

COVID-19


BUSINESS CONTINUITY UPDATE

Updated March 25, 2020



Manufacturing Excellence

S&H Machine is actively implementing our contingency plans in response to the COVID-19 epidemic. Our top priorities are to ensure that our employees and their families remain healthy while we meet our commitments to our customers for the products that they need.



“It is wonderful what great strides can be made when there is a resolute purpose behind them.”

Sir Winston Churchill

We're all in this together.

To our customers, suppliers, key partners and employees,

Open communication is important in challenging times. This document outlines the status of S&H Machine and the steps we are taking to navigate the COVID-19 Coronavirus crisis.

Our top priorities are to ensure that our employees and their families remain healthy while we meet our commitments to you. The simple answer is that S&H Machine is operating at normal capacity, our balance sheet is strong, and we have the resources to minimize any disruptions in the difficult months ahead.

S&H Machine is categorized as an Essential Business by the Department of Homeland Security. As such, we are continuing manufacturing operations which are important to maintaining our nation's infrastructure and defense.

Due to the nature of our business, most employees will continue to report to our two manufacturing locations.

We hope that you and your families are well and encourage you to contact us with any questions or suggestions. By working together, our industry, our country and the world economy will remain strong.

David Fisher

President, S&H Machine

Status of our business.

FINANCIAL STRENGTH

- S&H Machine had a great 2019 and is financially strong for the first two months of 2020.
- To prepare for a possible downturn we have cut most overtime and taken steps to control spending.
- We have reduced head count through attrition and terminations from 97 to 90 employees.

DEDICATED STAFF

- To date, few of our employees have been out due to illness and none from COVID-19.
- No employees have had to leave work to care for children or family.

PRODUCTION CONTINUES

- We currently have 52 contracts that have national security ratings of DX and DO for military and defense.
- S&H Machine is classified as an Essential Business and remains open even with active "Safe at Home" order.
- Our key suppliers and support contractors are operational.

BUSINESS CONTINUITY

- The S&H Business Continuity Plan ensures an uninterrupted supply of products to our valued customers. S&H operates out of two Southern California cities with redundant equipment. If one site is temporarily shut down, the other can remain operational.



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Actions we have taken.

OPERATIONS CHANGES

- We created a COVID-19 task force in February. This group meets regularly to discuss the latest developments and come up with strategies.
- We have written COVID-19 contingency plans for multiple scenarios.
- All surfaces, handles, doors and controls are cleaned regularly.
- Business travel is restricted.
- Meetings are held via Slack instead of in person.
- Non-essential visitors have been restricted from entering our facilities.
- We have increased safety stock of items essential to our operation.
- We have contracted with a professional cleaning company in case we need a deep cleaning of any of our manufacturing sites.
- We have been keeping customers informed of our status. They have been pleased with our proactive planning, response and communication.
- We have renewed our lines of credit early and are investigating refinancing of equipment debt.

STAFF SUPPORT

- Employees have been allowed to leave work to shop for supplies.
- We are supplying our employees with things they may need at home such as sanitizer, water and food.
- There is some natural fear and concern from our employees. We are doing everything we can to keep them informed and calm.
- Employees who previously took public transportation are now being transported to and from work by S&H Machine.
- Regular training on recommended procedures to prevent exposure to the virus.



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Our customers & supply chain.

OUR CUSTOMERS

- So far our customers have not given us any push-outs of product deliveries.
- Our backlog remains strong although it was already impacted by 8% due to the Boeing 737 Max grounding prior to the COVID-19 crisis.
- One key customer reports they have received no delivery push-outs yet from their customers.
- Customers are hinting that delivery push-outs are coming.
- S&H has a good balance of Military, Commercial and Business Jet orders.

OUR SUPPLY CHAIN

- We have been working closely with our supply chain partners to be sure they are operational and will continue to support S&H Machine.
- All of our key suppliers and support contractors are still operational even with the “Safe at Home” order in our state.

PEERS & LEGAL

- We have been speaking daily with our peers to share best practices on how to best deal with this crisis.
- We have been working with our labor attorney to address the laws, our response and to coordinate our communication with our employees and suppliers.



Needs & concerns.

NEEDS

- More frequent information from our customers.
- The Aerospace Industry has been quiet and slow to provide information, leaving the supply base wondering. We have been doing our part to help other business owners through this crisis. We are all in this together.
- We need our competitors to stay open and perform because if they do not ship their parts then our customers will not need our parts. It is for this reason that S&H supports the industry with the sharing of critical information.
- Our customers still do not know the impact and what is yet to come. Better communication from customers would be helpful.

CONCERNS

- If a supplier closes their facility this could impact our production. We are developing contingency plans for this.
- We have communicated with all key suppliers to address our concerns, make recommendations and ask for important information.



***“When you are going
through hell, keep going.”***

Sir Winston Churchill



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We are in control.

The situation is changing daily. As it changes, we will change our response and notify employees, suppliers, partners and customers of anything that may impact them. We continue to monitor the situation closely and will inform you of any modifications to our plans.

If you have any questions please contact our account manager team or supply chain team members and we will do our best to help.

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