

COVIDCRISIS

Communication #6



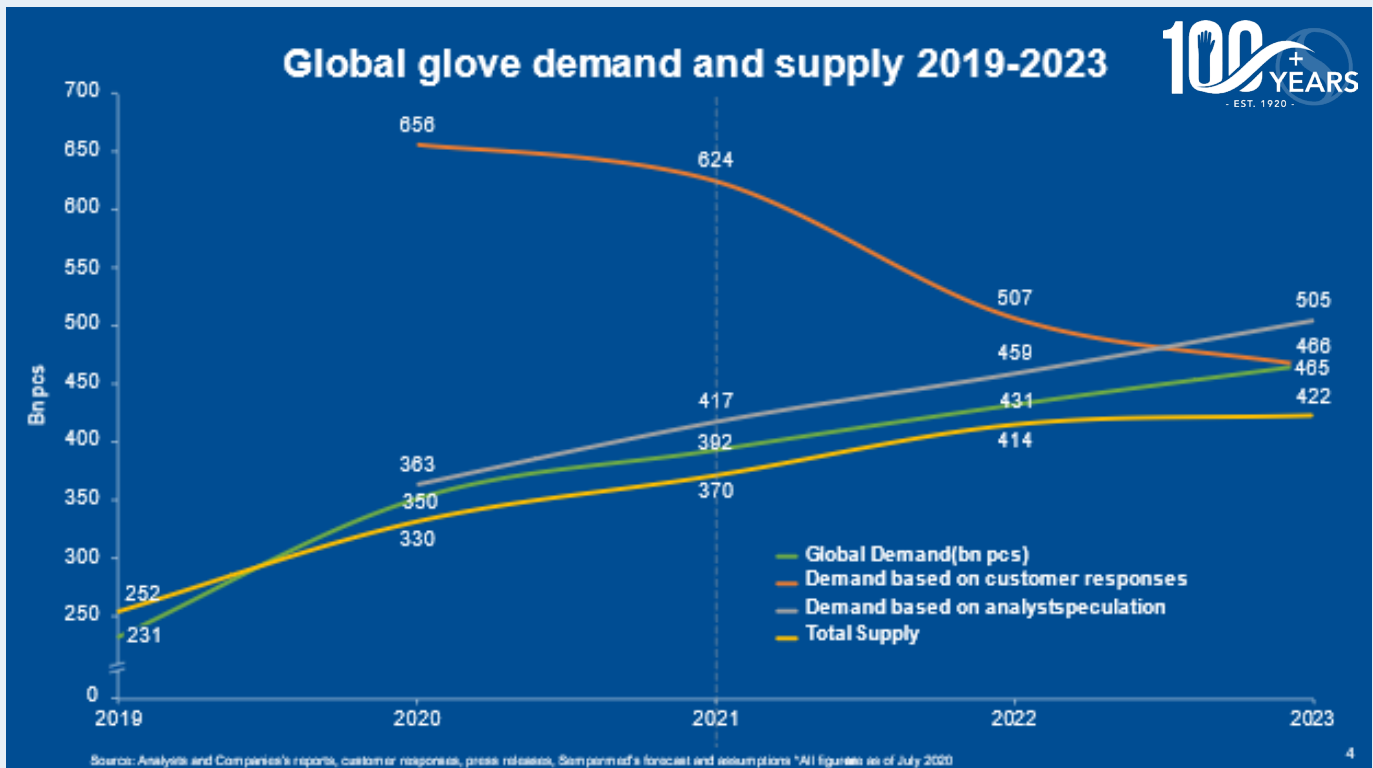
June 18, 2021

Covid-19 is having a significant impact on the global supply chain for PPE. The strain on the supply chain is still being felt this year. This is your regular communication to keep you informed of the changes occurring in this dynamic situation.

GLOVE SUPPLY

Still uncertain and strained due to new factors.

- As the chart below indicates, there is still an overall shortfall between global demand and total supply.
- While some distributors currently have ample inventory levels, they need to be aware of new circumstances that will potentially affect supply going forward.
- Most of the world's supply of disposable gloves are produced in Malaysia.
- Glove manufacturing is impacted by the current lockdown in Malaysia due to a recent Covid outbreak. An emergency movement control order is in place (MCO). Factories are being held to 60% workforce which is affecting overall production output.
- Our factory is producing at an all time high.
- Additional products are in the 510k process to expand our current product offerings.
- Some products have been removed from allocation.
- Due to production optimization, fewer heavy weight and extended cuff gloves are available.
- To meet increased demand, new nitrile lines being installed in our Malaysian factory will provide additional glove capacity at the end of the year.
- Over the past year, Customs Border Patrol has banned imports from several Malaysian factories which has impacted the overall supply available to ship into the United States.





SUPPLY CHAIN

Ongoing issues with shipping continue to plague the already weary supply chain for gloves.

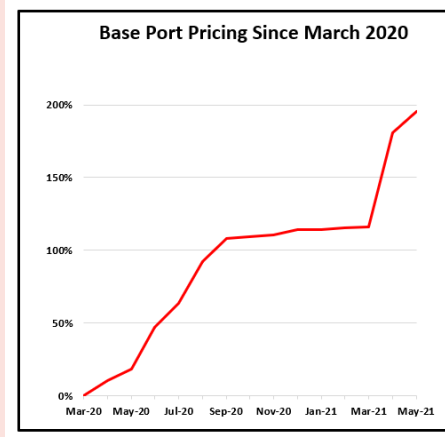
LTL (less than truckload) freight:

- Delivery constraints including driver shortages and an overabundance of freight have crept into LTL freight impacting deliveries.
- Carriers normally operate at 97% on time delivery (OTD) rates and some are now reporting in the 70% OTD range.
- If guaranteed OTD is required, air freight can cost more than 10 times the cost of ground transportation.
- May 2020 to May 2021 Spot oil rates have increased 95% and diesel prices have increased 34%.
- There may be an increase in carrier damages since LTL hubs will be working faster to alleviate backlogs.

Ocean Freight

Continues to be an unprecedented and exasperating situation.

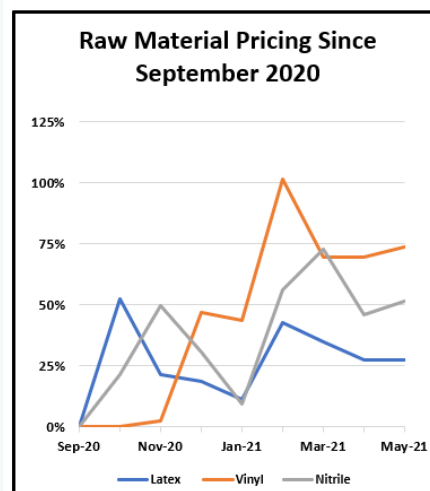
- Blank sailings point to ocean space shortages well into the summer as there is an extremely serious space crunch.
- Container capacity shortages show no sign of easing freight rates as demand continues to exceed available slots and containers.
- Yantian port, one of the world's top ports expects delays due to China Covid outbreak.
- Frenzied container market shows that costs to ship goods from China are still rising.
- Freight forwarders are reporting record charter rates that signal the extreme vessel shortage which is a major negative for cargo shippers.
- Peak shipping season is expected to start early this year as the backup of container ships anchored off the coast of California persists. The California congestion equates to ships unable to return to Asia to load new cargo. This will result in longer delays, higher freight rates and a cap on how much can be shipped at any price.



Trans-Pacific container rates reach all-time highs as June general rate increases stick. Some container rates have increased over 250%.

RAW MATERIAL PRICING

- Since September of 2020, raw material costs of latex, nitrile, and vinyl increased 50-100%. Recently, raw material costs have decreased from their highest levels.
- Although raw material costs are a major contributing factor of the finished goods pricing for gloves, two other significant components contribute as well. They are energy (which includes labor, transportation, oil/fuel, and factory power) and currency exchange rates.
- Any decrease in raw material pricing is most likely to be offset by increases in transportation costs.
- There is no way to predict the future pricing outcome with raw material reductions and transportation increases.



SUSA will continue to be transparent with our distribution partners and will pass along increases and decreases commiserate with what we are experiencing.