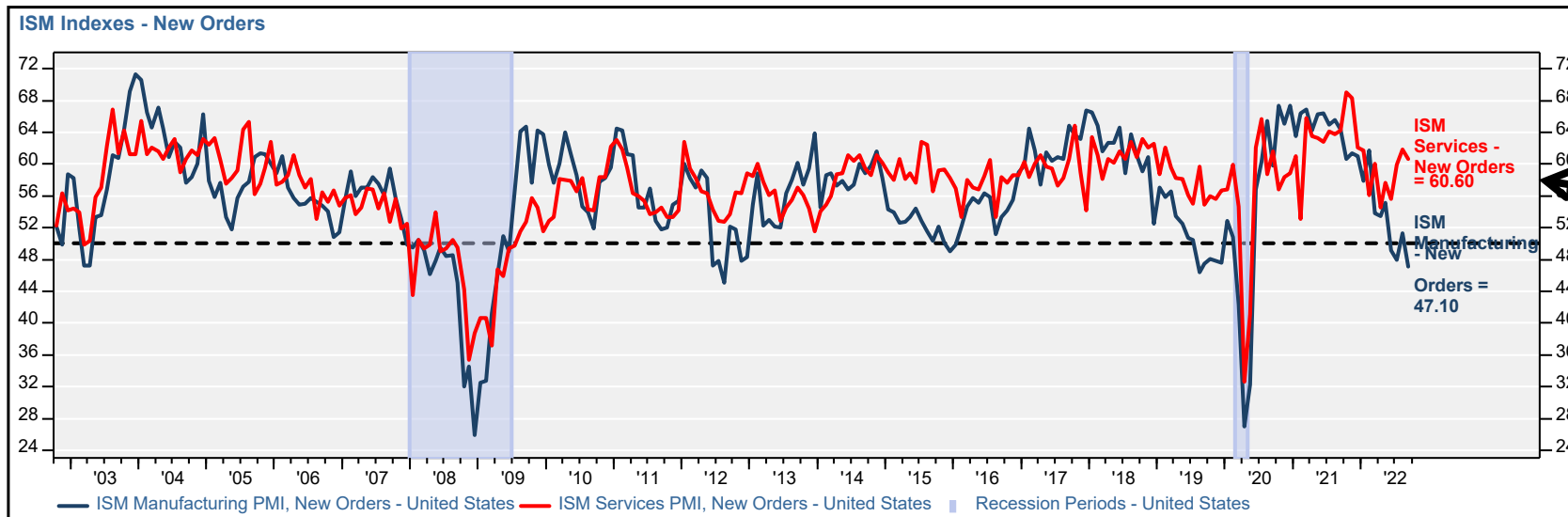
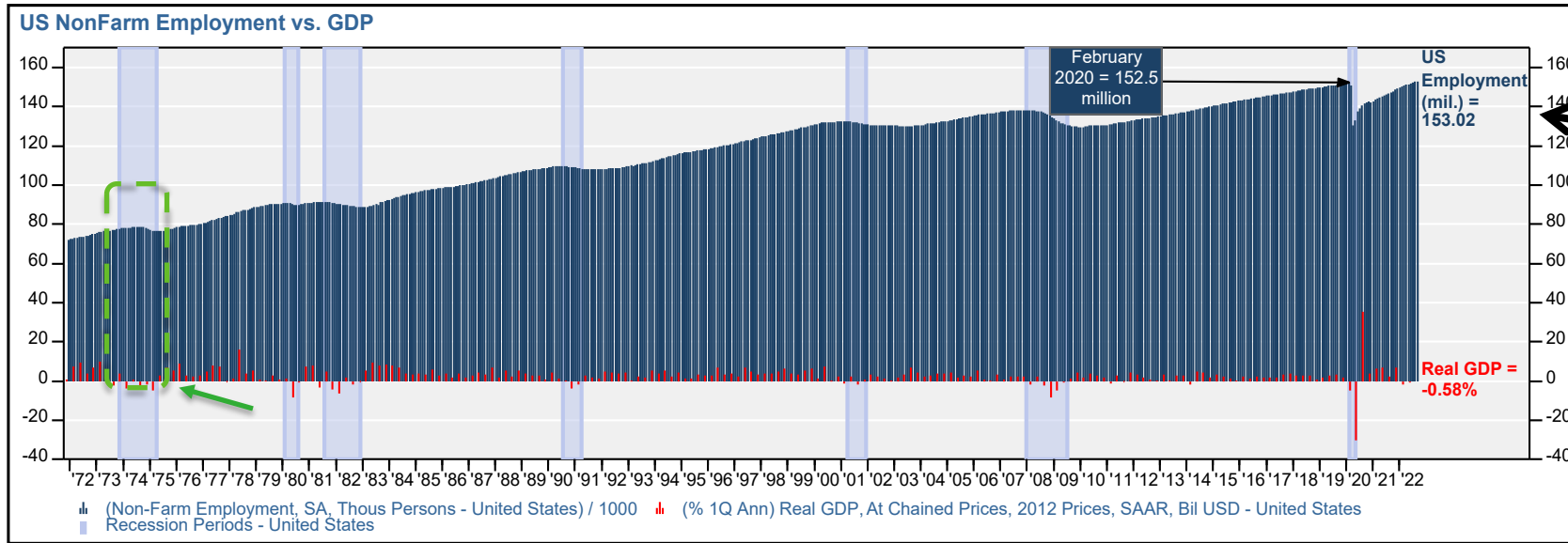
#1 - Leading Economic Index down and #2 – Inventories up



Source = Factset

50% case against a 2023 recession –

#1 – Employment is up and #2 – Services new orders are up

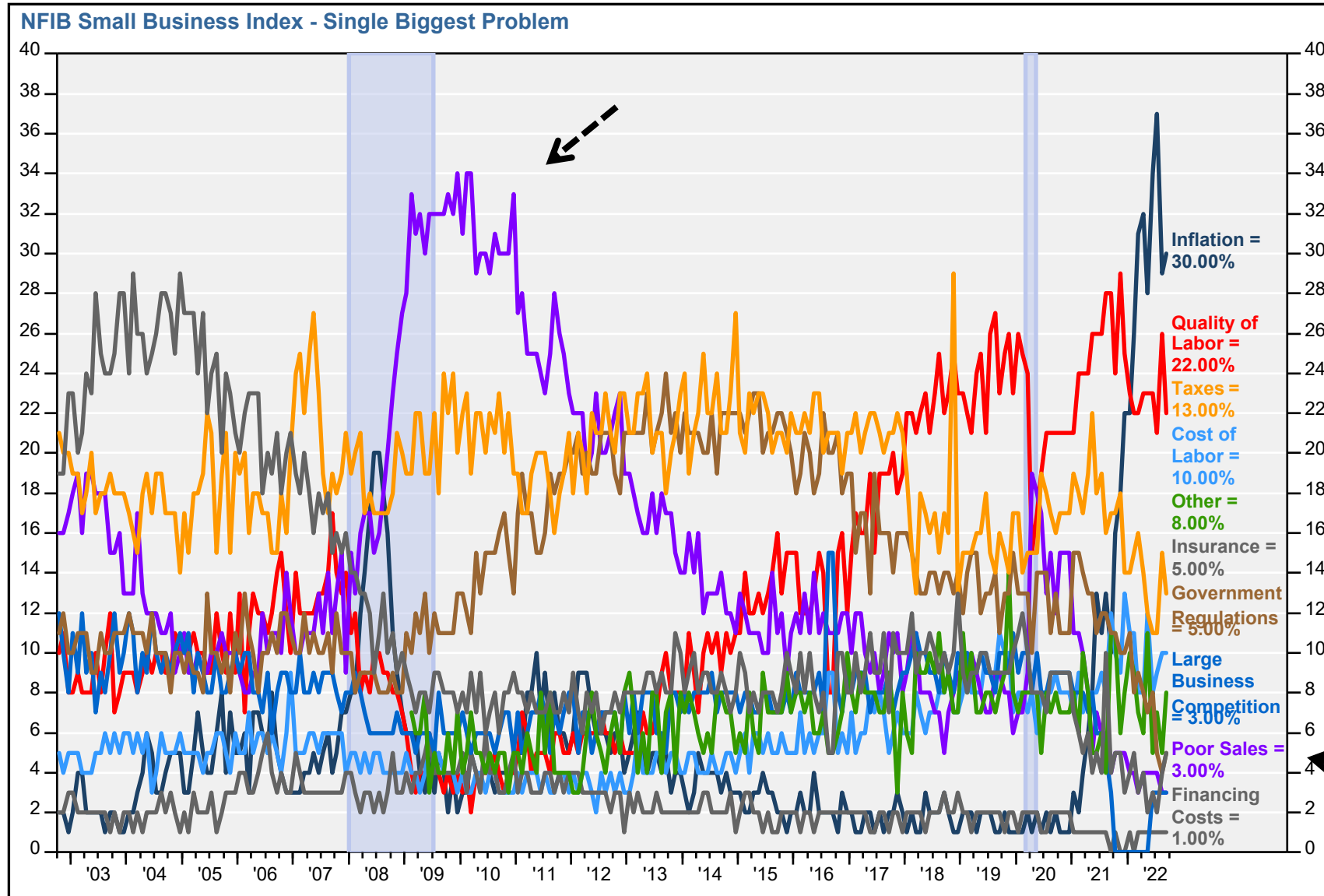


Source = Factset

#3 Business –
Sales, Inventories,
Productivity, Supply Chains

#1 US Business Trends –

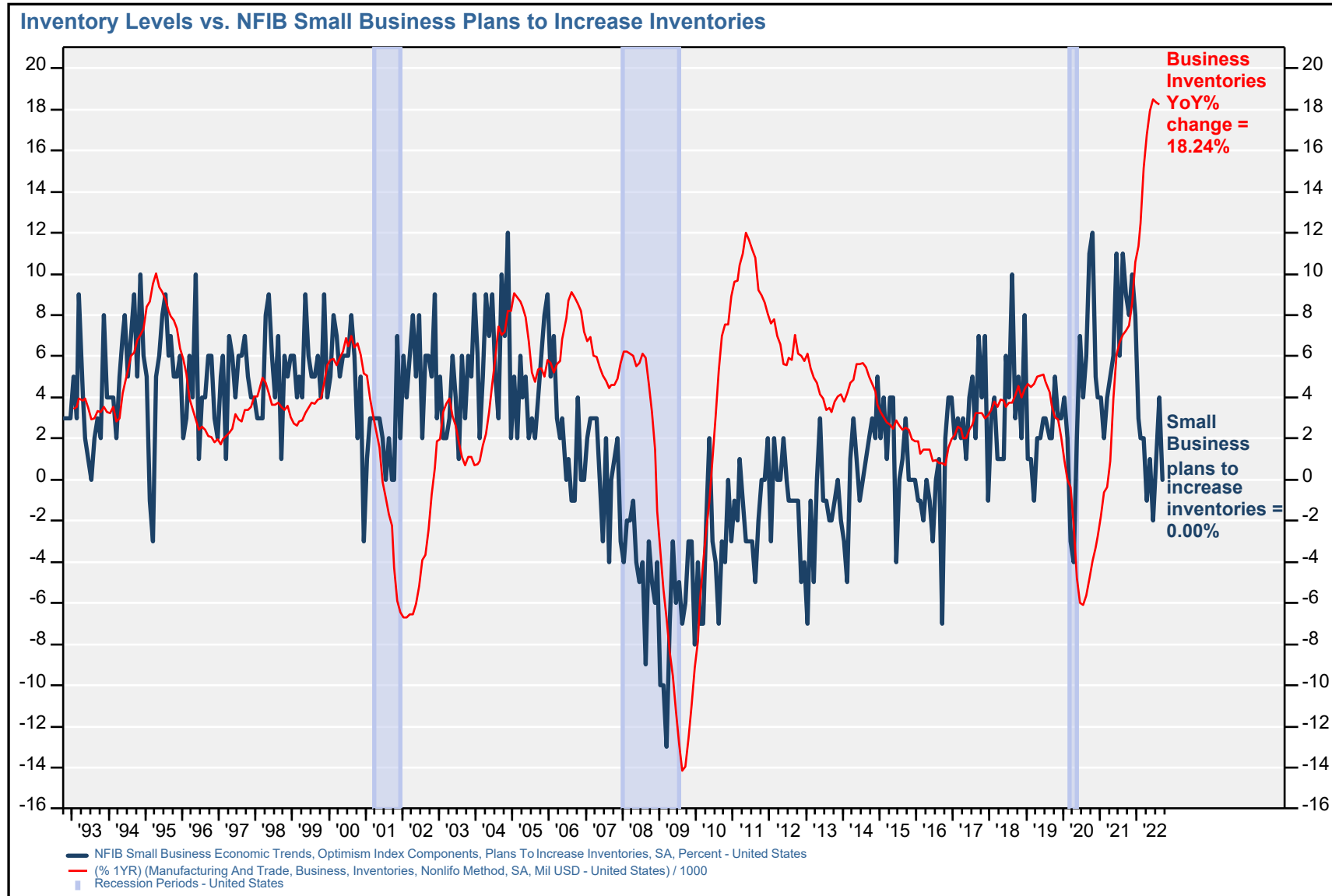
Poor Sales is near the bottom...nationally



Source = Factset

#2 US Business Trends –

Inventories levels are slowing increases



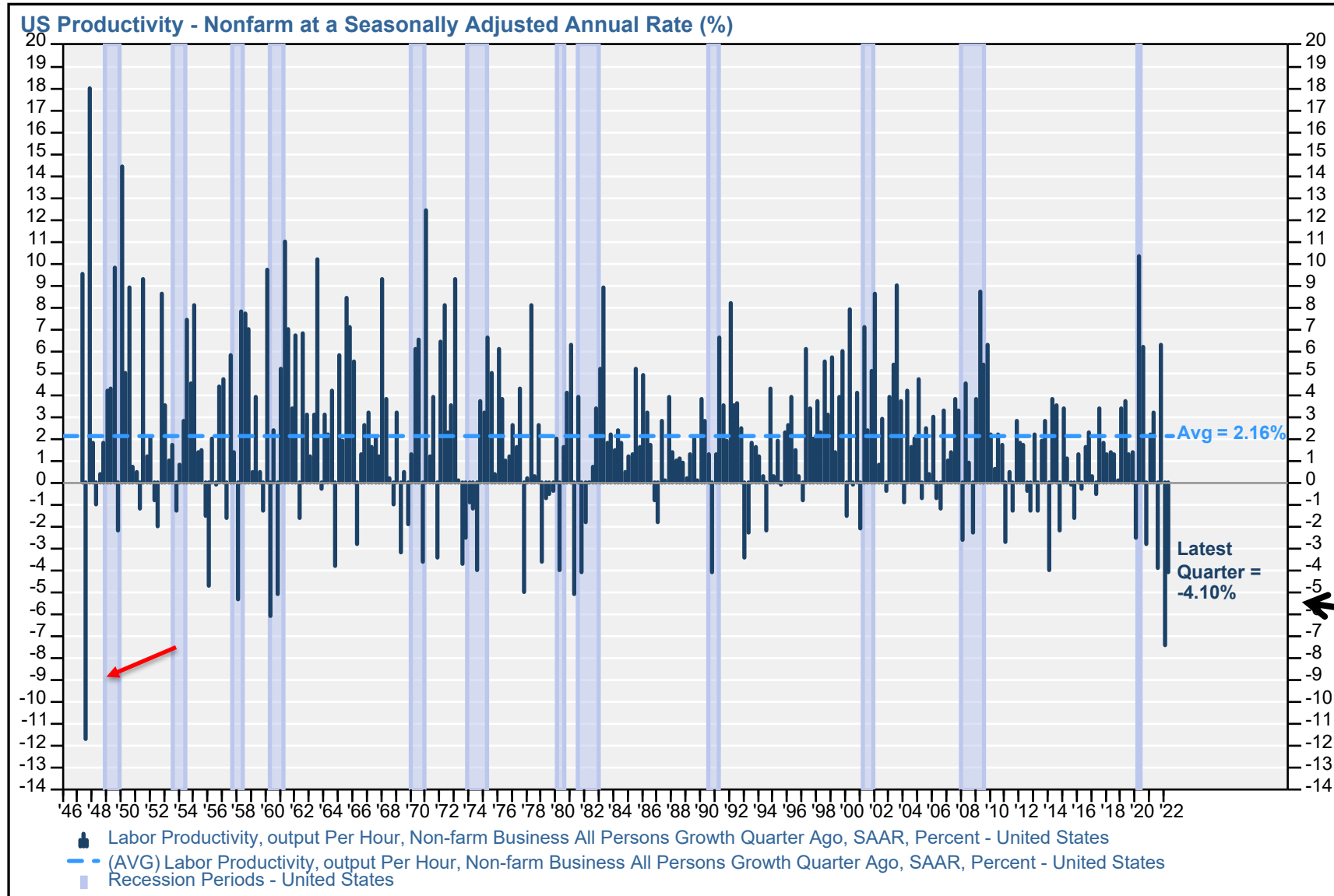
Source = Factset

1

2

#3 US Productivity Trends –

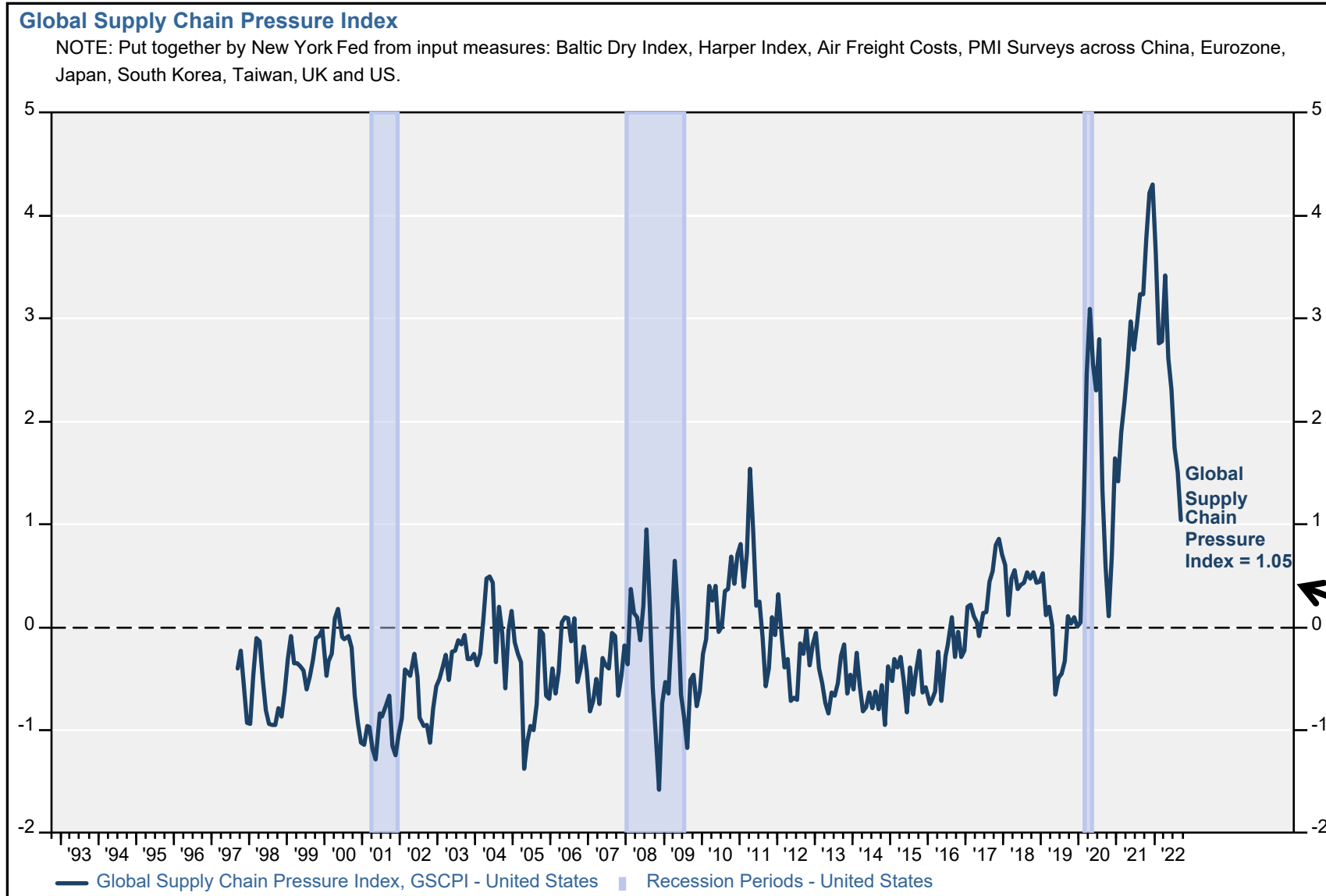
1H-2022 was worst two quarters in data back to 1947



Source = Factset

#4 US Supply Chain Trends –

Global supply chains still disrupted...C-H-I-N-A

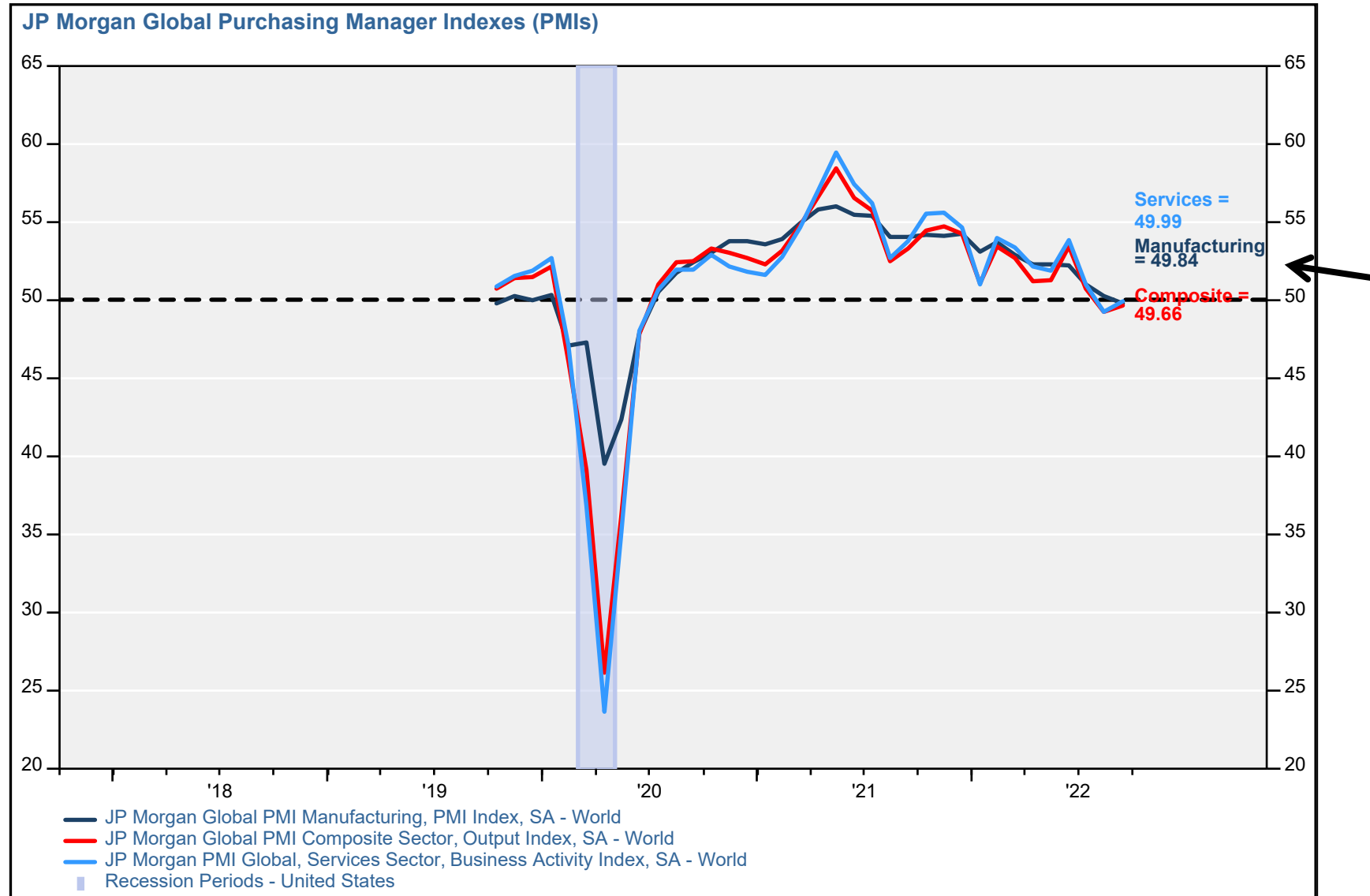


Source = Factset

**#4 Global Manufacturing
Trends –
*Purchasing Manager
Indexes, Industrial
Production Indexes, Energy
and Shipping***

#1 Global PMIs –

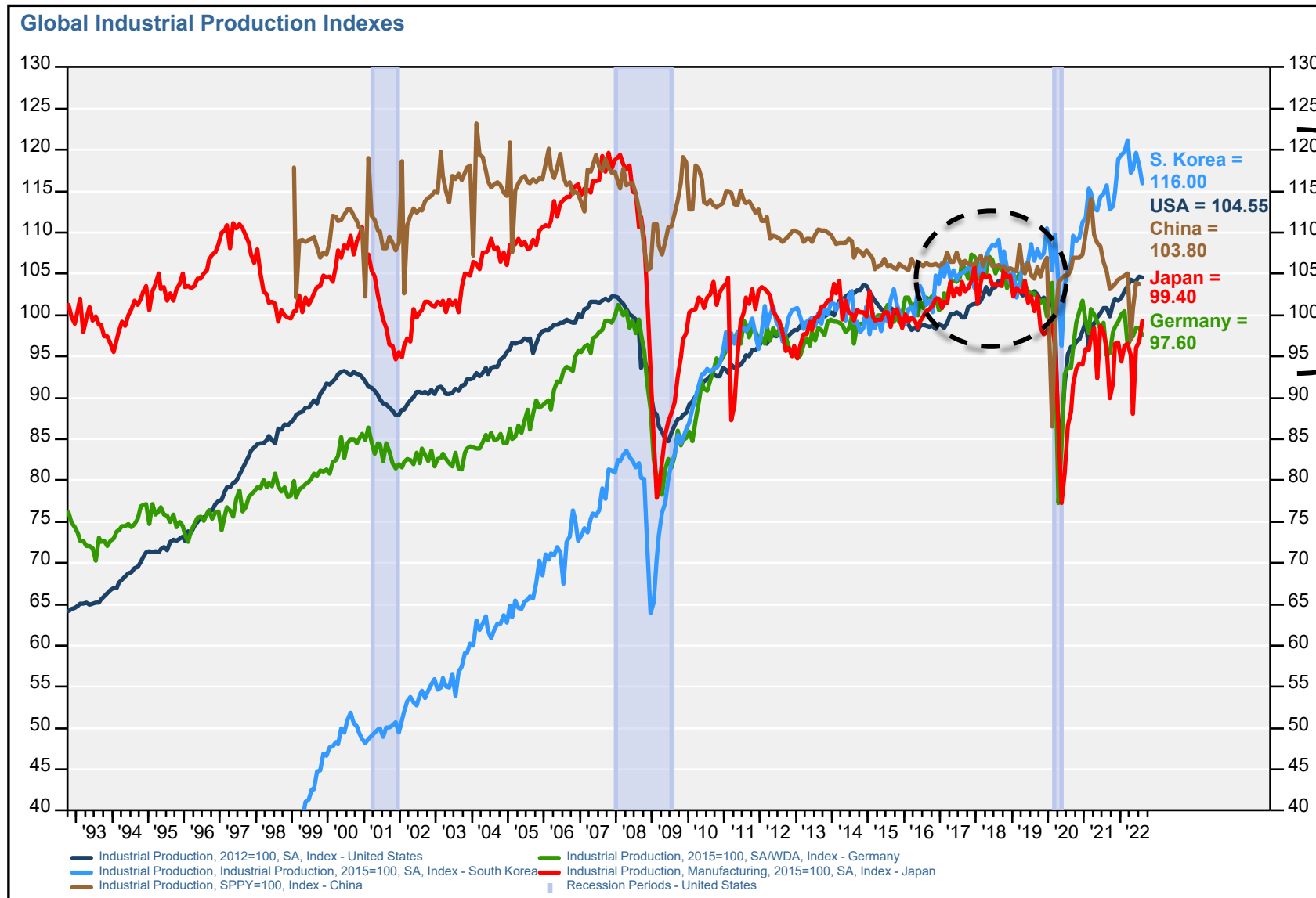
Global PMI's are at the flatline



Source = FactSet

#2 Global Industrial Production Indexes –

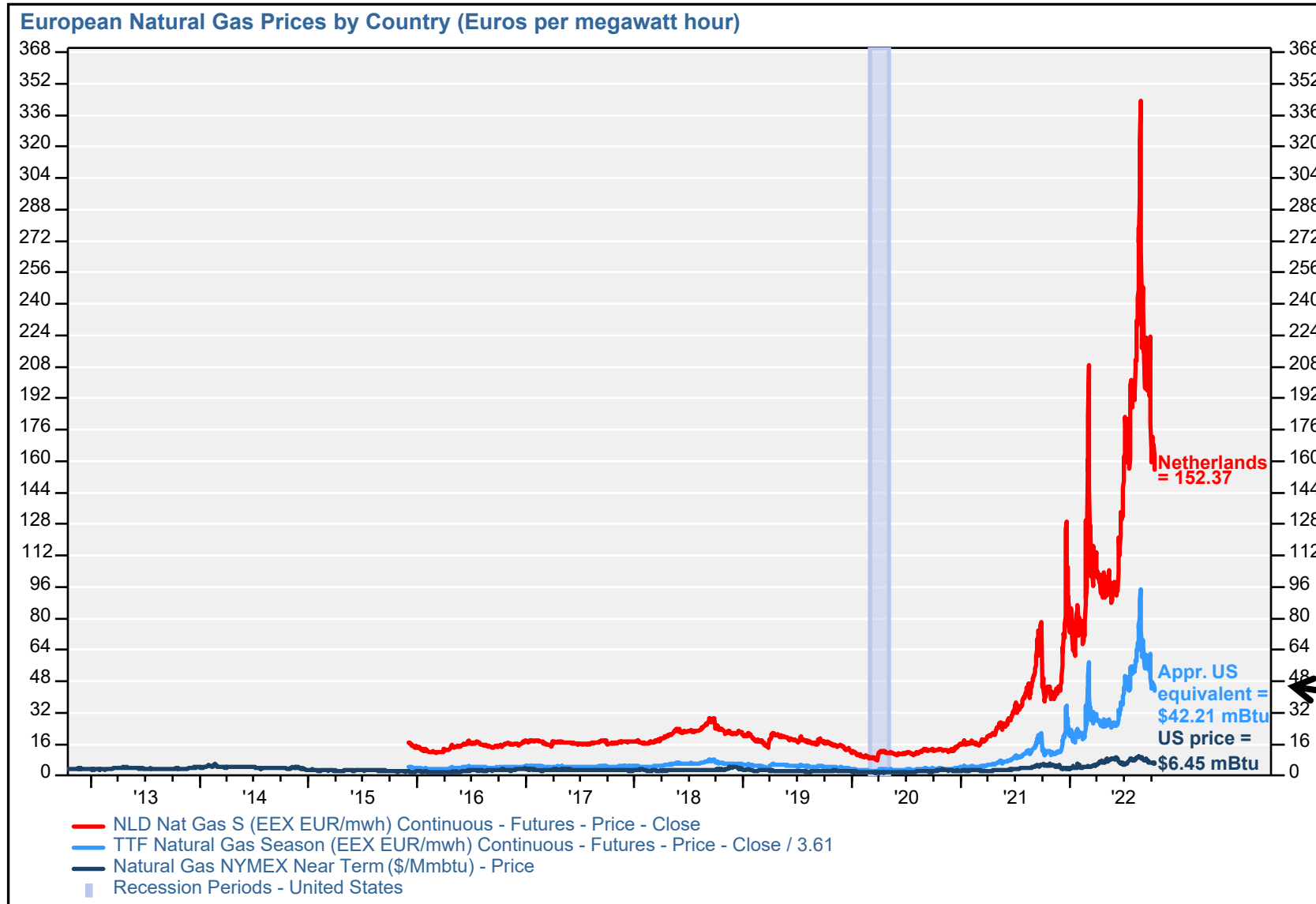
Differences developing



Source = Factset

#3 Global Natural Gas Prices –

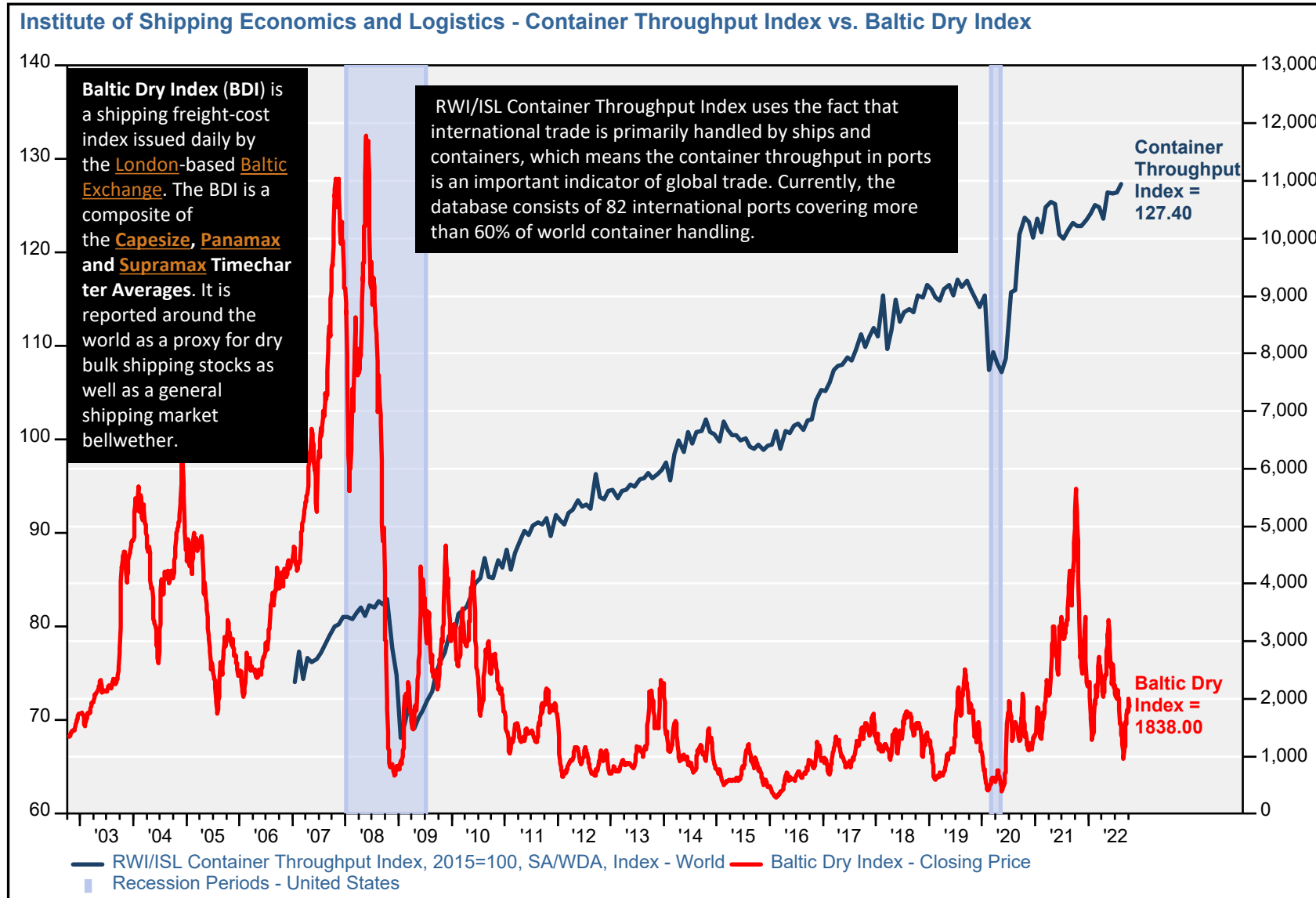
Lowest energy costs generally win global manufacturing



Source = Factset

#4 Global Shipping Indexes –

Dry good shipping costs back down; Containers stay high

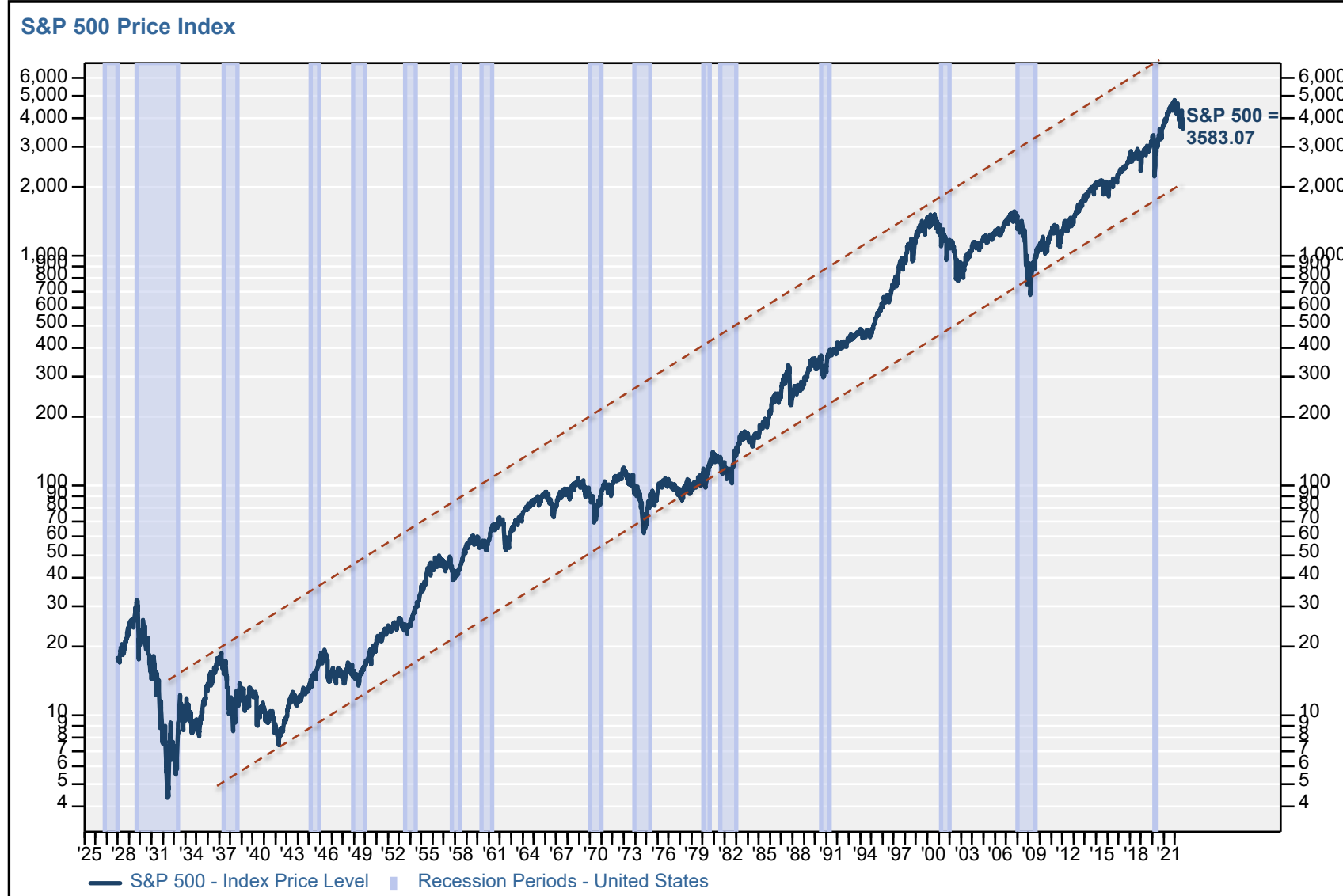


Source = Factset

#5 Market Trends –
Stocks, bonds, commodities
and currencies

#1 S&P 500 –

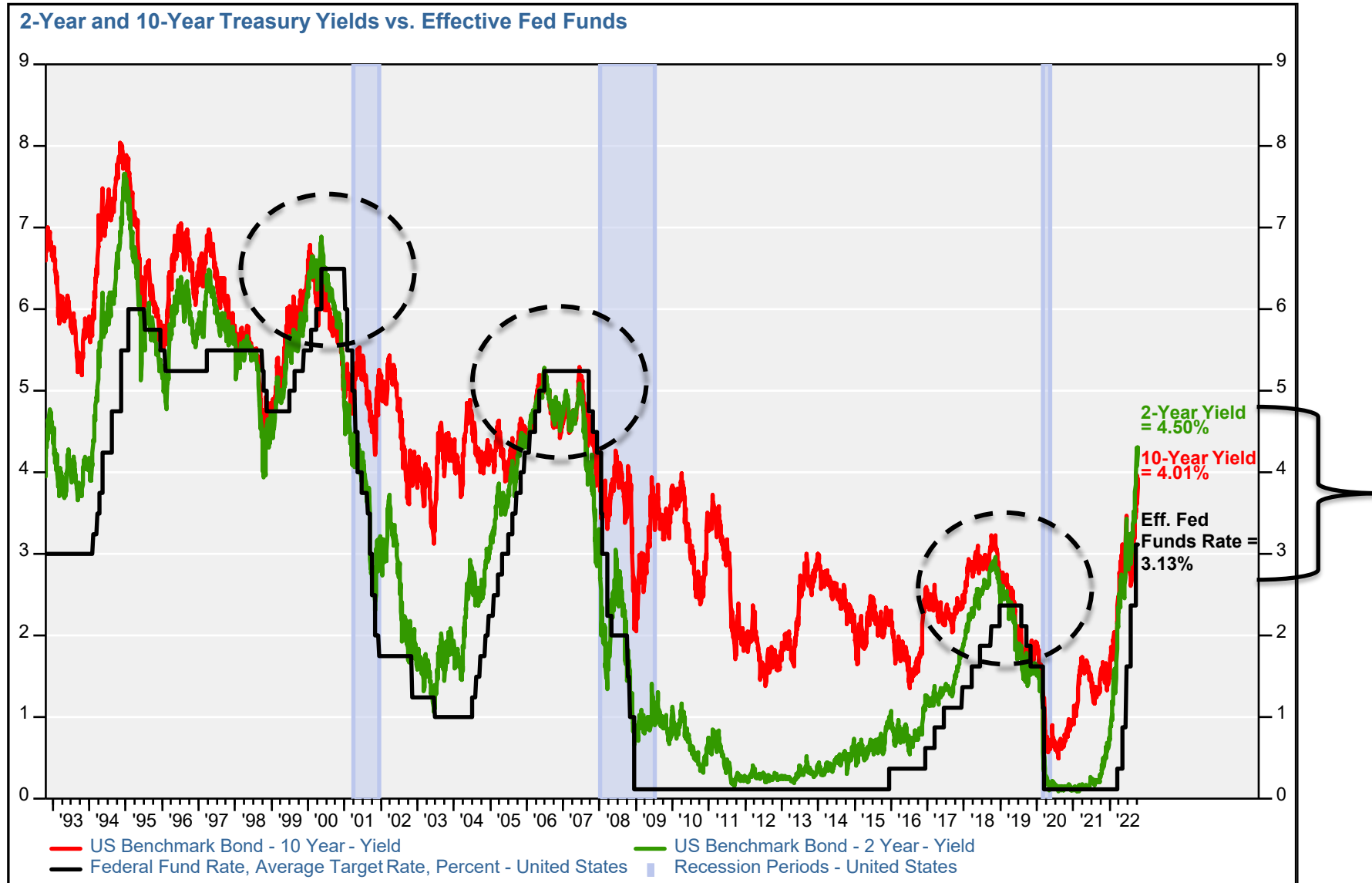
Middle of the long-term channel



Source = Factset

#2 US Yields –

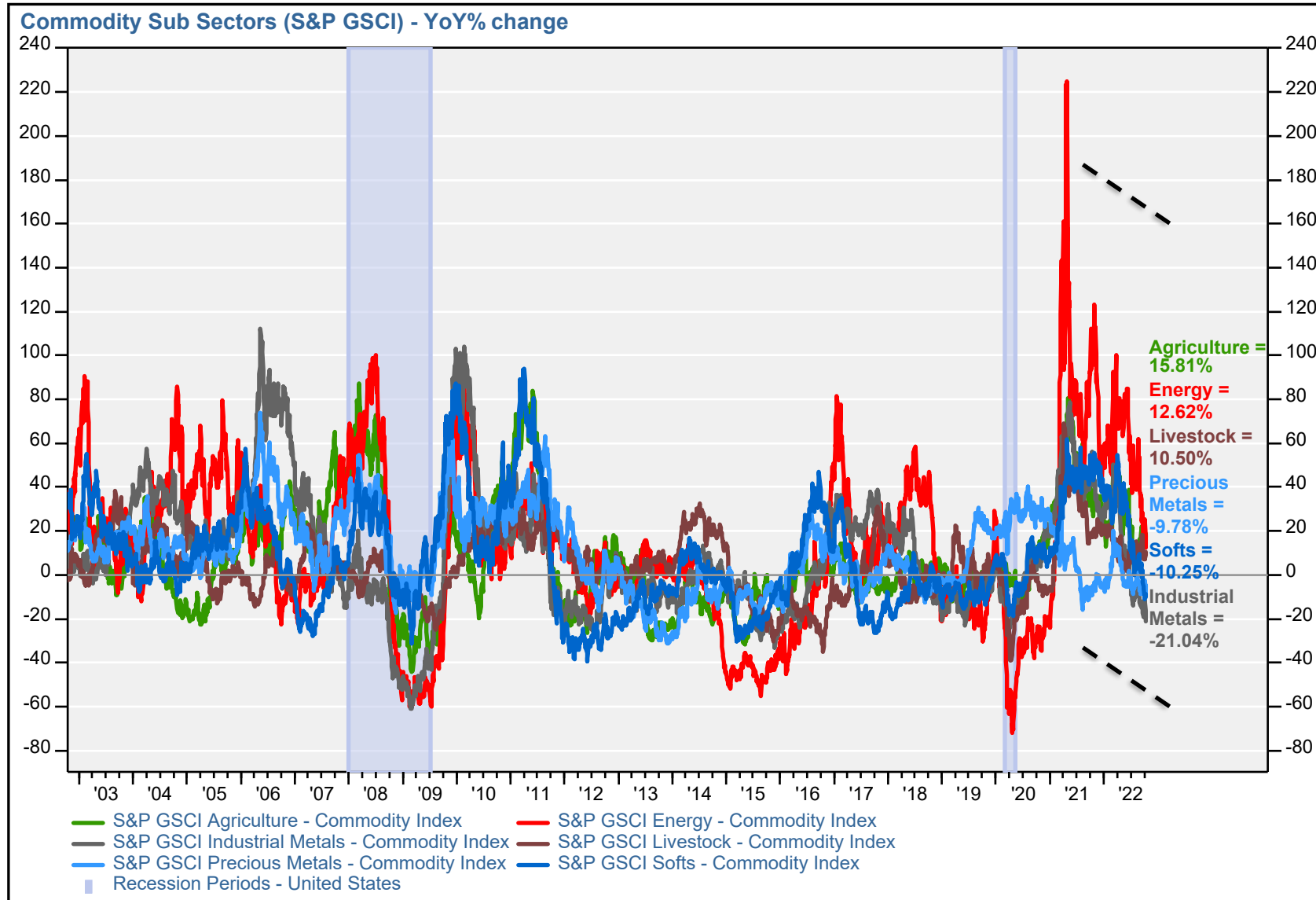
Fed is chasing inflation and the bond market is chasing the Fed



Source = Factset

#3 Commodity Sector Price Trends –

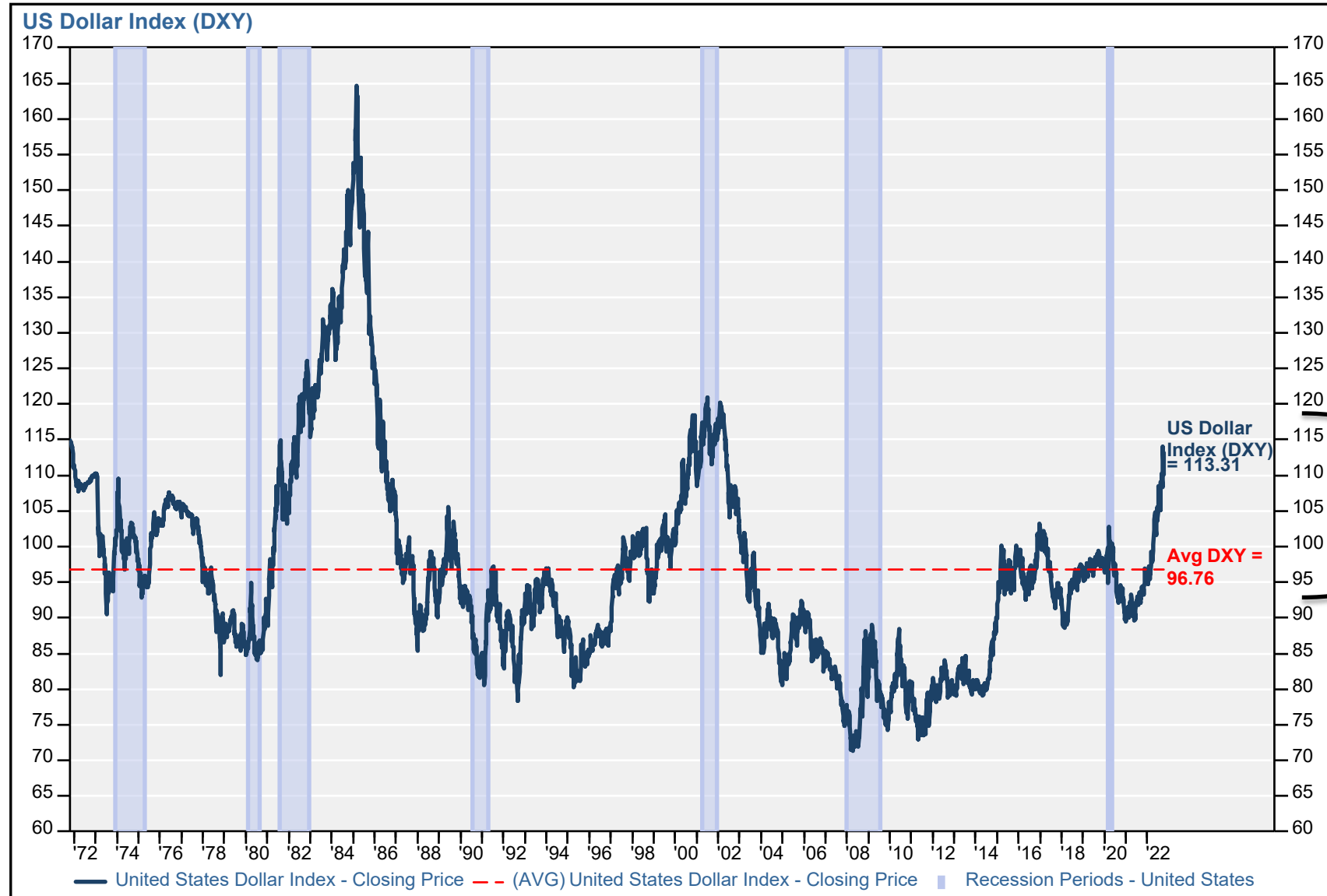
Commodity volatility remains...R-U-S-S-I-A



Source = Factset

#4 US Currency –

US Dollar Index on its third move higher in 50-years



Source = Factset

Summary –

Trends into 2023

1. Inflation

- Narrative has now switched from ‘headline’ to ‘core’.
- Next report is 10/13.

2. Search for energy

- Green energy is the objective but getting off fossil fuels will take time.

3. Central bank reflation

- Central banks are now good for savers and bad for borrowers.
- Next meeting to watch is ECB on 10/27, then the Fed on 11/2.

4. Trade routes

- Reshoring is the theme, with trade more North/South than East/West.

5. Economic growth strategies

- Fiscal policy has shifted to tax hikes to pay for pandemic stimulus.
- Monetary policy support has been removed and is now in-focus.

Disclosures and Disclaimers

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International investing involves special risks including currency risk, increased volatility of foreign securities, political risks, and differences in auditing and other financial standards. Prices of emerging markets securities can be significantly more volatile than the prices of securities in developed countries and currency risk and political risks are accentuated in emerging markets.

Bonds are affected by a number of risks, including fluctuations in interest rates, credit risks, and prepayment risk. In general, as prevailing interest rates rise, fixed income securities prices will fall. Bonds face credit risk if a decline in an issuer's credit rating or credit worthiness, causes a bond's price to decline.

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John.Augustine@huntington.com

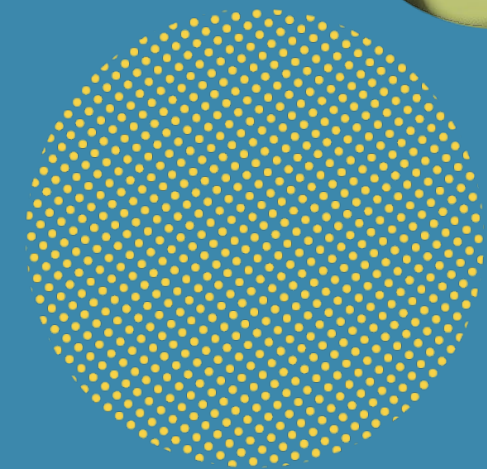
Economic Outlook: Recession and inflation fears, and the impact on US manufacturing. Is there a silver lining?

15-Minute Break

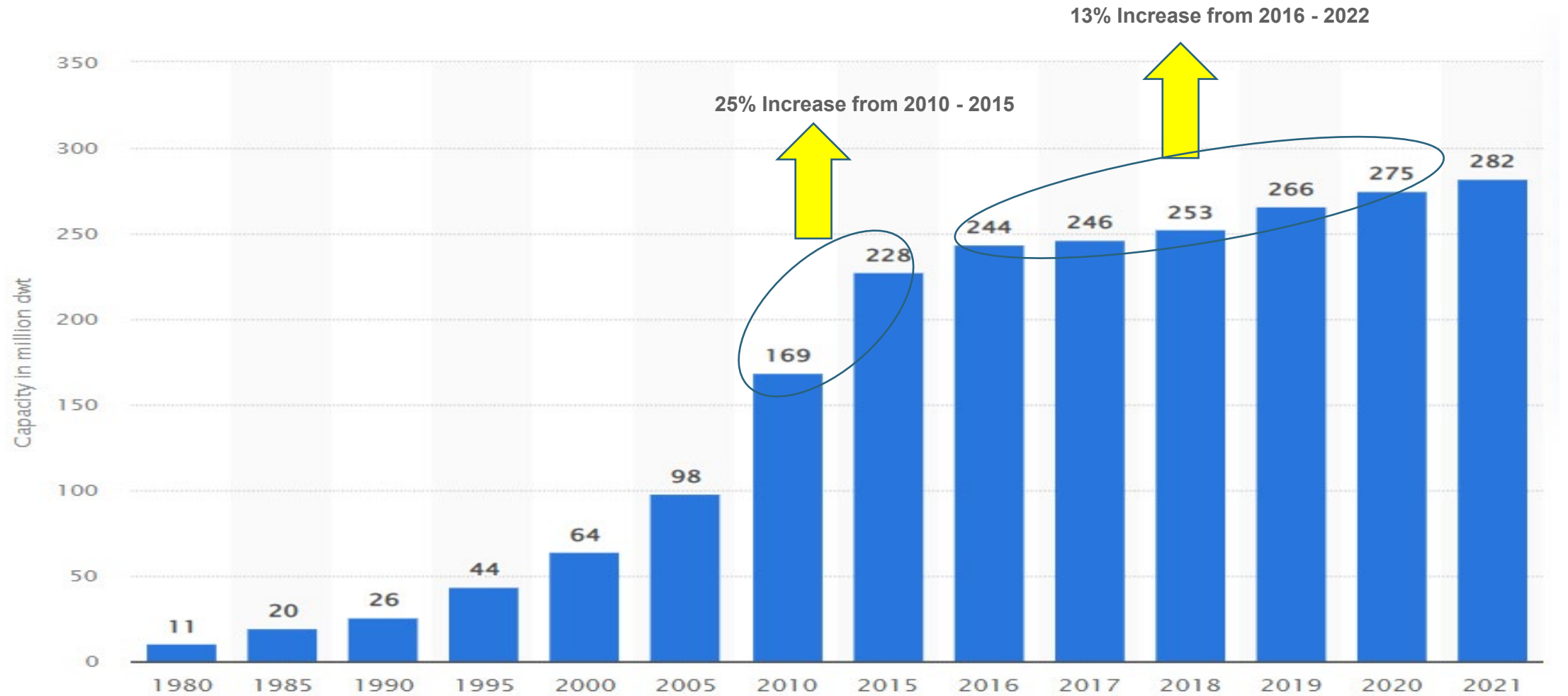
Supply Chain Turmoil: What Can Suppliers Do to Navigate Financial and Operational Hurdles?

October 20, 2022

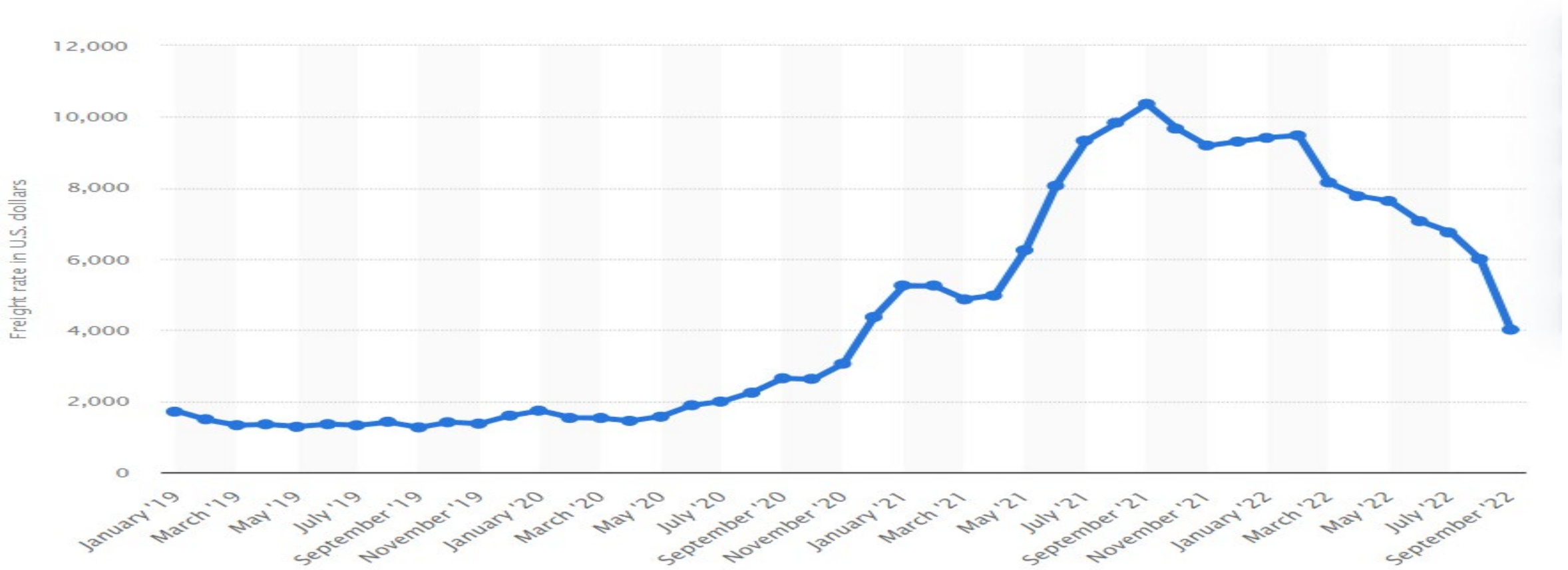
UHY Consulting, Inc.
Charles Clevenger, Principal



Capacity of Containers Ships in Sea Borne Trade from 1980-2021

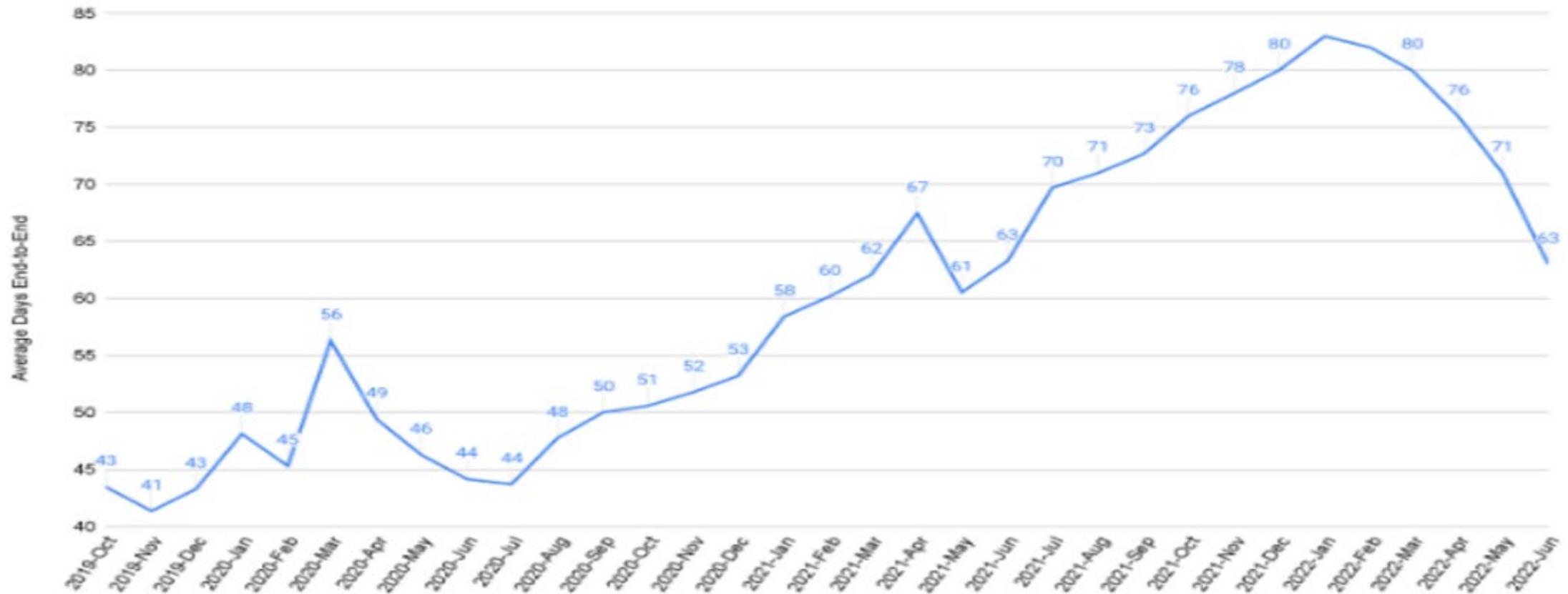


Global Container Freight Rate Index from Jan 2019 to Sept 2022



Source: Statista.com

China to U.S. Ocean Lead Times are Improving



Question: Do we just go back to what we did before?

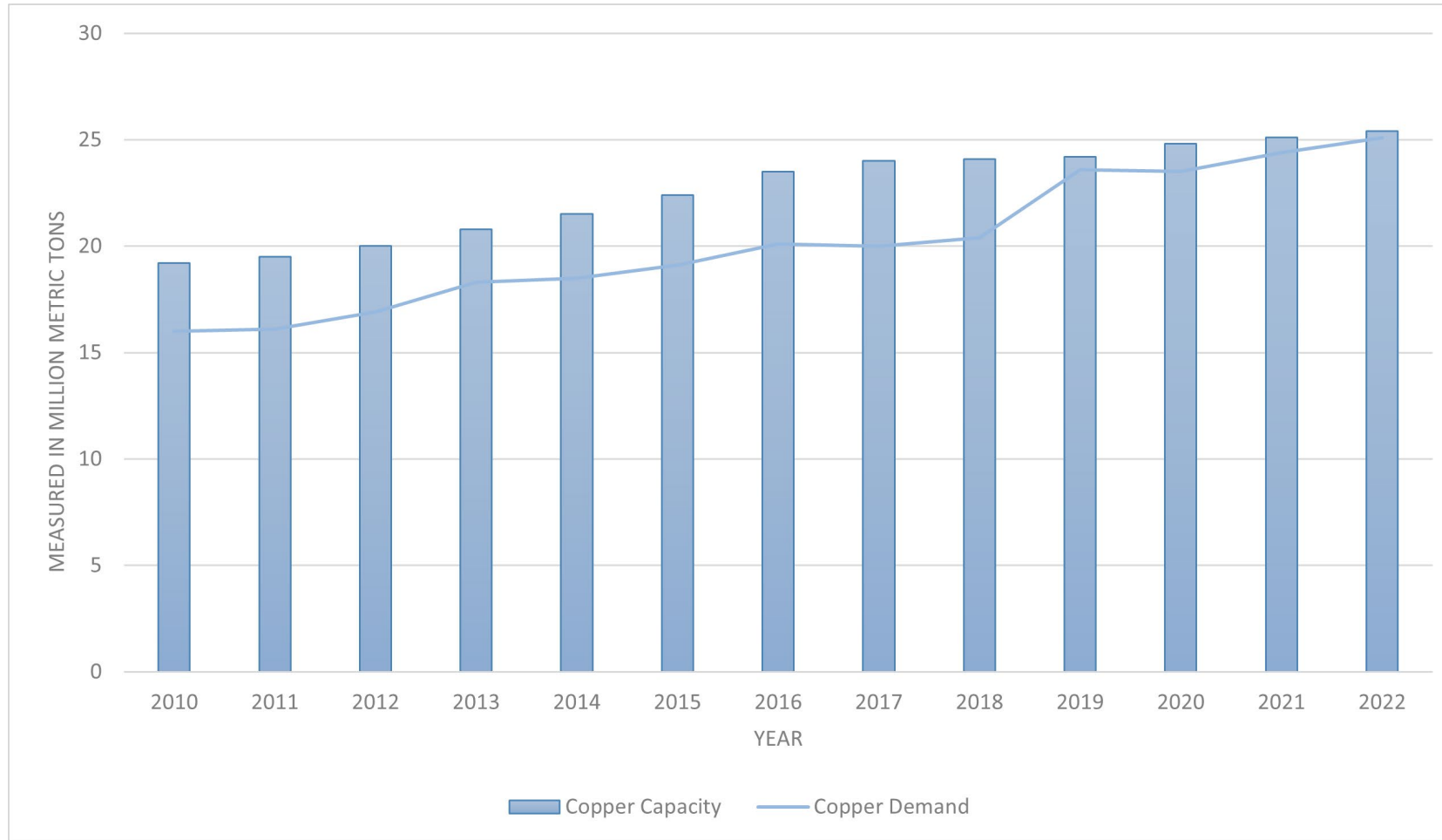
Supply vs. Demand profile has changed for many commodities

- Suppliers much more careful about installing incremental capacity
- Ocean freight “Tactical cancellations”

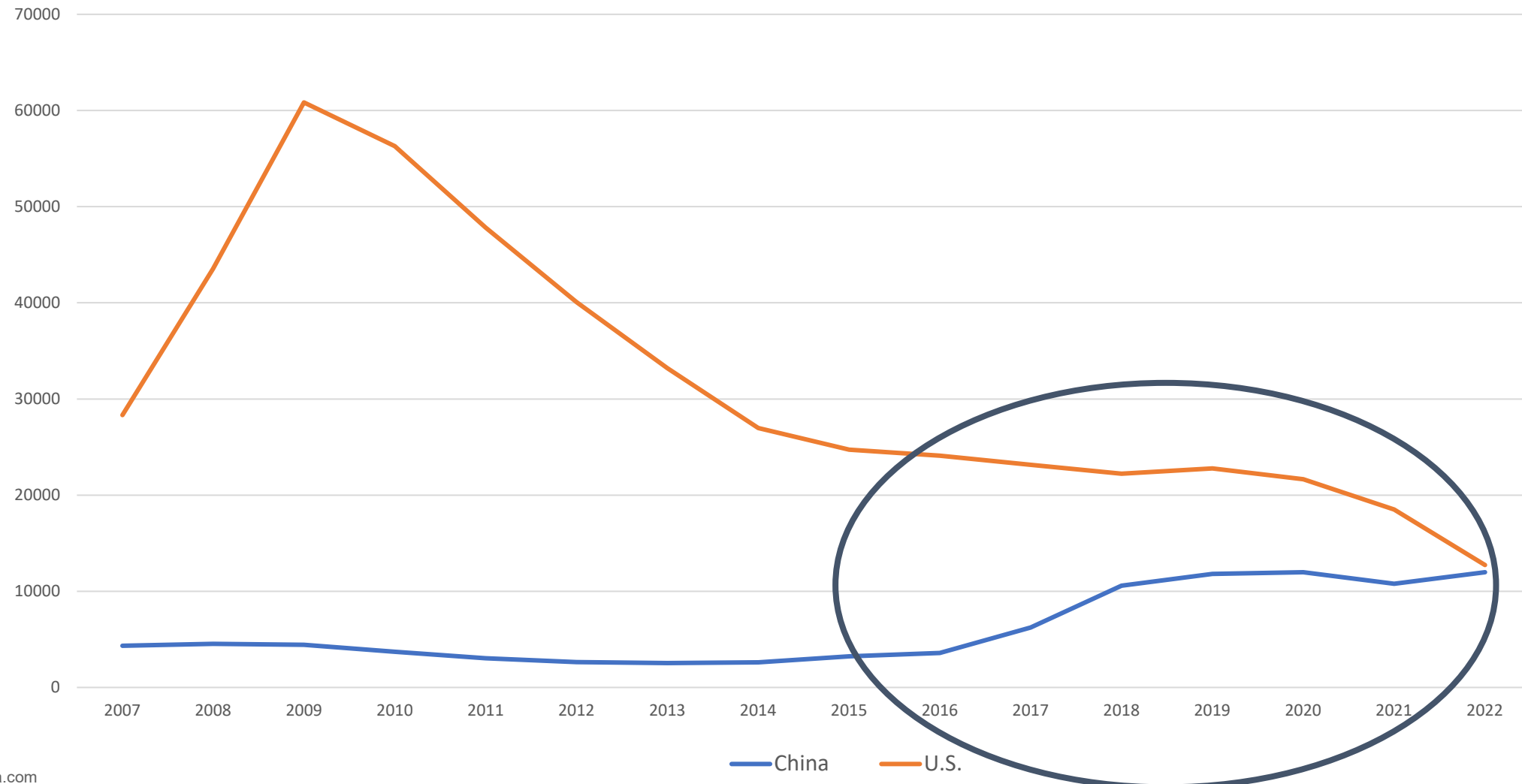
Customer expectations change more frequently

Increasing financial risk on a global level

Copper Production Capacity vs Demand



Number of Bankruptcies in U.S. vs. China



Source: Statista.com

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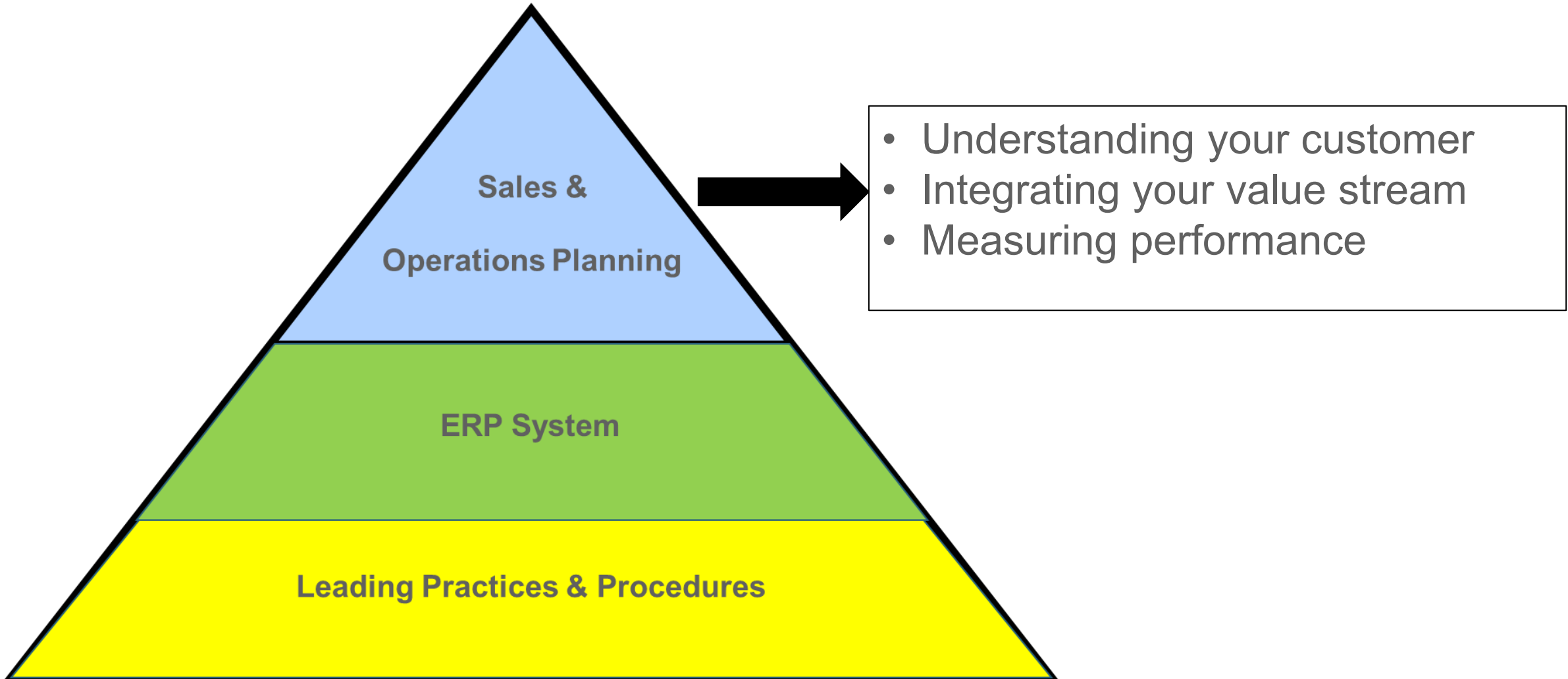
Where are small and mid-cap manufacturers today?

Manufacturers we evaluated commonly show:

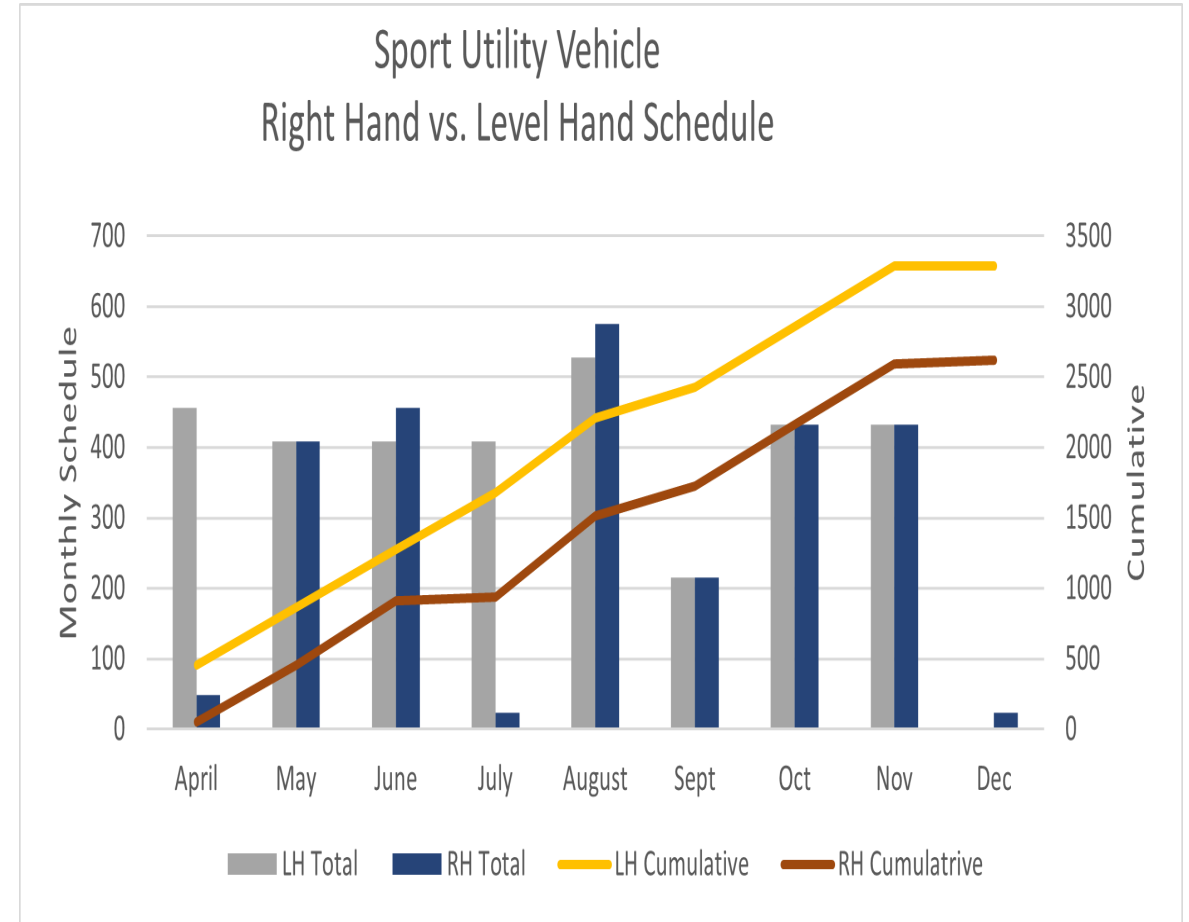
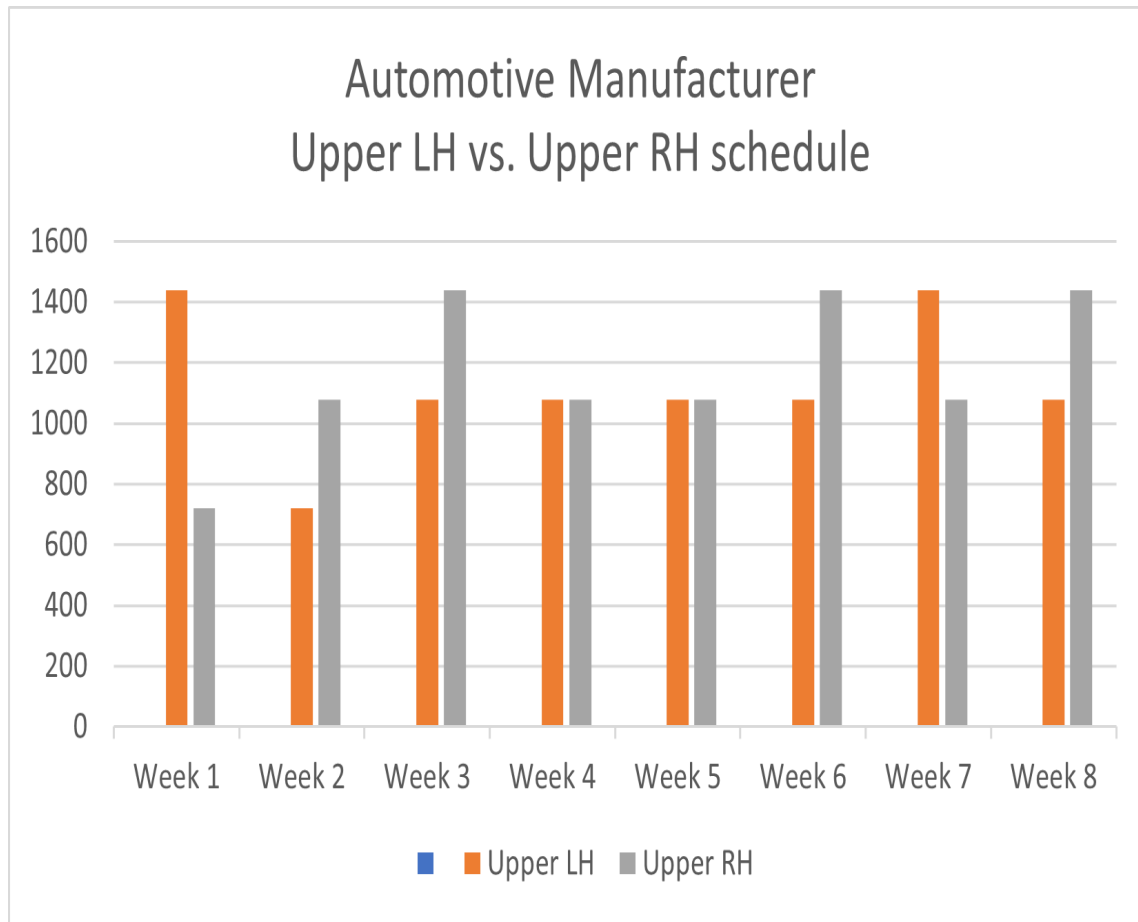
- Flat or reduced revenue
- Increasing customer backlog
- Increased inventory levels, both in real terms and Days on Hand
- Distribution of inventory has become more bimodal (not enough or too much)
- ERP system is not being properly and fully utilized

Sales & Operations Planning Process is not in place or executed properly.

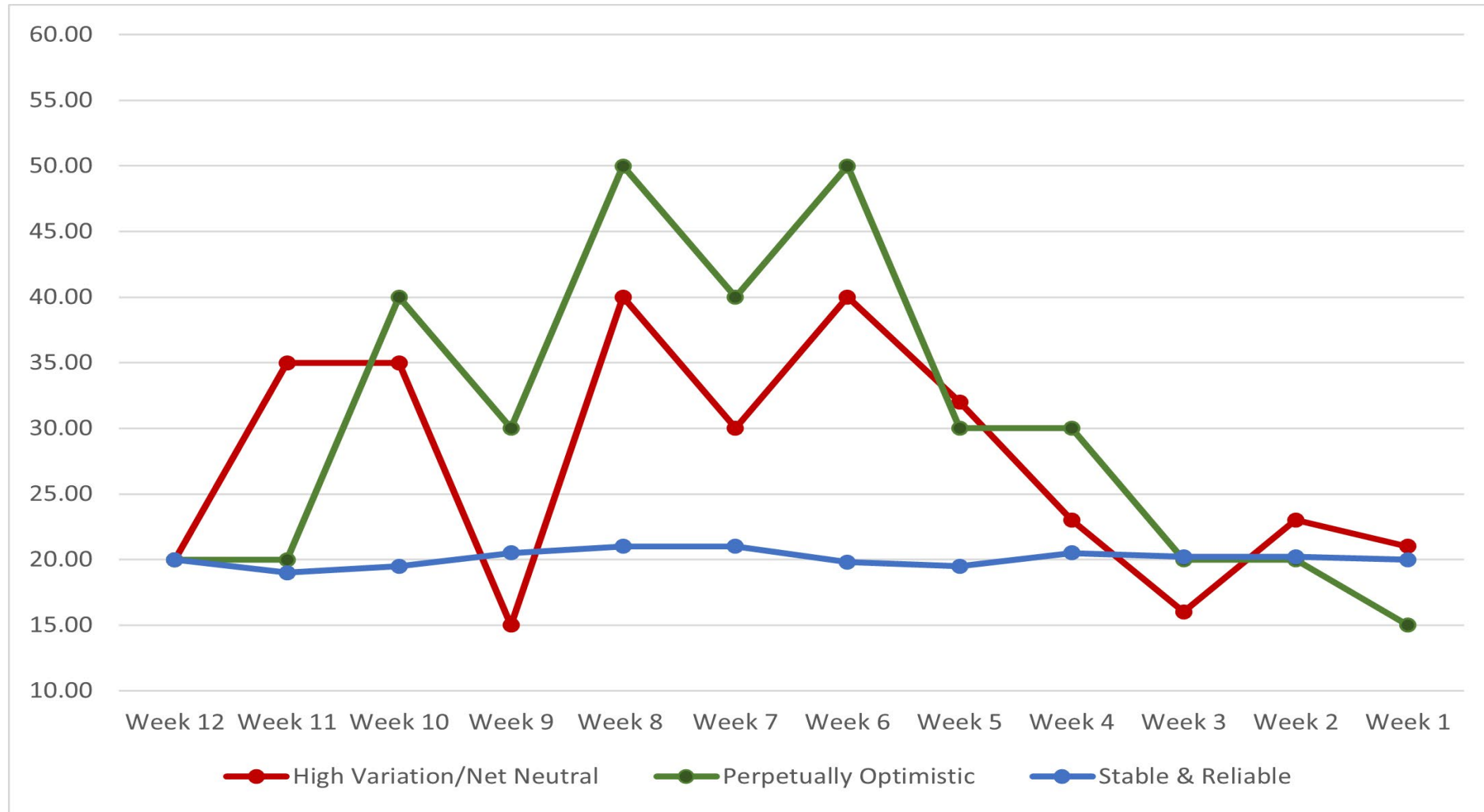
Mitigating Your Risk through Better Fundamentals



Two Examples of Actual Customer Scheduling Variation



Understanding Customer Scheduling Behavior

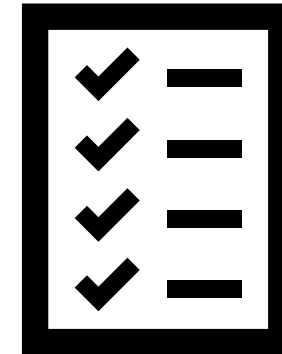


Integrating Value Streams



Measuring Supply Chain Performance

- Customer Metrics
- Internal Manufacturing Metrics
- Supplier Metrics



Correct Part, Correct Quantity, Correct Location, Correct Time

Case Study: Injection Molding & Plating Company



Analysis of Manufacturer:

- ❑ Significant decline in revenue as a result of global competition;
- ❑ Inability to adjust operations to achieve a profitable cost structure; unable to increase revenue;
- ❑ Operational visibility and supply discipline were lost; resulting in significant increase of inventory levels.

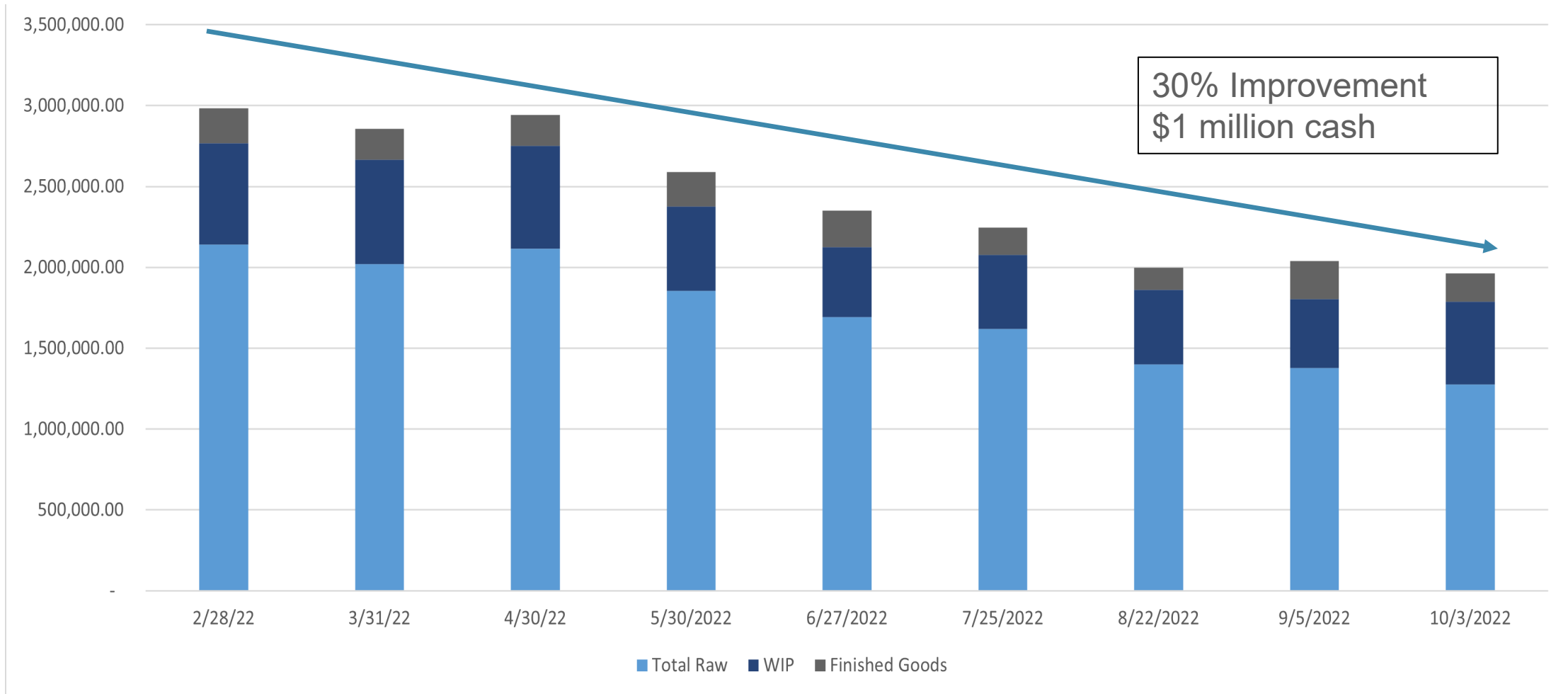
Solution: Manufacturer partnered with UHY to evaluate and improve all aspects of their operation from internal manufacturing through supply chain management by:

- ❑ Introduction of increased visibility and KPIs;
- ❑ Implementing continuous cost improvement process;
- ❑ UHY provided training and improvement strategies and plans in the purchasing, supply chain, and transportation management processes;
- ❑ Developed an overall cost improvement and revenue plan.

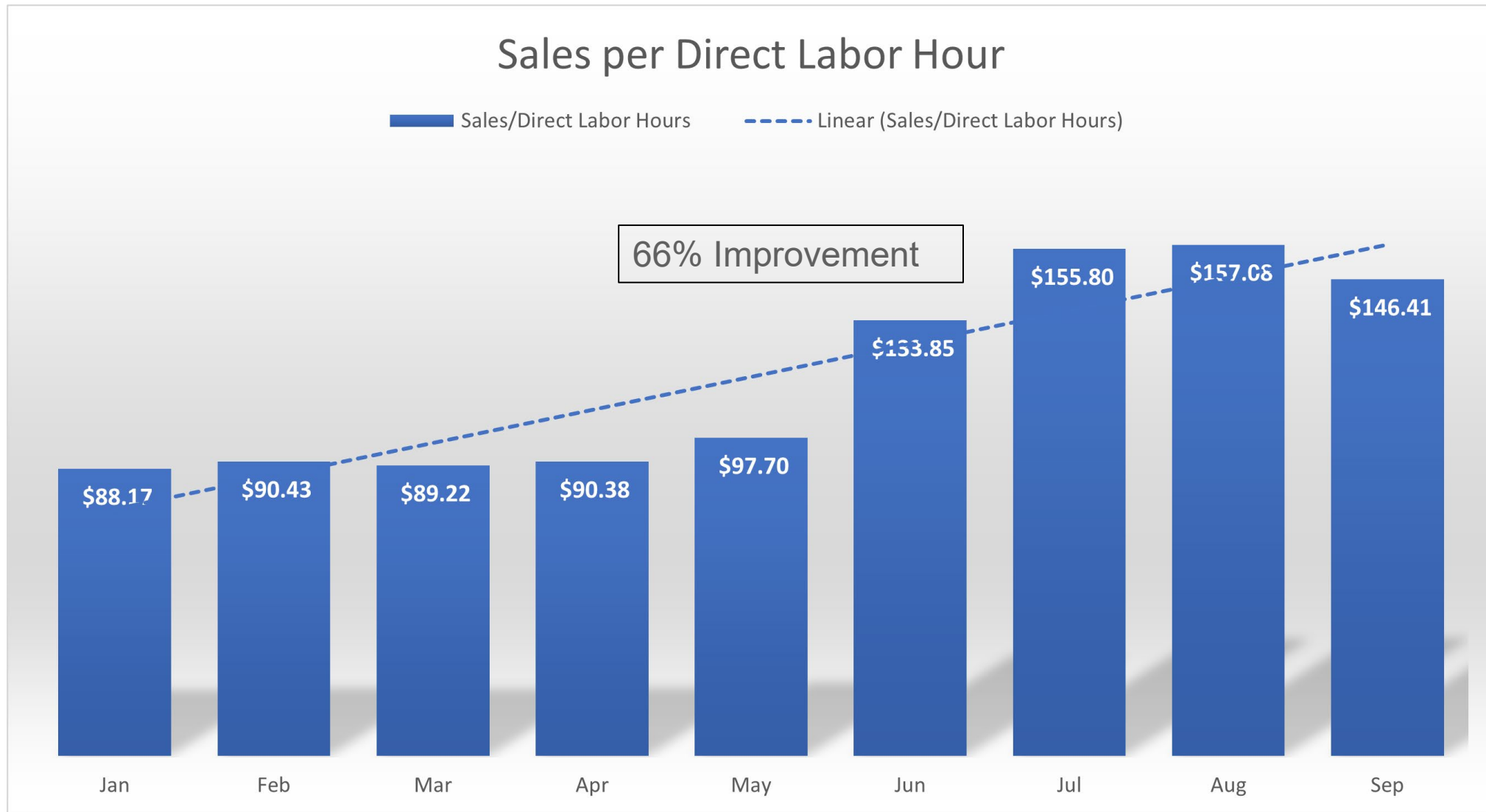
Partnership Results:

- ❑ Breakeven point for company was reduced by **20%**, resulting in **\$5 million** in annual cost improvement;
- ❑ Implemented **30%** inventory improvement; resulting in working capital increase of **\$1.5 million**;
- ❑ Company successfully pursued new business; resulting in **15%** annual growth rate.

Inventory Improvement through better fundamentals



Productivity Improvements through Better Fundamentals





Charles Clevenger

Principal

UHY Consulting

cclevenger@uhy-us.com

(586)840-3630

uhy-us.com

Supply chain turmoil: What can suppliers do to navigate financial and operational hurdles?



Enriching Lives

What our brand promise means and how we put it to action

Tony Spielberg

Manufacturing Ambassador

Cambridge Air Solutions

Current State of Manufacturing

Let's dive right in to what we know:

- Scarcity of Talent
- Rapid transformation of Work and Skills
- Diversity and inclusion are existential
- Purpose and flexibility are the new currency
- From formal to dynamic teams
- Digital relevance and Cyber Security
- Inflation

And then what has become the norm in our daily manufacturing operations? Yes, Supply chain, potential for an economic recession, everchanging customer margin pressure and of course addressing increased capacity, reshoring and demand-driven manufacturing....

And oh-yeah: PLUS- The whole new industrial revolution deemed as Industry 4.0





HOW do we categorize this state of business, political, societal and ecological world?

THE VUCA ERA

VUCA	<u>V</u>olatile	The environment demands you react quickly to ongoing changes that are unpredictable and out of your control
	<u>U</u>ncertain	The environment requires you to take action without certainty
	<u>C</u>omplex	The environment is dynamic, with many interdependencies
	<u>A</u>mbiguous	The environment is unfamiliar, outside of your expertise

These challenges are not unique to Cambridge and the Manufacturing industry- We can all relate to these challenges and we must embrace rather than stay the course or even retreat



AGENDA

What We Do at Cambridge Air Solutions

10 Million **Lives Enriched**

Our Proprietary Approach to **Building Transformational Relationships**

How Cambridge is approaching VUCA

Come visit and ask us anything.

What We Do

at Cambridge Air Solutions



Cambridge Air Solutions Vital Stats

Just 9 years ago our total revenue was 13mm

This year we will hit 52mm

Two facilities totaling 190,000 Square feet

200 Employees up 25 from LY

Back log on production is 4-6 weeks on our most popular Skus and 3-6 months out on bottom 40%

7,000 visitors over the last 5 years

Employee turnover rate 7-8%

OUR GOAL

To find other purpose-driven, people-centric businesses to form connections

to empower.

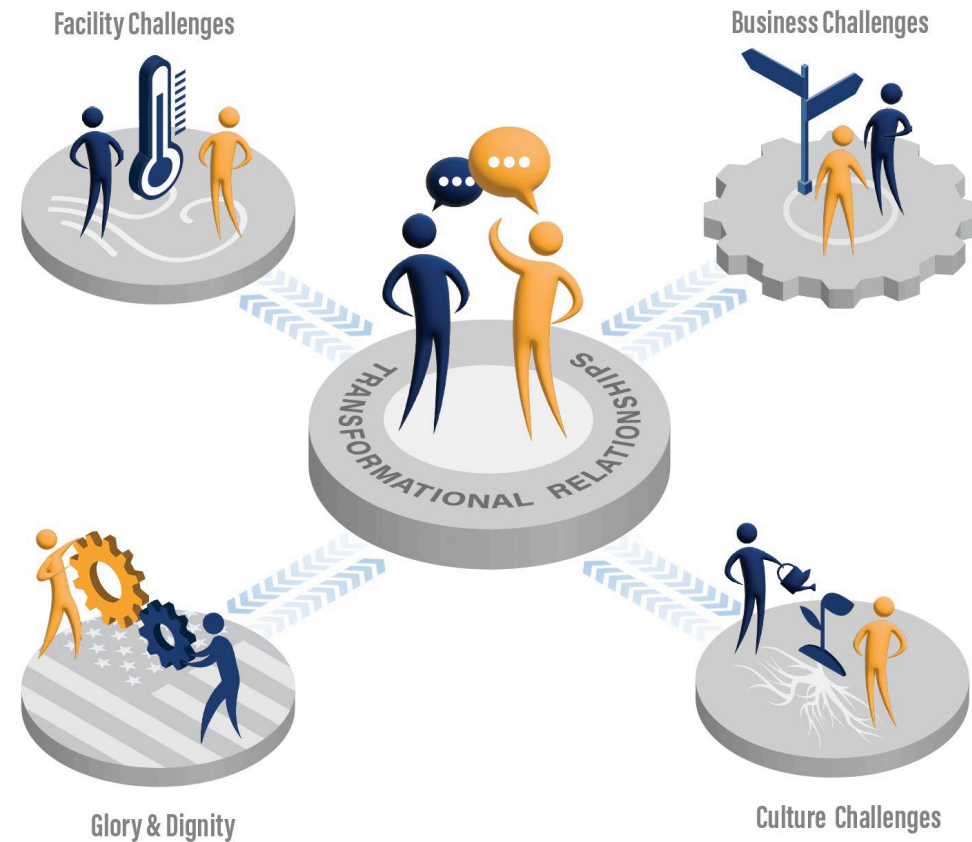
to share learnings.

to enrich our community.

to help provide healthy work environments for their people.

Our Proprietary Approach

THE CAMBRIDGE WAY



Working to **enrich the lives** of 10M people..



Enriching Lives through

BUSINESS CONNECTIONS

Peer-to-peer conversations around
the real-life challenges of business
and people.

A man in a red polo shirt is cleaning a table in a kitchen. He is holding a blue spray bottle and a red cloth. The kitchen has grey cabinets, a tiled backsplash, and a countertop with various items like a red bowl, a paper towel holder, and a fruit basket. The text is overlaid on the image.

Enriching Lives through a

CULTURAL CHALLENGE

Sharing learnings and best practices from our journey in building our lean culture?

What can we learn from you?

A man with glasses and a white button-down shirt is smiling broadly. He is holding an American flag behind his back, with the flag's stars and stripes visible. He is also holding a blue patterned blazer over his shoulders. The background is a plain, light-colored wall.

Your text here

Enriching Lives through

GLORY AND DIGNITY

Lifting our industry to a higher standard by giving back to the community and to employees

A worker in a white hard hat and safety glasses is using a grinding wheel on a metal part in a factory setting. The worker is wearing a blue jacket and brown gloves. Sparks are flying from the grinding wheel. The background is a blurred industrial environment.

Enriching Lives through

FACILITY CHALLENGES

How can we help you provide healthy working environments for your hard-working people?

A large, stylized graphic of a blue wave or swirl, composed of several overlapping, semi-transparent blue shapes, centered in the background.

Remember we mentioned VUCA?

YOU MUST resist the fear. VUCA creates a tremendous amount of fear. Here is the way our leadership team decided to grapple with it.

3 Principles for successful leadership in a time of VUCA Focusing on Operational Excellence

1. Continue to invest in and support a strong, people centric culture. (Remember, organizational health will always trump strategy)
2. Double down on a real understanding of our customers.
3. Take an outside-in approach to product development, aligning your products and organization to support your customers success.



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Retaining talent, improving culture, and
driving efficiency



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What bad news? How suppliers are winning
in a tough environment



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THANK YOU!