LRMI 4th Quarter results Summary Final

1)

Economic Risk Comments

- What will happen to the economy later in the year with a potential flair-up with COVID and the uncertainties of the Presidential elections?
- Until we get the virus under control, our business is uncertain
- Covid-19 impacts to labor and consumer/industry spending have great uncertainty.
- Continued labor shortages due to stimulus benefits exceeding prevailing wage levels disincentivize workers from re-entering the workforce.
- Hopefully Economic Risk should slowly decrease, as the global economy gradually improves from the depth of the COVID recession.
- Already increasing. People are afraid to leave their jobs and start a new one.
- The global economic tides must be managed
- Anticipated consumer demand changes amid opening, closing, and re-opening pattern in various states with COVID outbreaks.
- Labor shortages due to inability to get workers to return to work out of virus fears or because government benefits exceed their normal paycheck challenges even the best of planners.
- Business levels extremely busy, uncertainty with election, Covid-19 will minimize after election.
- Labor shortage specially when unemployment extended to end of December
- Huge US government deficits will have an impact on investments and consumption as people have to tighten belts related to the reckless spending of republicans.
- Labor challenges due to Federal stimulus for unemployed
- Commodity price volatility.
- Demand spikes has necessitated purchasing additional product to augment the supply of products that we manufacture.

2

Supplier Risk Comments

- We have control over our suppliers; however, we have no influence over their suppliers.
- We believe supplier financial risk during COVID-19 is the primary risk. Single source suppliers are a lesser risk.
- Small sized suppliers <$10M in sales are at financial risk due to pandemic.
- Suppliers may go out of business. Deliveries may be inconsistent.
- COVID will continue to impact supplier stability and have direct impact on Supply Chains
- Labor availability is affecting our suppliers
- The reliability of suppliers is one of the largest issues with Covid-19. They have their own labor issues, upstream supply issues, transportation issues, etc.

- If the expected Covid-19 surge in cases occurs during the fall and winter month production labor may be impacted.
- Price volatility and delivery schedule inconsistency are the greatest risk; followed by financial risk.
- The second wave of Covid-19 plus the coming flu season will, in my opinion, have a greater negative impact on the supply chain than did the first wave of Covid-19.
- Due to the economic downturn in China, our risk of supplier bankruptcy or production reduction has increased.
- We are having issues with our Chinese supply chain partners. We are approving alternate geographically located suppliers to help offset some of those risks.
- Efforts to avoid tariffs from China have driven many customers to other countries that are 1) not prepared or 2) completely overwhelmed.
- Supply options are tightening placing more concentration on domestic materials where domestic suppliers control availability and pricing.

3.

Cybersecurity and Data Risk Comments

- Remote work will increase the potential for a cyber-attack.
- We have seen an increase in phishing attempts against corporate executives and finance personnel.
- It's all about the data and if companies aren't moving to API, IoT and newer technologies they will have issues
- We continue to hear of other industries that are having their systems compromised
- People working from home may be more vulnerable
- Election fall-out
- This continues to be a risk and will only increase with the number of remote/teleworking employees
- Increase of work at home will increase risk
- We are seeing it now. No surprises
- Expected further cyber-security attacked with online Holiday shopping.
- Earlier this year we were hit with a ransom virus. This exposed many weaknesses in our system that have now been corrected. So, I do not think the overall industry risk has gone down, but our protections and awareness has increased, reducing our risk.
- We have been working for the last 4 years on our network security systems. We now enjoy the decreased risks associated with those efforts.
- Cyberattacks increased, fishing emails keeps coming through
- This is our highest risk
- More organizations working remote has led to an increase in cybercrime.
- seems like more and more attacks lately - and more vulnerable with people working from home

- We have upgraded our cyber security recently
- Expected increases in Q4 as we brace for elections.

4.

Customer Risk Comments

- A large number of our customers are in the retail space. Unfortunately store closures, bankruptcies are common themes.
- Economic disruption increases private equity buyouts of our customers; this decreases customer loyalty, increases management change at customers, and can change the product and service mix they buy.
- Demand from Customers should increase as the economy slowly improves.
- Due to Covid-19 customers are going out of business
- What will the holidays look like?? no one knows and is the biggest risk to Q4.
- Easing of restrictions and more people going back to work has decreased the customer risk this quarter.
- The shift to on-line shopping with continue to add pressure to any retailer not yet offering that option
- Servicing the customer at previously agreed prices is almost impossible due to double and triple transportation costs.
- Many of our clients are struggling to respond and are in a higher degree of 'survival mode' which can be navigated but it requires additional creative thinking.
- Customers are struggling to find labor and velocity of the transportation network is decreasing due to greater dwell times at origins and destinations.
- Some customers unilaterally pushed payment terms out from 30 days to 60, 90 & even 120 days, greatly increasing collections cycles & forcing a similar move toward our suppliers from net 30 to net 60 to offset the shortfall in cash flow.
- Customer demand has been very difficult to predict. Higher than expected demand has led to unexpected capacity shortages

5

Government Intervention Risk Comments

- Election driven totally.
- There is a way to negotiate without creating such aggressive global trade wars.
- Concerned about increased regulation if Democrats gain office.
- This Administration is totally unpredictable...it's impossible to know what will happen next
- 301 Tariffs with China remain a large "tax" on US economy.
- The US/China Trade War may get worse, thus hampering/restrictions shipments of products to and from China. Costs may go up as more tariffs could be applied.

- Unemployment benefits cause large issue, even in union backed plants.
- Increases in regulations surrounding Covid-19 in warehouses and in retail locations increases risk to our business.
- Threats of tariffs have become a continuing unknown as to the cost and/or ability to get product. Deteriorating relations with China also put supplies in jeopardy.
- Tariffs and duties are still un-known and changing daily. (Both amounts and commodities they are applied to.) The federal government is not sending any consistent messages to any trading partners - causing backlashes and misunderstandings across the board.
- Government must roll all import export agencies governing compliance and licensing in ONE- There is much duplicity and burden on small logistics providers;
- Election dependent to some degree.
- The more the Govt protects the steel industry the higher the price for manufacturing. Although we are commodity based our profits lie on the manufacturing side. Our Mfg. customers make money so do we.

6.

Transportation Disruption Risk Comments

- Driver availability and demand volatility are greatest concerns.
- Expected decrease in transportation capacity available.
- USPS delays in delivering payment by check may reduce cash flow.
- Optimistic about new solutions evolving
- Concerned that linehaul carriers will go out of business and that November election results will disrupt business
- Demand will continue to make wild swings (mostly downward) for some time to come
- Air cargo lanes are still very tight and near capacity due to the lack of belly cargo on passenger planes.
- Issues with cold chain capacity as potential vaccine production
- Demand for transportation is increasing again. Railroads may not have enough workers employed to handle the increased volume. Steamships may still have blank sailings, thus restricting ocean capacity.
- HOS. Driver shortage, capacity issues, unknown demand could all impact Q4
- Both driver shortages and failing infrastructure are risks
- Lack of trailer pools across the entire company with increased demand. Covid-19 guidelines slowing production inside facilities causing trailers to sit full.
- Expected capacity reduction with Holiday season due to increased demand and bookings.
- Driver shortages and areas where drivers refuse to deliver/pickup will increase costs and delay time to market
- Demand will remain far beyond the capability of ALL asset-owned service providers (TL, LTL, parcel, ocean, rail).
- Increased holiday demand

- Driver shortage is getting worse.

7.

Environmental Risk Comments

- We are inland and not near water, so less likely to face a problem.
- Hurricane season gets worse in the fourth quarter of every year.
- COVID-19 spike coupled with flu.
- Global warming is already increasing natural disaster risk, and this will accelerate.
- Hurricane season may impact supply chain.
- No significant Environmental Risk.
- Hurricane season.

8.

Operational Risk Comments

- Concern about the November elections and the disruption to supply chains if violence in major cities increases. Trucking companies may become reluctant to deliver to hot spots.
- Counterfeiting is rapidly increasing
- COVID-19, even with extensive industrial social distancing and safety procedures, threatens unplanned shutdown of manufacturing and logistics facilities at any time.
- Availability of temp labor is the wild card in Q4
- We continue to have a shortage of labor available to perform work
- Covid-19 and Political climate will make things uncertain
- Economic downturn has reduced the overall throughput
- Higher demand working in e commerce if covid-19 does not slow down there is large risk with holiday season coming.
- Lack of labor due to unemployment benefits and covid-19 at home schooling will impact material vendors, plants, and transportation industry (whole supply chain).
- Coming to peak hurricane season, continued uncertainty with Covid-19 and the November 2020 Presidential election.
- Relations between US and China continue to deteriorate.
- Avalanches of business have swamped parcel, LTL and TL carriers to the point that embargoes to/from hubs and geographic areas are expected. Many are 130+% of capacity - and have been - for months now.
- Small Logistics Providers are at a disadvantage to gain competitive pricing from carriers, such as shipping lines and international air passenger and cargo carriers -
- Our trucks have already been damaged and broken into by protesters in 2 different cities. We expect these challenges to continue or to get worse during Q4.

9.

Technological or Competitive Risk Comments

- Competition is more intense, technological change with ML and AI may become differentiators, and there is less regulation (for good and bad).
- Most companies have not invested in new technologies for their supply chains and transportation systems and very few companies have real time visibility (RTV) to make intelligent real time decisions
- Economic slowdown has reduced the ability for a newcomer to scale and significantly disrupt business
- Everyone is working harder to find new business, so competition will increase and has been increasing regularly
- Difficulty adding staff to handle the typical seasonal spikes will impact any company who has not invested in technology/automation to supplement their staff.
- We see digitization efforts increasing and this change will be risky to companies that are not staying current with new technologies that increase competitiveness.
- No significant Technological Risk BUT Competitor Risk grows as larger resellers can buy better than a smaller reseller. We still feel we can compete.
- An old but poor competitor has been acquired and may have new life. They could become a player in a market that they have been largely low impact for the last decade
- No Risk in Q4 from competition.

10.

Quality Risk Comments

- Turmoil in operations may cause more quality issues
- As idled plants start up again, there is some degree of inherent Quality Risk.
- High unemployment reduces turnover and keeps the labor pool consistent and within standards
- FDA has lessened the need for strict NFPs during Covid-19, lack of transparency could cause quality issues. Additionally, new temporary employment to cover plant absenteeism could cause quality issues, as they are not as well versed on protocol.
- Should stay about same. Automakers continue strong efforts to recovery quality costs from all suppliers.
- Due to the increased use of 3PL providers we have had an increase in quality issues.
- We tightly control two and three tiers down in our supply chain. We expect to have predictable quality results.

- No change in quality at all
- Our quality is in the on-going service we provide to liaise with chosen vendors. We have to fill in for gaps in vendor's services ourselves - causing easily 4 times the amount of time to execute on shipments.
- Ceaseless press for optimization leads to brittleness. Now the house of cards falls down around us.
- No significant Quality Risk
- Increasingly companies are forced to hire and train new workers. Trend due to many factors (salary cuts, workforce reduction etc.). Quality control standards monitored manually can face variations and has been an issue in Q3. Can escalate to product safety issues if not controlled.