



Manufacturers Alliance
Sharing Education & Resources Peer to Peer

EDUCATIONAL SEMINAR

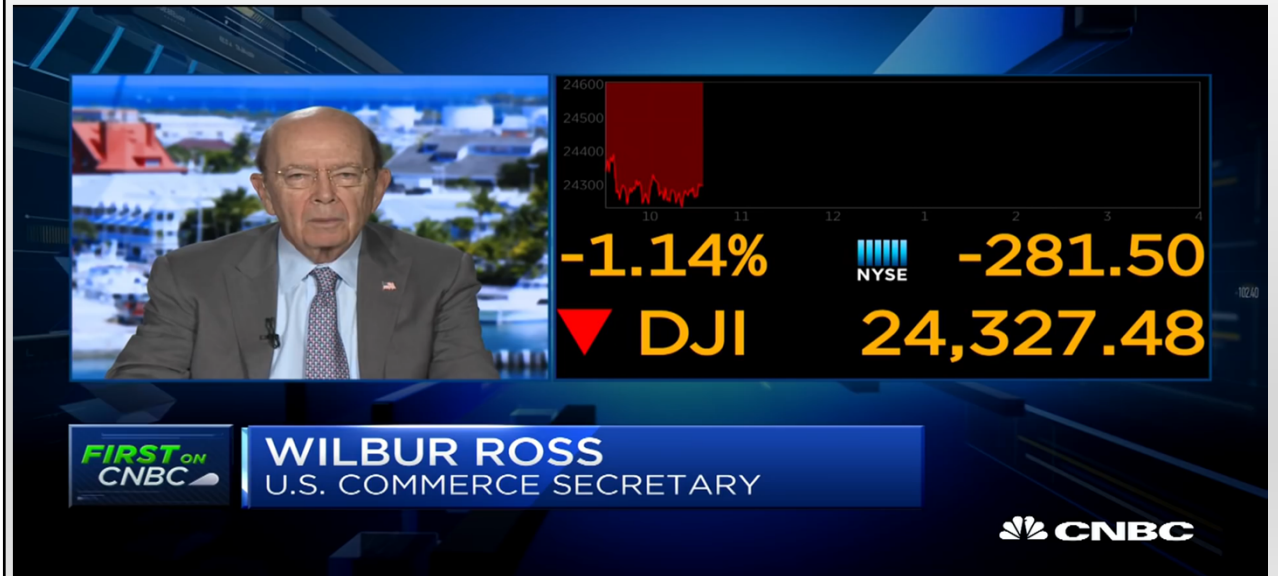
Minimizing the Impact of Tariffs

Practical perspectives on managing the impact of tariffs.

TARRIFS: HOW BERMO RESPONDED

Josh Berdass
VP Operations
BERMO

TARIFF ANNOUNCEMENT



"NO BIG DEAL"

- "Tremendous overreaction"
- "½ of 1% impact on the price of a car"
- "It doesn't mean anything"
- "All this hysteria is a lot to do about nothing"



FACTS PAGE*

- 84% are reviewing their supply chain strategy
- 72% to offset increased costs through higher prices
- GM: \$700M in higher costs from tariffs
 - Ford: \$145M- \$600M; Toyota \$100M(11/05/18, WSJ)
- 75% of S&P 500 companies have negatively been impacted (11/05/18, WSJ)

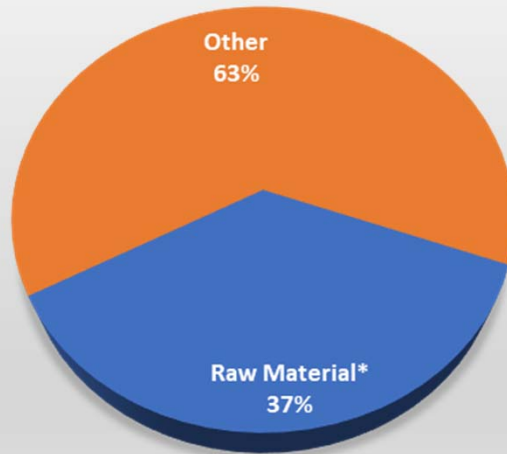
*Based on an Ernst & Young Survey, 10/25/2018 unless otherwise stated



- Contract manufacturing for metal fabrication
- Circle Pines, MN
- Founded in 1947; family owned & operated
- 170 employees, 3 shifts
- Engineering; Laser; Stamping; Fabricating; Weld
- Midwest OEM Customer Base

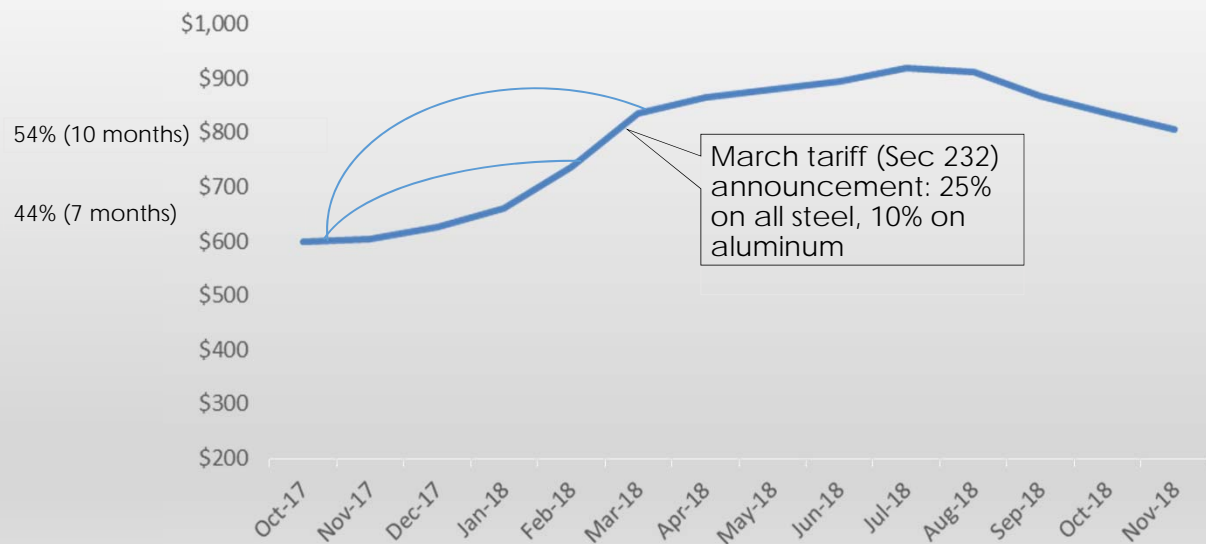


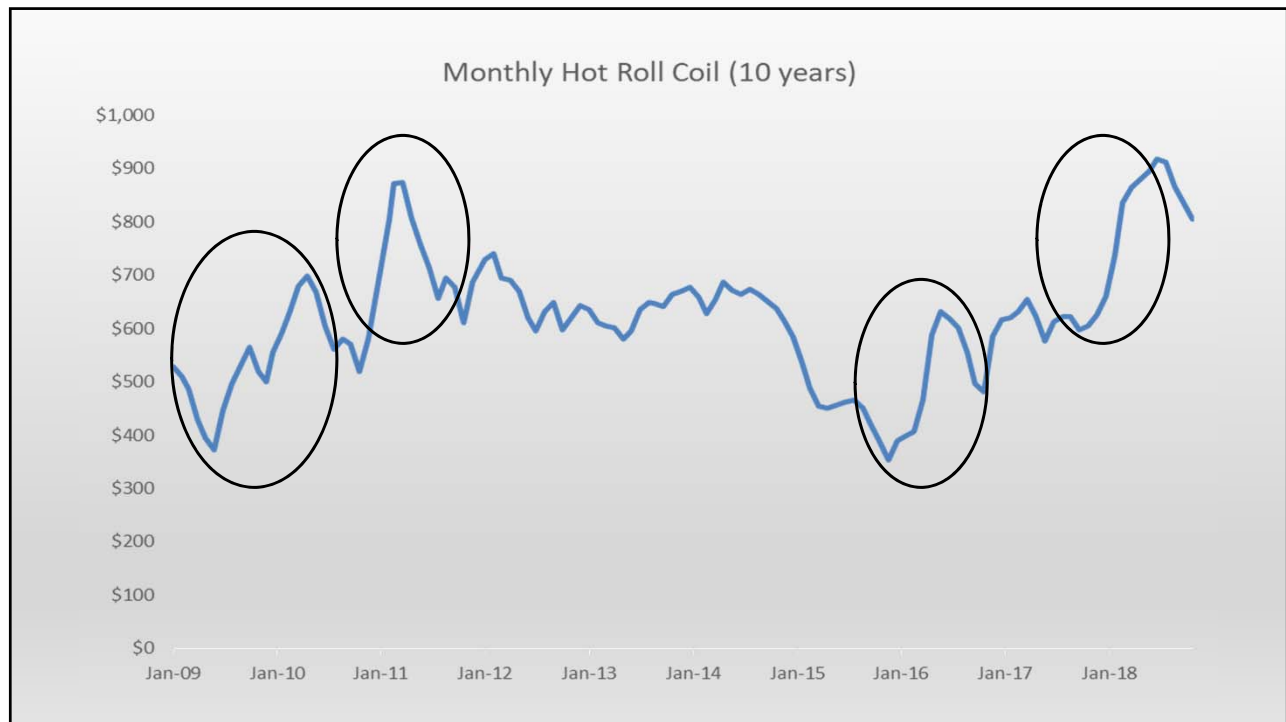
BERMO 2018 COST BREAKDOWN



*85% is metal products

Hot Roll Coil Monthly Pricing



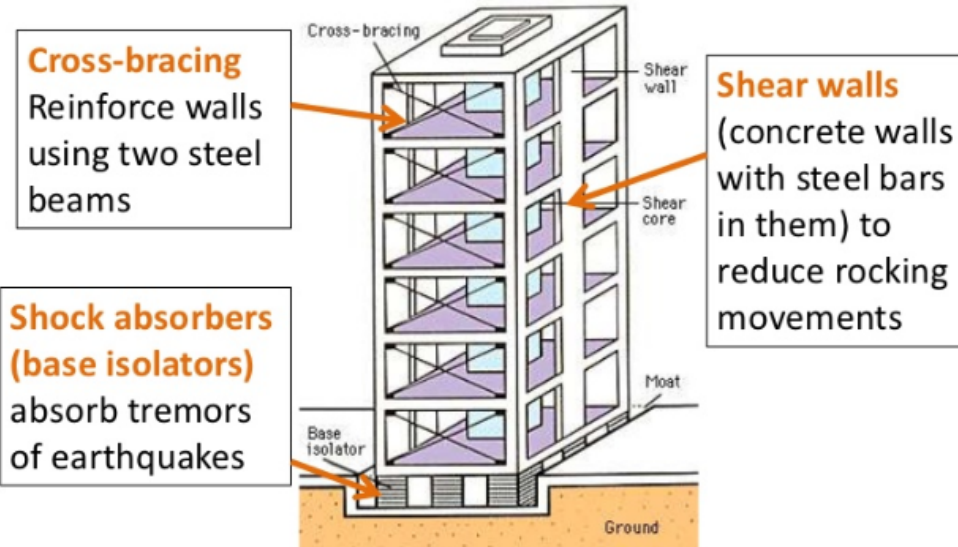


HOW DID BERMO RESPOND?

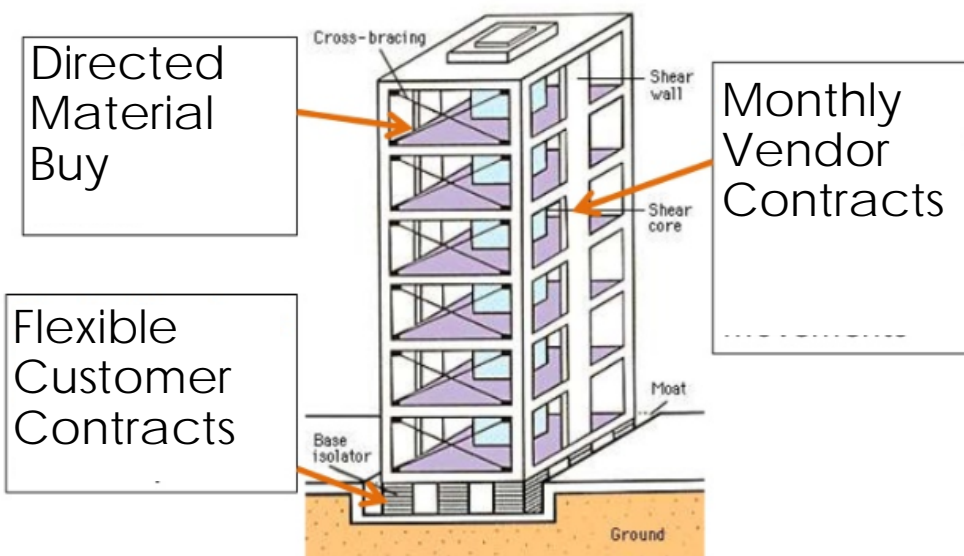
- Strong foundation in place to withstand the shock
- A ductile building is able to bend and flex when exposed to the forces of an earthquake
- 'Earthquake-proof' your business; be prepared



Earthquake Resistant Building



Earthquake Resistant Building



FOUNDATION 1 – STRATEGIC CONTRACTS

- 80/20 Customer Application

<i>Customers 1-4</i>	<i>\$800,000 Combined Revenue</i>
<i>Customers 5-20</i>	<i>\$200,000 Combined Revenue</i>
Customers 1-20	\$1,000,000

Strategic
Contracts

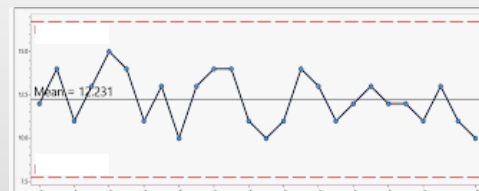
Inflexible
Pricing

- Strategic contracts for top customers (80% revenue)
- Prescribed plan for the bottom customers (20% of revenue)
 - "Inflexible pricing"

FOUNDATION 1 – PRICING STRATEGY

- Top Customers (80% revenue)

- Established Upper/Lower limits
- Objective metric
- Works both ways
- Full transparency

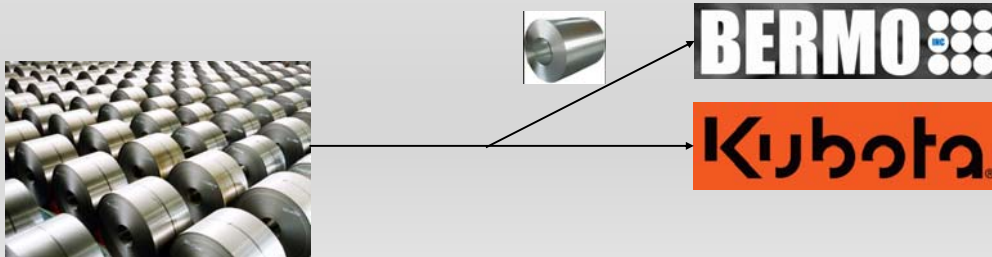


- Bottom customers (20% revenue)

- Pricing adjustments as needed
- Be courteous but firm on the process
- Low impact if business is re-sourced

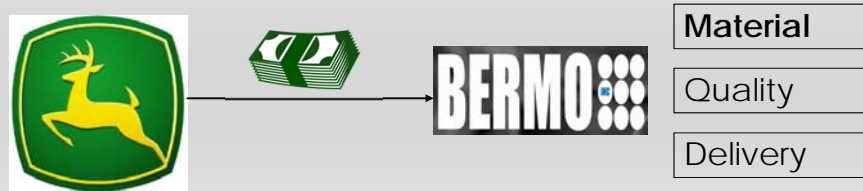
FOUNDATION 2 – DIRECTED VENDOR BUY

- Customer 'directs' BERMO to buy from customer's vendor
 - Leverage buying power of our OEM customers
 - Our customer acts as the material 'buyer'
 - Fully transparent with our material costs
 - Pricing becomes a pass-through exercise

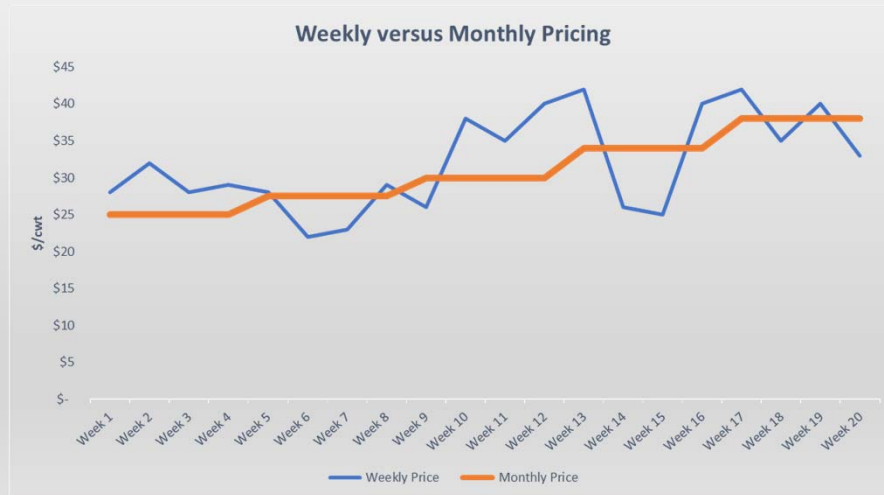


FOUNDATION 3 – VENDOR CONTRACTS

- Monthly vendor contracts
- Leverage BERMO's volume
- Requires a volume commitment but minimizes volatility
 - Monthly cost adjustment, not daily
- BERMO's value: manage the supply chain for the customer



FOUNDATION 3 – VENDOR CONTRACTS



MISC

- 24 hour quotes
- Re-sourced material as needed
- Continuous communication with vendors & customers
- Price transparency where possible
 - Communication with a logical explanation more palatable

Part #	Total Cost	'18 Material Cost	'19 Material Cost	\$ Impact	'18 Price	'19 Price
A123	\$1.00	\$0.50	\$0.75	\$0.25	\$3.00	\$3.25
B456	\$3.00	\$2.00	\$2.50	\$0.50	\$5.00	\$5.50

MAINTAIN A STRONG FOUNDATION

- Foundation 1 – Objective Customer Contracts
- Foundation 2 – Directed Vendor Purchase
- Foundation 3 – Long-term Vendor Contracts

Keep in Mind

- Your competitors likely are managing the same issues
- If customers switch, what are they sacrificing?
- If customers aren't flexible in this climate, are they a good fit?

GOAL IS EARTHQUAKE PROOF....



NOT PROOF OF EARTHQUAKE



Manufacturers Alliance
Sharing Education & Resources Peer to Peer

Thank you for joining us!