

Prevention · Protection · Peace of Mind

Globalization vs Regionalization Post COVID-19
MEGA FORTRIS (MALAYSIA) SDN BHD

A Presentation by Mega Fortris Group of Companies

July 2020



MEGA FORTRIS
G R O U P

ABOUT MEGA FORTRIS

Founded in 1996 by both brothers,
Dato' Dr. Nick Ng (left) and Mr Adrian Ng (right)



ABOUT MEGA FORTRIS

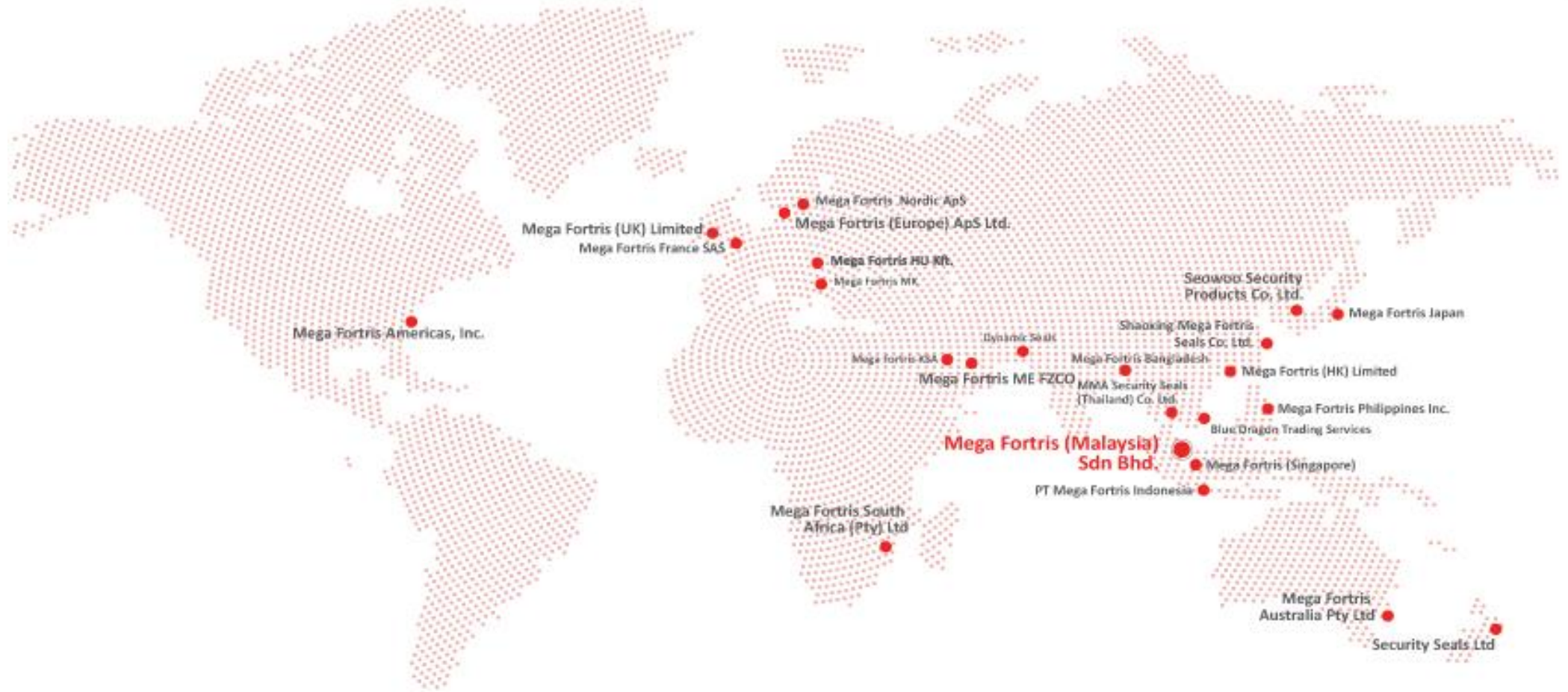
With the mission to produce high quality security seals
for the industry



ABOUT MEGA FORTRIS

And the vision to be among the leading industry players in the world

Fast forward to 2020...



Mega Fortris now operates in more than 25 countries



Producing 400,000,000 security seals annually





ABOUT MEGA FORTRIS

Created various ranges of security seals to serve a multitude of industries

MEGA FORTRIS GROUP
PARTIAL TRANSFER WHITE (SCBN)

Size : 30mm x 78mm

Sample 00073

MEGA FORTRIS GROUP
TOTAL TRANSFER RED (SCBN)

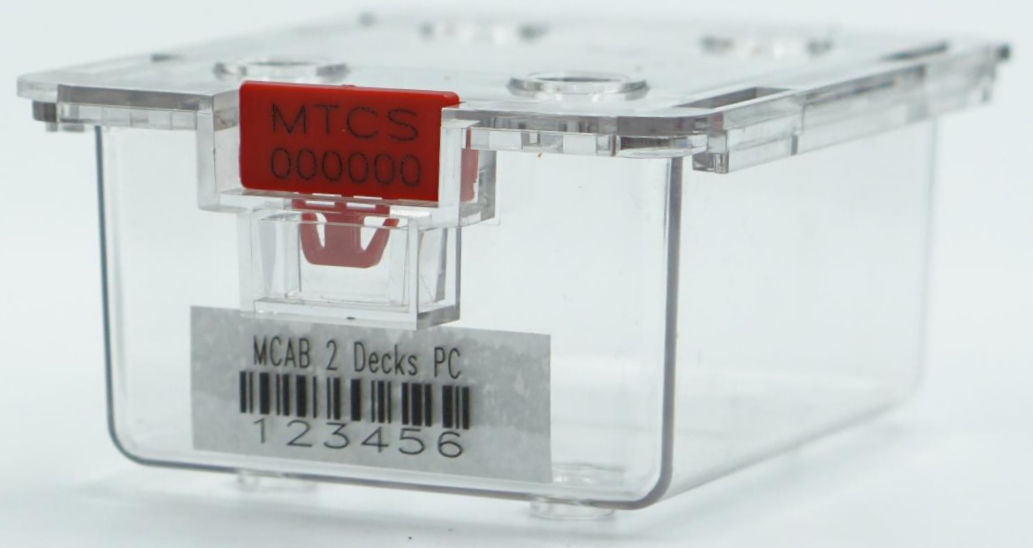
Size : 30 x 78 mm

Sample 00038

MEGA FORTRIS GROUP
NON TRANSFER BLUE (SCBN-SA)

Size : 30 x 78 mm

Sample 00013



Serving various industries



Around the globe



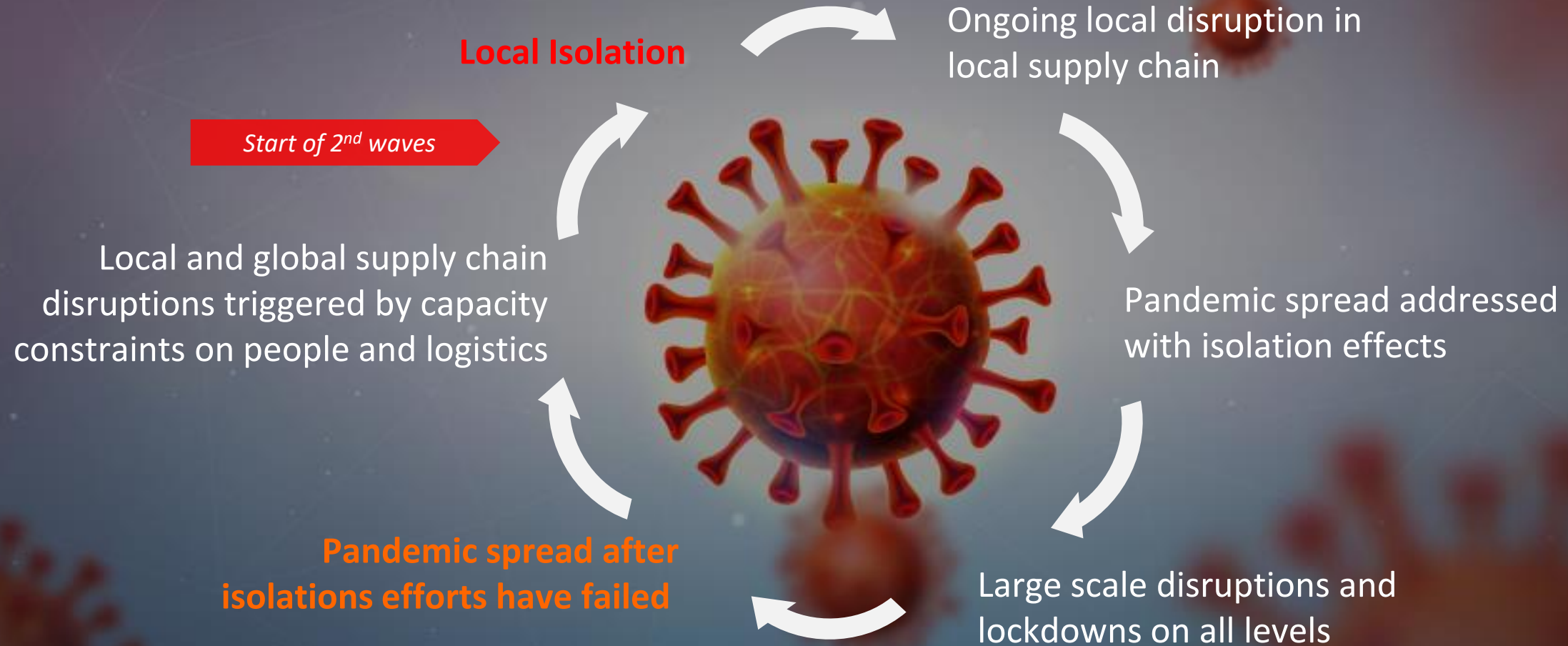
Including...



EXECUTIVE SUMMARY

- Before COVID-19 manufacturing was battling trade policy turbulence, slowdown in global manufacturing and broader economic uncertainty.
- COVID-19 has heightened awareness of the fragility of supply chain management.
- Previously Just-In-Time (JIT) ensured lower costs and efficiency, now the shift is to focus on holding surplus inventory and maintaining supply chain network integrity.
- The staggered shut-down and re-opening of manufacturing hubs around the world has multiplied supply chain issues resulting in 'supply chain contagion' (*Baldwin & Freeman 2020*).
- Manufacturers and companies will implement strategic pricing as an effective way to improve margins.
- This strategy, however requires an understanding of market signals, shifting consumer needs, volatile supply and demand and strong pricing discipline.
- Manufacturers will also need to assess their global supply chain networks and implement strategies that focuses on geographical regionalization of production to mitigate disruption.
- Long-term shifts in global supply chains has exposed the vulnerability of China and it may lose its central position to Brazil and Mexico and to the ASEAN block in the Asia-Pacific region.

THE EFFECT OF COVID-19 ON THE SUPPLY CHAIN



THE EFFECT OF COVID-19 ON THE SUPPLY CHAIN

Supply Shocks

- Availability of goods sourced from main suppliers, both finished goods for sale and products used in factories.
- Scramble to sort out what production was feasible and what demand could be met.

Demand Shocks

- Crisis deepens & nations instituted lockdowns.
- Consumers stockpiled staples in order to comply with restrictions on movement.
- Scramble to redirect inventories and identify priorities.

After Shocks

- *Bullwhip Effect* small increase in demand at the consumer level = large increase at production level.
- Lack of visibility into the nature of the demand increase.
- Net result = 'short gaming'
- Shortage of product lead to downstream producers to inflate their supply needs artificially.

THE EFFECT OF COVID-19 ON THE SUPPLY CHAIN

Impact on Mega Fortris' Supply Chain During The Initial Stages of COVID-19



“Could COVID-19 be the black swan event that finally forces many companies, and entire industries, to rethink and transform their global supply chain model?”

Deloitte: COVID-19 Managing supply chain risk and disruption

THE EFFECT OF COVID-19 ON MANUFACTURING

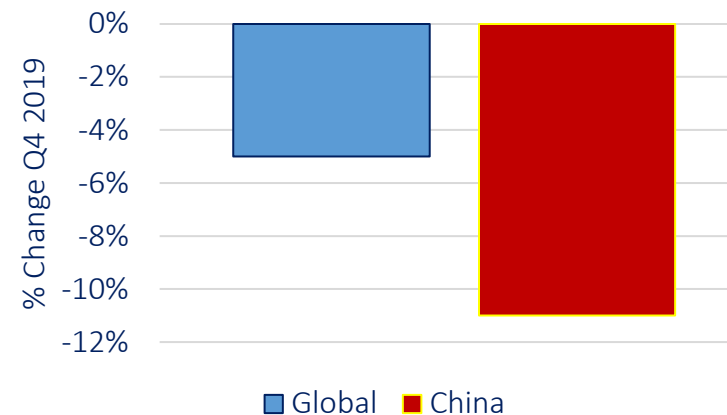
1st Wave: Global Supply Chain Disruption

- Critical and globally scarce raw materials shortage resulting in long term capacity shortages.
- n-Tier supplier of critical components is affected and cannot ramp up production fast enough.

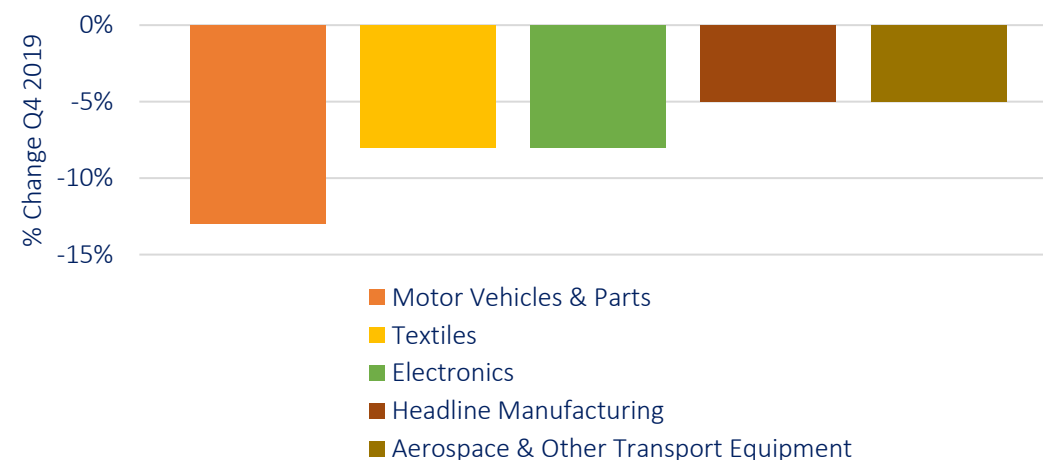
2nd Wave: Internal Operations Regional Disruptions

- Supplier of components and modules suffers from undetected broken supply chain from n-Tier supplier.
- Shortage of a few crucial components results in local shut down of plants.
- Highly volatile demand adds further complications to the supply chain.

*Expected Decline in Global Manufacturing Value-add Output - 2020

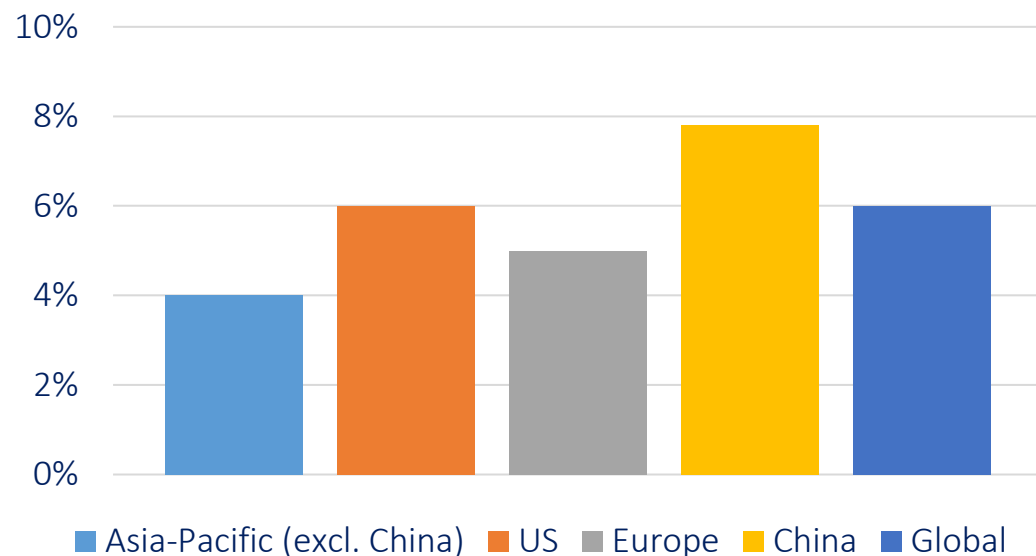


*Expected Decline in Global Output - H1 2020



THE EFFECT OF COVID-19 ON MANUFACTURING

*Expected Rebound in Global Manufacturing Value-add Output - 2021



Quick rebound is expected as pent-up demand is released in line with recovery in sentiment and production ramps up for lost output by H1 2021

Impact on Mega Fortris' Following Partial Shut Down of Operations

- Immediate risk mitigation for supply chain through re-engineering embedded thinking of JIT
- Regionalization in terms of sourcing locally made components and raw material
- Strained delivery times for exporting of goods which directly affected the Global supply chain in other industries.

GEOGRAPHIC DIVERSIFICATION OF SUPPLY CHAINS

Diversified supply chains across companies & geographies:

- Reduces exposure if a company is tied to a single supplier.
- Allows for risks from supply chain disruptions to be carefully measured & contingency plans considered.
- Spatial proximity of business partners in supply chain management will drive a push towards regionalisation.

The Opportunity in Crisis – “The best opportunity for lasting change is crisis”

- Revisit sourcing strategies.
- Reduce dependence on a single supplier.
- Diversifying supplier locations – emphasis on regionalisation.
- Capitalise on technology to increase visibility into every part of the supply chain – reduce supply chain blind spots.
- Reduces impact of disruption during stress.

Mega Fortris’ Push to Regionalisation

- Potential acquisition of satellite manufacturing entities Globally, with their own supply chain.
- Contractual and financial commitment negotiations with suppliers in neighbouring regions for reasonable pricing models.
- Adopting the overall supply chain set-up by carefully managing interdependent levers such as dual sourcing, complexity reduction and localizing supply.
- Adopting a full visibility supply chain and customer visibility strategy to better inform us of regional trends and customer buying patterns, use of advanced analytics and forecasting models.

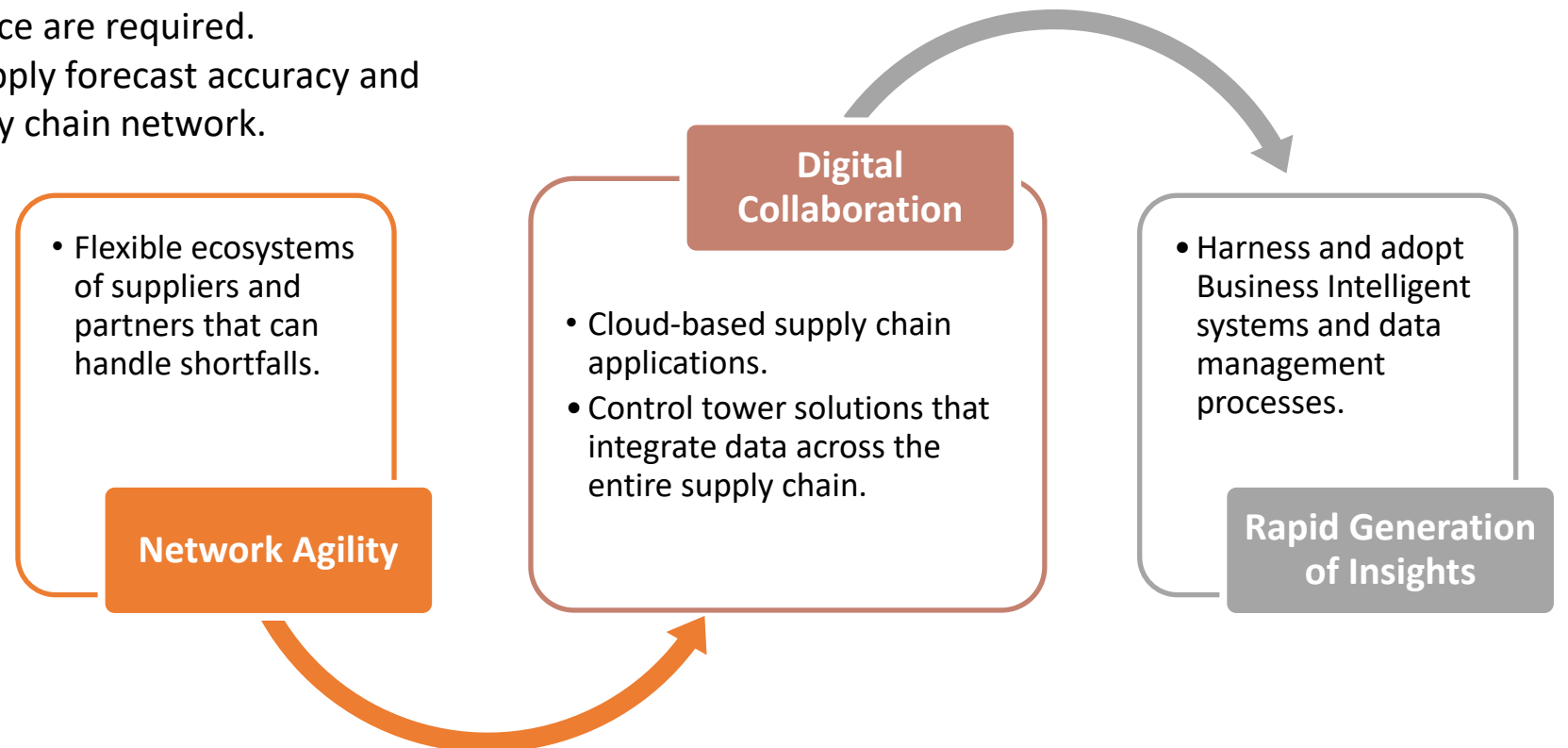
THE RESILIENT SUPPLY CHAIN

“Companies with resilient supply chains grow faster because they can move rapidly to meet customers’ needs when market demand shifts and benefit from improved efficiencies”

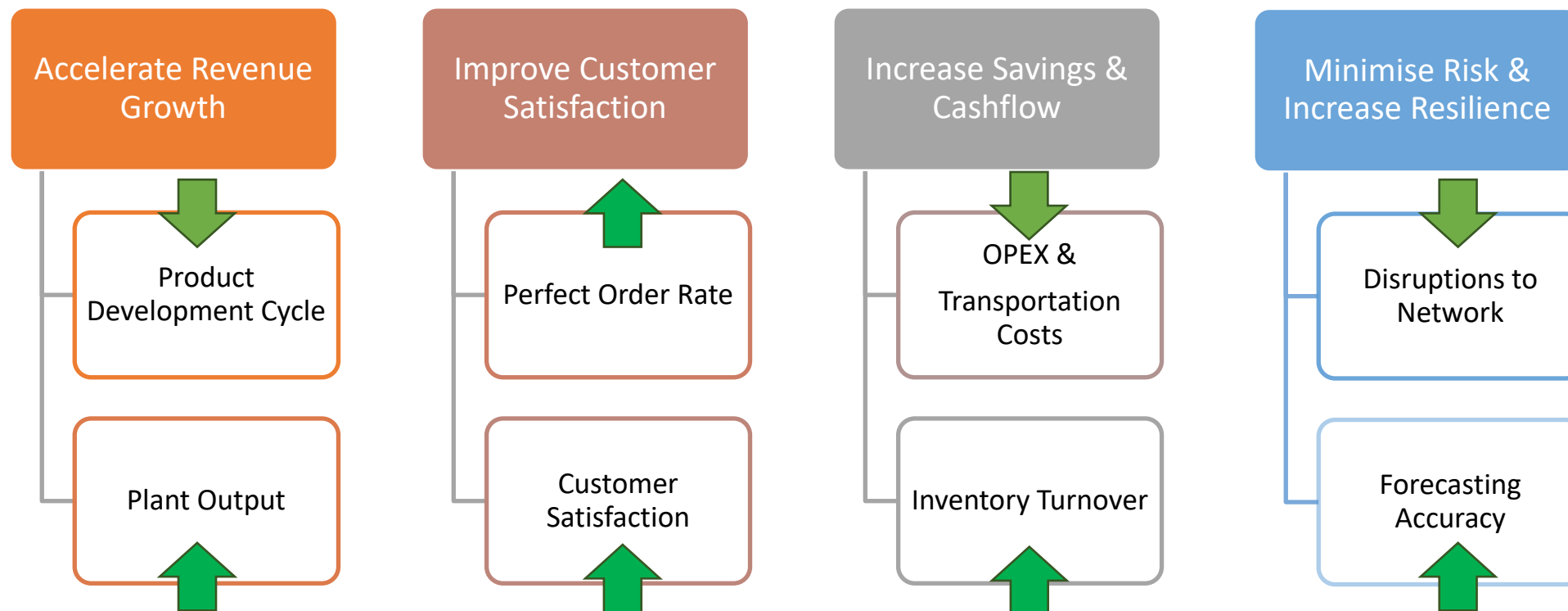
- Olaf Schatteman, Drew Woodhouse and Joe Terino

Refocus on Resilience

- Flexible supply chains help companies minimise risk of disruption in times of stress.
- Investments in supply chain resilience are required.
- Advanced analytics can improve supply forecast accuracy and builds buffers throughout the supply chain network.

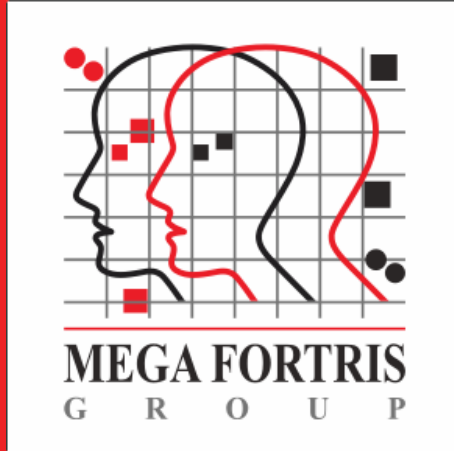


THE RESILIENT SUPPLY CHAIN



Mega Fortris' Supply Chain Resilience During COVID-19

- Unlike a lot of manufacturers around the world, our strong supply chain network prevented a lengthy shutdown: **Total shut down period = 5 production days**
- Pre-COVID-19 stock piling, necessitated by supply chain issues, ensured availability of product and supply.
- Our agile network allowed us to manage the disruption and further development and strengthening of it will ensure that production downtime is reduced even further.



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THANK YOU

July 2020