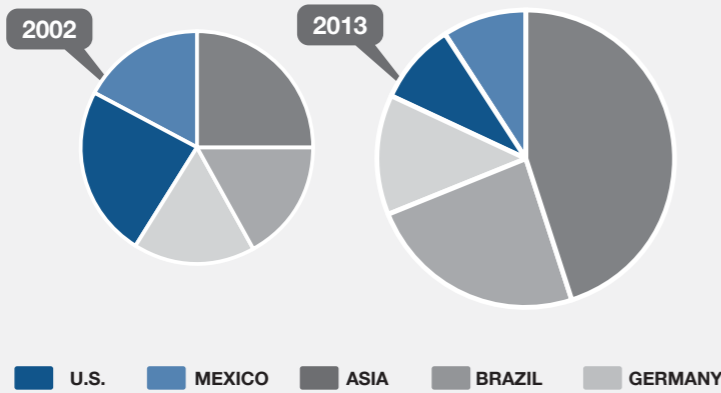




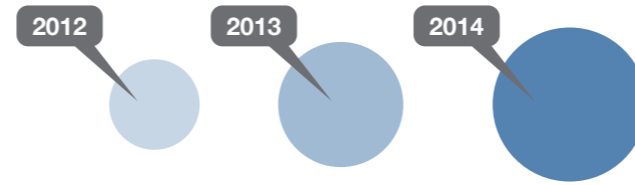
Escalating Wages Overseas

Companies are re-evaluating their total cost, resulting in more companies reshoring. With a skilled workforce, quality and productivity three times higher than low-labor-cost countries, along with shorter supply chains that lead to higher customer responsiveness, Mexico and the U.S. are attractive places for reshoring.

UNIT LABOR COSTS IN MANUFACTURING IN U.S. \$



More Companies are Reshoring



Survey SCM World (respondents 600 companies, 1,018 respondents, members include Fortune 500 companies):

- Over 50% of reshoring has been from Asia.
- 2-to-1 companies expect to create jobs in the US
- 8-to-1 ratio in Mexico
 - Mexico because of its proximity to, and integration with, the US – an advantage the Asian countries cannot copy
 - "Mexico really has the best of all possible worlds because of its association with the US market." Kevin O'Marah, head of research for SCM World
- The survey found that 55% of N. American respondents placed the US at the top of the list of countries to reshore to, with nearshoring in Mexico second, at 31%
 - The largest reshoring projects tend to go into the southeast and Texas
 - Forecasts predict that Texas will be the first to become competitive with Asia for product sold



Make Companies Consider their Total Cost:

Talent	Transformation	Technology	Time
Skilled workforce	Level of customization & flexibility required	Automation/technology/ 3D printing	Supply chain interruption risk
The Brand = Made in USA	Manufacturing & engineering joint ventures	Lean and operational effectiveness	Proximity to the market and the customer
Intellectual property (IP) risk		Quality, rework, redesign & warranty	

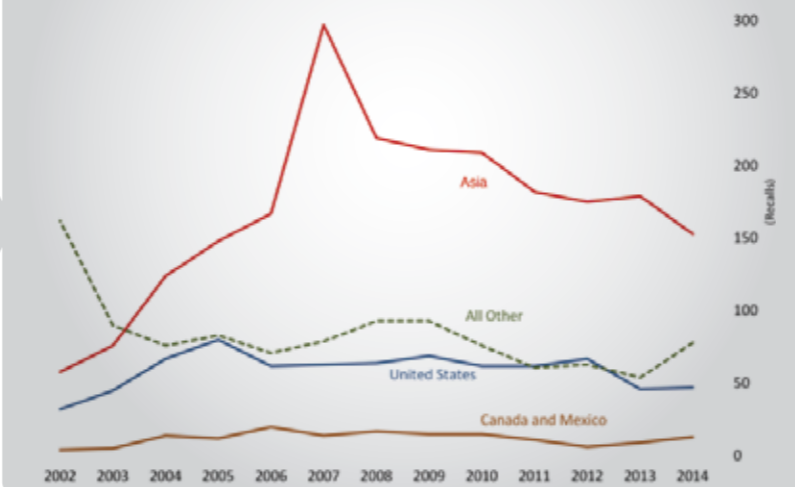
Other Costs Considerations:

- People do business with people - the total cost to the business**
 Time-zone. Travel. Translation. Time-to-market. Transportation
- When speed to market counts, 33% of respondents want to eliminate excessive time-to-market-delays and supply chain complexity risks
 - On average a US outsourcing decision maker can spend 38% of their year traveling to Asia for negotiations, manufacturing and distribution meetings
 - 49% state that 'quality control' due to 'translation' issues is a challenge
 - Outsourcing obscure costs can range from nominal expense up to 300% of production costs
 - Natural gas & oil expenses are lower shipping state-to-state versus Asia to US.
 - Approx. 5% total cost saving achieved by manufacturing in Asia and shipping to the US
 - Brand - 80% of consumers believe that the quality of US-made products are superior to Asia equivalent

With Obvious Mexico & US Advantages:



Product Recall Comparison:



2009		2010	
2012		2013	
2014		2015	