



U.S. Spring Industry Update

International Spring Makers Conference

Düsseldorf

18 April 2018

Agenda

- Introduction
- The US Economy
- The US Spring Industry
- SMI Initiatives

Introduction

Steve Kempf

- CEO of Lee Spring
- Incoming President of SMI



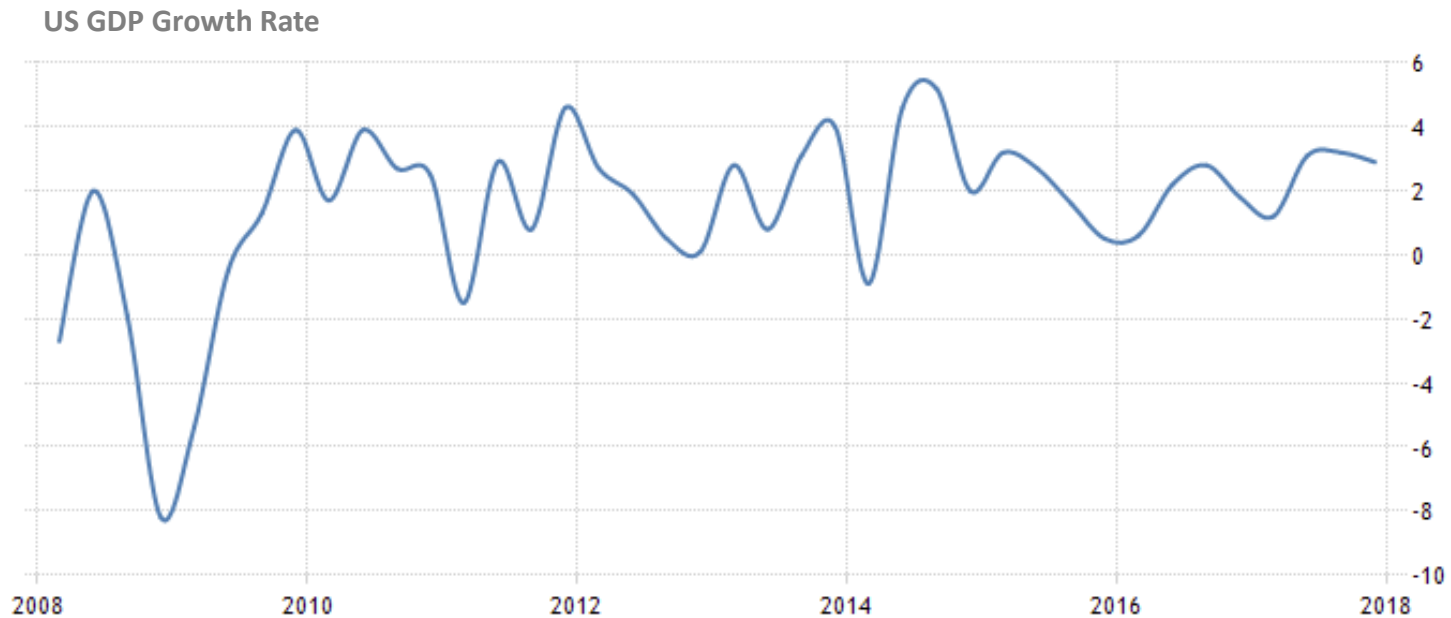
- Celebrating 100 years in business
- Private, family-held company
- Headquartered in Brooklyn, NY
- Expanding global presence in 6 countries
- 350 employees across 12 locations
- Custom and catalog springs
- Broad capabilities and diverse offering

- North American spring industry trade association (USA, Canada, Mexico)
- *Springs* magazine
- Advanced Spring Design software
- SMI Metal Engineering eXpo & Symposia
- Industry benchmarking studies
- Staff specializing in: metallurgy, spring design, employee safety, government regulation

The US Economy

Stable GDP Growth

- US Economy Expanded 2.9% in final Quarter of 2017
- Compares to average of 3.2% over past 70 years
- Expected to trend in 2.0% to 2.5% range this year



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

High Business Confidence

- US PMI Index just off February's 14-year high of 60.1
- Expect modest decline over next 12 months, followed by steadier decline toward 52 into 2020



Near Full Employment

- US Unemployment of 4.1% is lowest in 17 years
- Compares to average of 5.8% over past 70 years
- Expected to continue downward trend to 3.8%



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

Weakening US Dollar

- After several years of a strong US dollar, it has been on a steady decline since the start of 2017
- Driven by fiscal stimulus and resulting deficit

US Dollar Index



SOURCE: TRADINGECONOMICS.COM

Increasing Prices

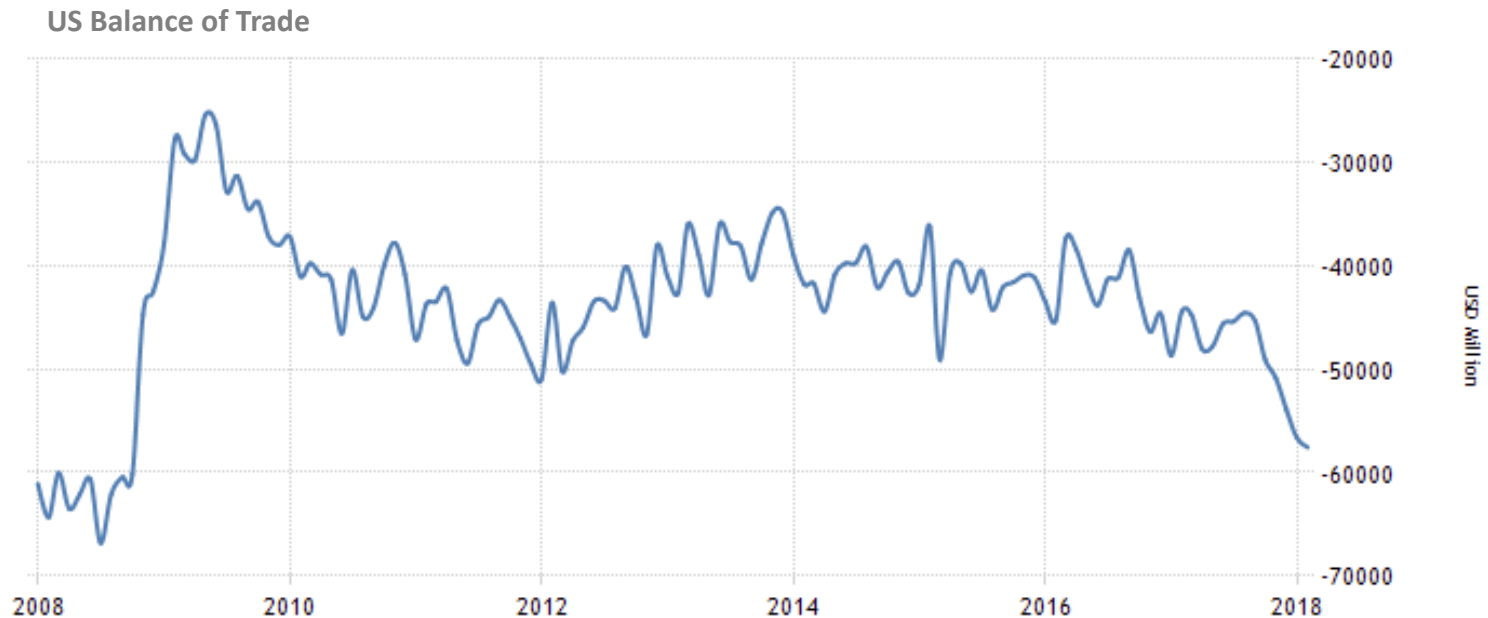
- US consumer price index at 2.4% and gradually rising
- Compares to long term CPI of 3.8% over 90 years
- Expected to continue gradual upward trend



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

Accelerating Trade Deficit

- US trade deficit widened to \$57.6 billion in February
- Represents largest trade gap since 2008 recession
- Expected to grow still further in the near term



SOURCE: TRADINGECONOMICS.COM | U.S. CENSUS BUREAU

Impact of Government Policies

- Favorable to business
 - Taxation changes
 - Increased government spending
 - Fiscal stimulus / Weaker US dollar
 - Reduced regulations
- Unfavorable to business
 - Interest rate hikes
 - Budget deficits
 - Tariffs and trade wars
 - Uncertainty and unpredictability

US Economy – In Summary

- Strong recent performance
 - Stable GDP growth
 - High business confidence
 - Low unemployment rate
 - Weakening US Dollar
- But growing uncertainty
 - Prices starting to rise
 - Deficit and debt growing
 - Unpredictable government policies
 - Overdue for a recession?

The US Spring Industry

State of the US Spring Industry

- 300+ spring companies
 - Most family owned with sales under \$10 million
 - Larger players pursuing ongoing consolidation efforts
- ~21,000 people employed in spring/wire industry
 - Gradual employment decline underway
- Strong sales growth in 2017 and 1st Qtr of 2018
 - Piggybacking on strong US manufacturing economy
 - 62% saw business grow compared to 18% in decline
- Outlook is positive with 52% expecting increased sales in Q2 while only 6% anticipating a decline

Challenges for the US Spring Industry

- General political uncertainty
- Steel tariffs / trade wars
- Rising interest rates
- Skilled worker shortage
 - Lack of workforce development programs
- Rising wages
- Rising material cost and lead time
- Looming economic recession?

Opportunities for the US Spring Industry

- Tax reform
- Industry consolidation
- Advanced manufacturing
 - Automation and co-bots
 - Additive manufacturing
 - Material science
- Information technology
 - Industry 4.0
 - Artificial intelligence / big data
 - Democratized business processes

SMI Initiatives: Advancing the North American Spring Industry

- SMI Metal Engineering eXpo & Symposia
 - 1st through 3rd of October 2019 in Pittsburgh, PA
 - Exhibition of latest spring-related equipment and services
 - 20 technical/education sessions specific to spring makers
- *Springs* magazine
 - Latest developments and trends in the spring industry
 - Published quarterly (e-mail lynne@smihq.org to receive)
- Industry benchmarking studies
 - Quarterly trends, annual finance, compensation, safety
- Participation in standards development (ISO/TC 227)
- New website design in 2017 -- visit www.smihq.org

- Advanced Spring Design software
 - Actively developing enhancements
- White papers on stress relief and shot peening
- Metallurgist on staff to answer spring material questions and analyze spring failures
- Experienced engineer on staff to answer spring design questions and teach courses / software
 - New courses under development
- Health/safety professional on staff to answer safety related questions and travel to facilities for employee training and facilities audits

Questions?

Thank You!

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