



FIA 2024 Capacity Utilization Study

HARBOUR | IQ™
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Wipfli Introduction

- In May 2024 Wipfli acquired certain assets of Harbour Results, Inc and add its benchmarking, strategic development, operations improvement and assessment to the firms existing capabilities.
- With more than 7,500 manufacturing, retail and distribution clients and over 300 industry-focused professionals, Wipfli ranks among the top 20 advisory and accounting firms in the nation. From operational improvements and performance enhancements to large-scale digital transformation, we help clients achieve lasting results and set their sights on new goals. With our dedicated specialists, you benefit from insightful thinking across critical areas of your business — gaining greater financial success, tax optimization, operational excellence and an engaged workforce. Learn more and read current thought leadership here: <https://www.wipfli.com/manufacturing>.
- Moving forward Wipfli in collaboration with FIA will be conducting FIA Capacity Studies leveraging the Harbour IQ Powered By Wipfli name.

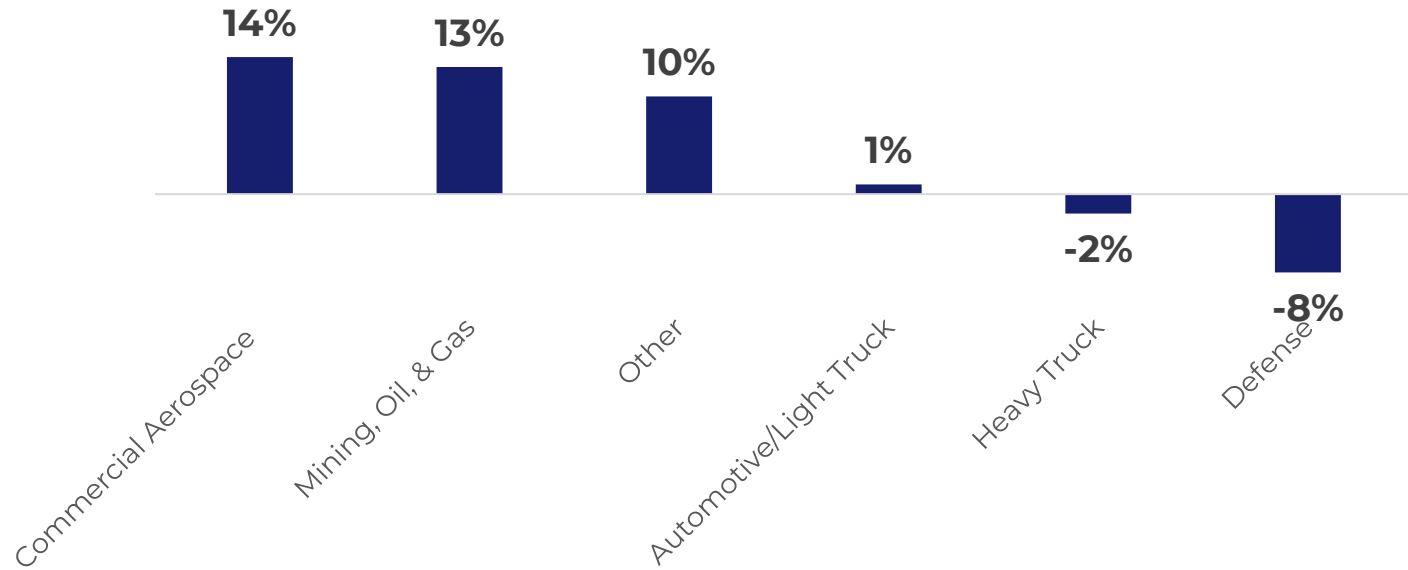
Wipfli Study Methodology

- Wipfli regularly conducts market research within the manufacturing industry to examine key trends, benchmarks, and forecast indicators. The Wipfli team carefully analyzed the data from this study and reached out to companies when questions arose. In appreciation of your facility taking the time to be involved in this report, Wipfli is sending out this output for company use only.
- Wipfli conducts studies throughout the manufacturing industry, including tool builders, plastics processors, metal formers, die casters, screw manufacturers, coaters, forgers, and contract machinists.
- In the following data set, you will see a reference to “primary industry”. Primary industry is the industry that the largest amount of a manufacturer’s revenue is in. All future analysis by industry is based off this breakdown.
- Wipfli works with many associations and conducts benchmarking on behalf of the Precision Metalforming Association (PMA), the Manufacturing Association of Plastics Processors (MAPP), the North American Die Casting Association (NADCA), the Industrial Fasteners Institute (IFI), and the Chemical Coaters Association International & Powder Coating Institute (CCAI/PCI).

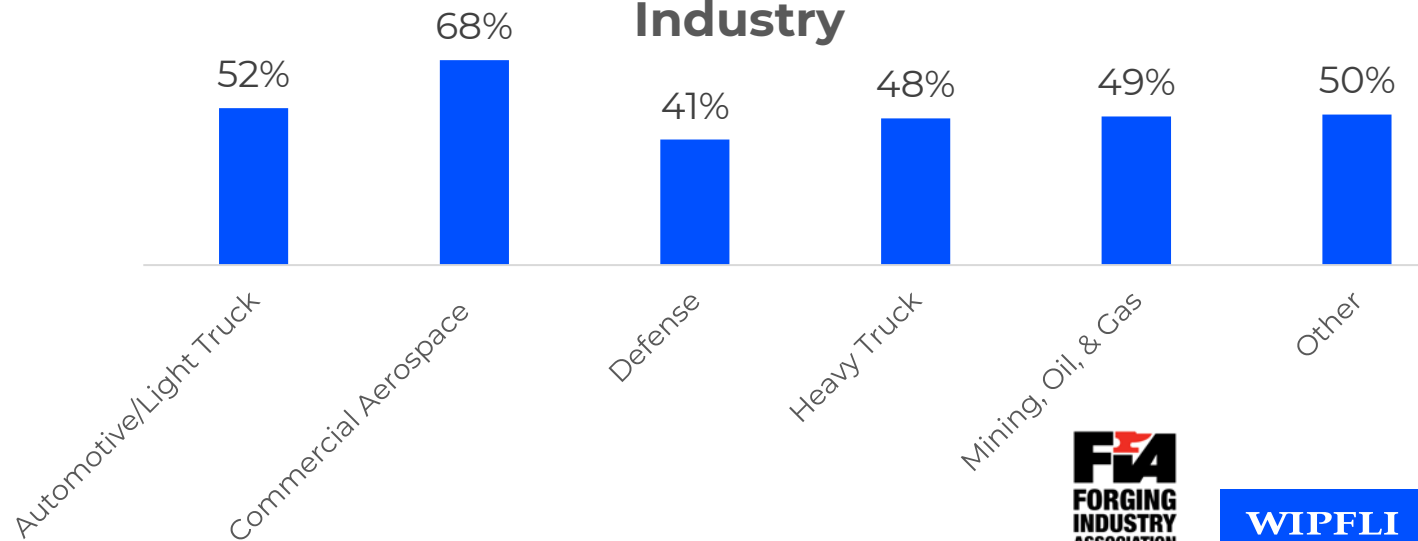
Executive Summary

- Companies that are primarily doing defense industry work are expecting to decrease their revenue year over year by 8%. Part of this could be due to defense having the lowest capacity utilization at 41%.
- When considering the size of forgers doing defense work, very few forgers greater than \$50M have the majority of their revenue in the defense industry. The decrease in defense revenue year over year and lower capacity utilization could be pushing larger forgers to diversify out of the defense industry despite having ample capacity to do additional defense work if it was available.
- Commercial Aerospace has the largest capacity utilization as well as the largest revenue growth. In addition, more larger companies are involved in the commercial aerospace industry. Although not the same as defense, the two industries have some similarities, again showing the opportunity for FIA members to take on additional defense work.

Change(%) in Revenue from 2023 to 2024



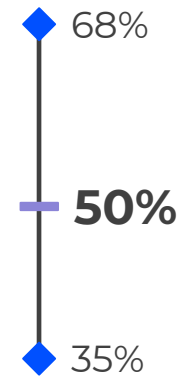
Current Capacity Utilization by Primary Industry



Executive Summary

- Companies that have invested in software and automation have been able to decrease open positions and improve efficiency, but still have anywhere from 35%-70% open capacity.
- Some of these companies are not planning on investing any further in current market conditions. In this study, forgers cited that if they needed to increase capacity by 10%, it would take more than \$30M in investment but right now, investment is not necessary for some forgers as they have open capacity to fill without additional investment.
- Investment in automation and software can help minimize the impact of workforce challenges and can help to keep shops able to continue working with labor shortages.

Current Utilization - 51.2% Average



◆ High/Low Quartile — Median

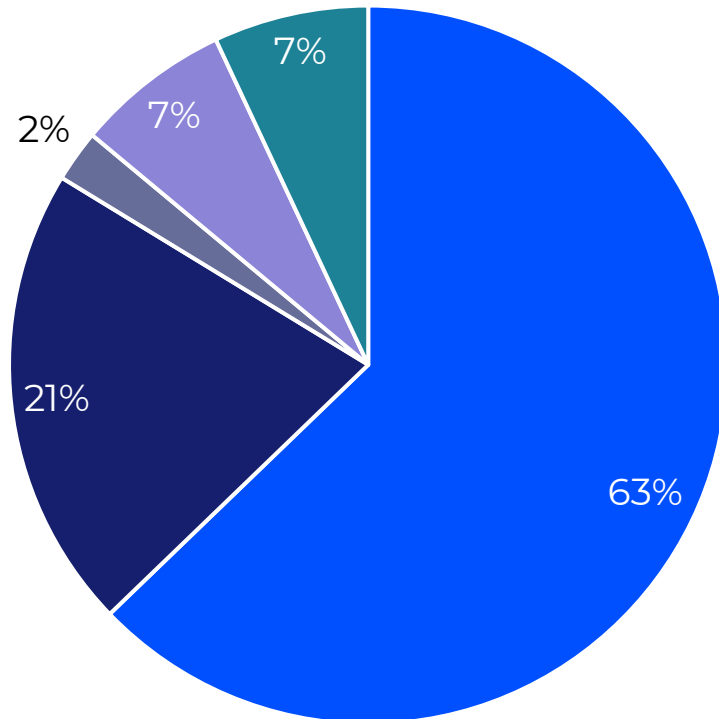
Demographics

2024 Capacity Utilization Study

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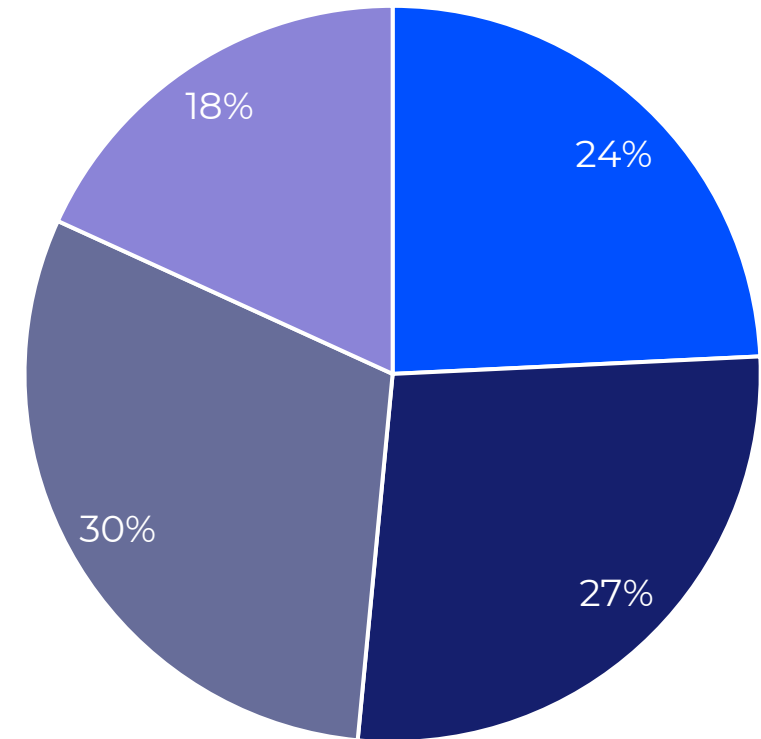
63% Respondents doing Closed Die Forging

Primary Focus



- Closed Die Forging
- Open Die Forging
- Other
- Ring Rolling
- Upset Forging

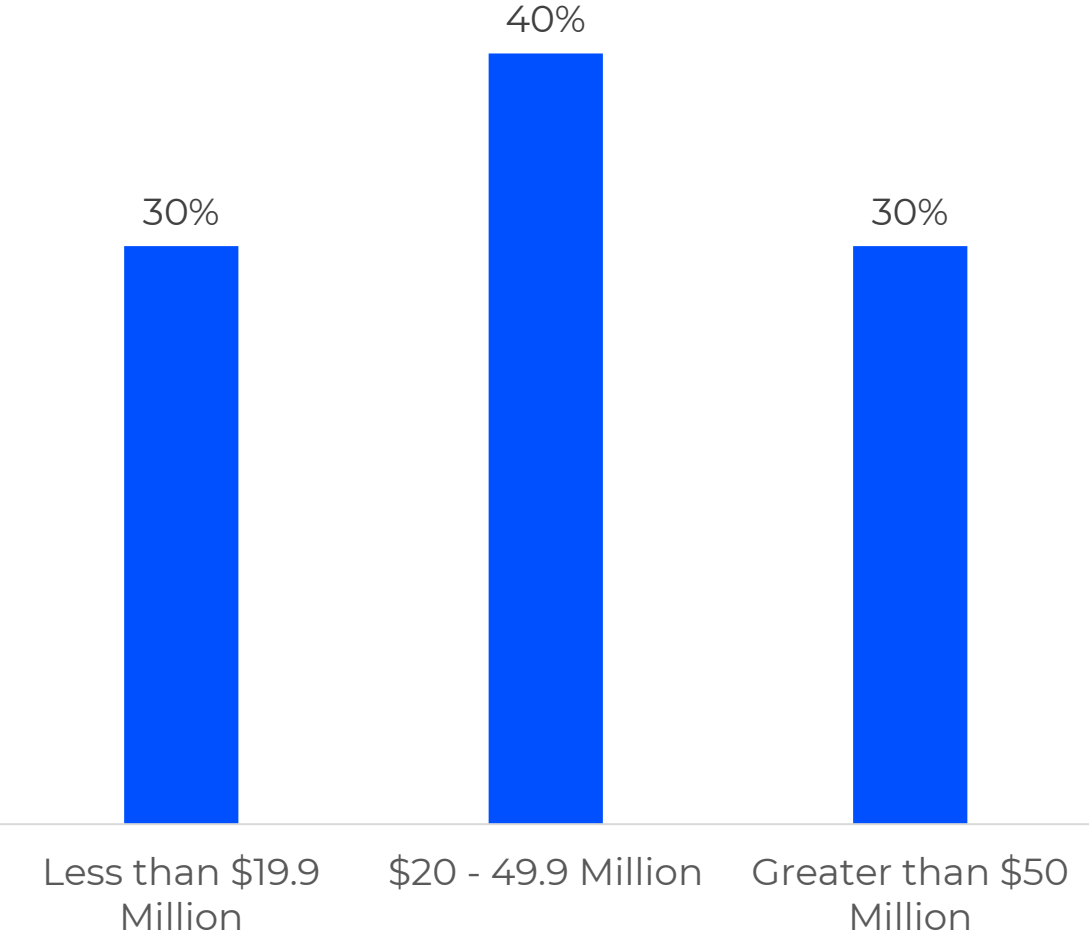
Other Processes in Businesses



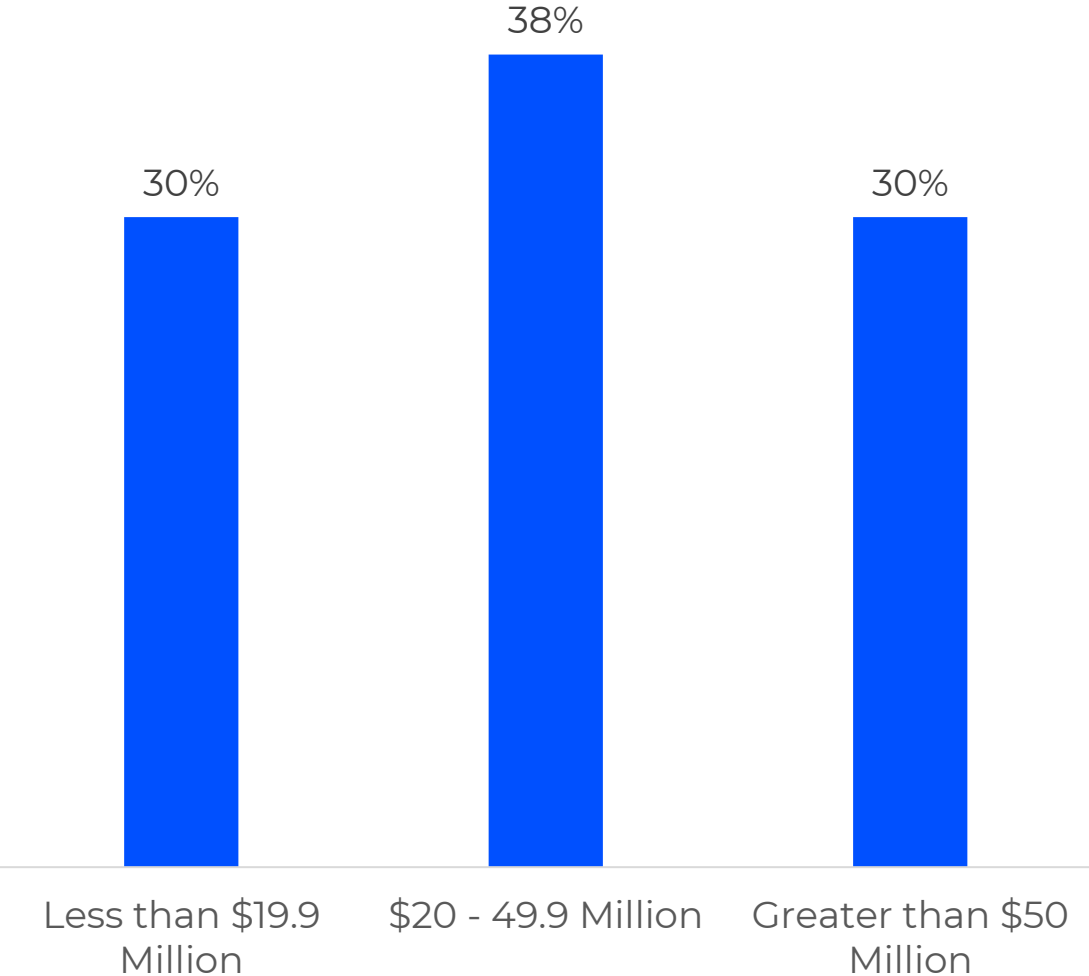
- Open Die Forging
- Upset Forging
- Closed Die Forging
- Ring Rolling

Most Respondents between \$20 and \$50 Million

2023 Revenue



Forecasted Revenue

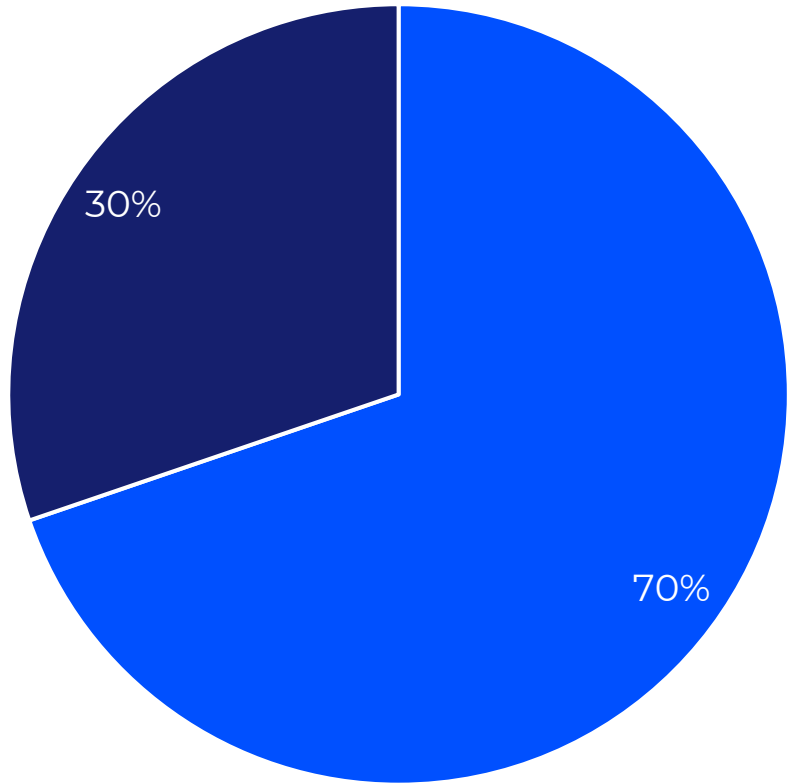


9 Question: What was your company's 2023 revenue in USD? Source: Harbour IQ Powered by Wipfli



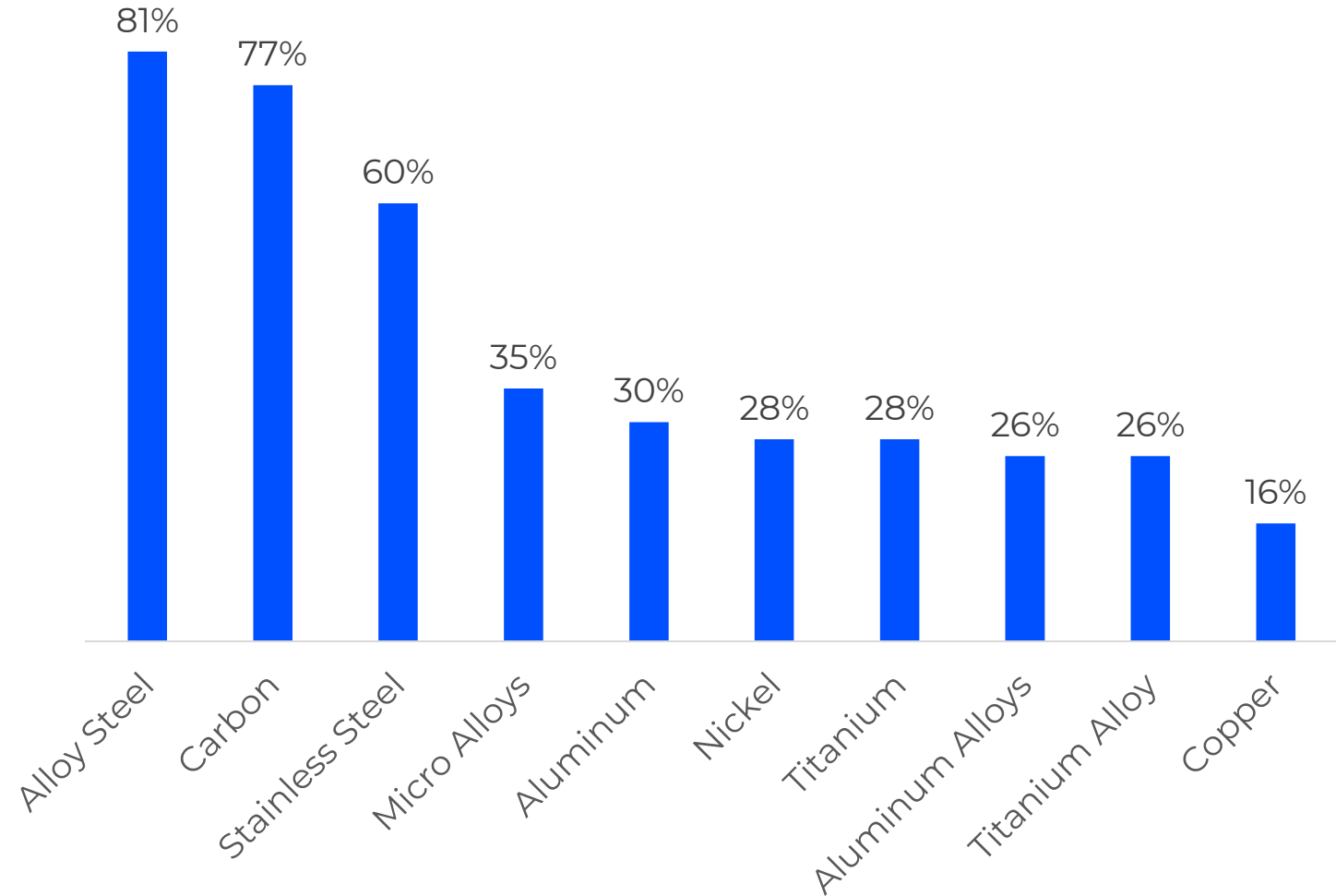
70% Respondents Only Have One Facility

Number of Facilities

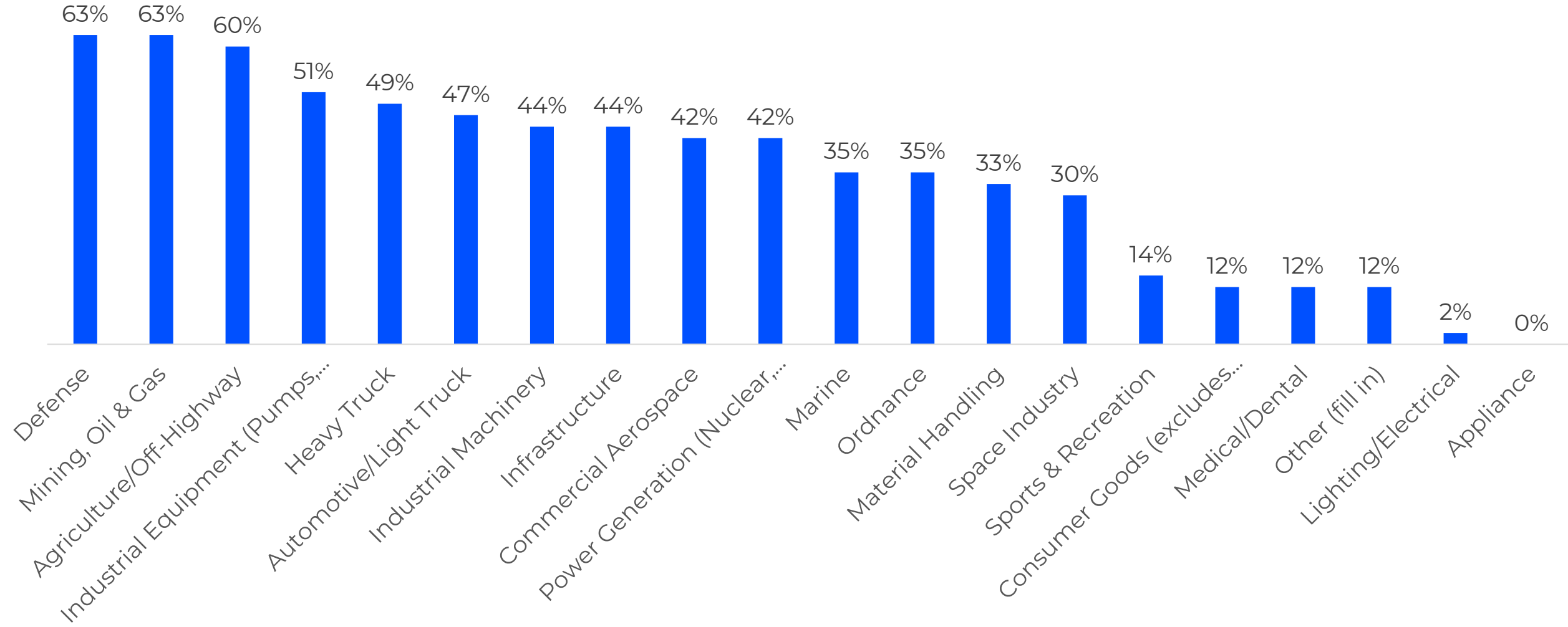


■ One Facility ■ More Than One Facility

Materials Used



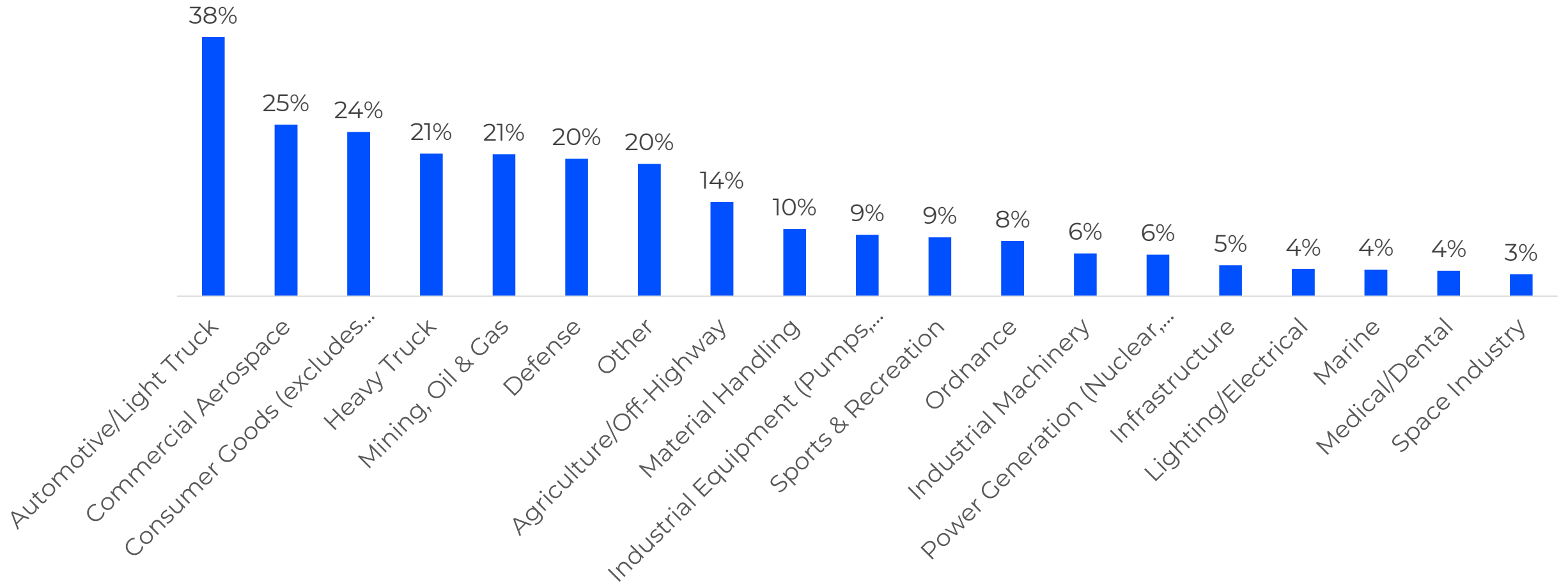
Defense and Mining, Oil, & Gas Most Common Industries



¹¹ Other: Steel production, railroad, and tools. Question: What industries does your company serve? Source: Harbour IQ Powered by Wipfli

Majority of Revenue Comes from Automotive/Light Truck

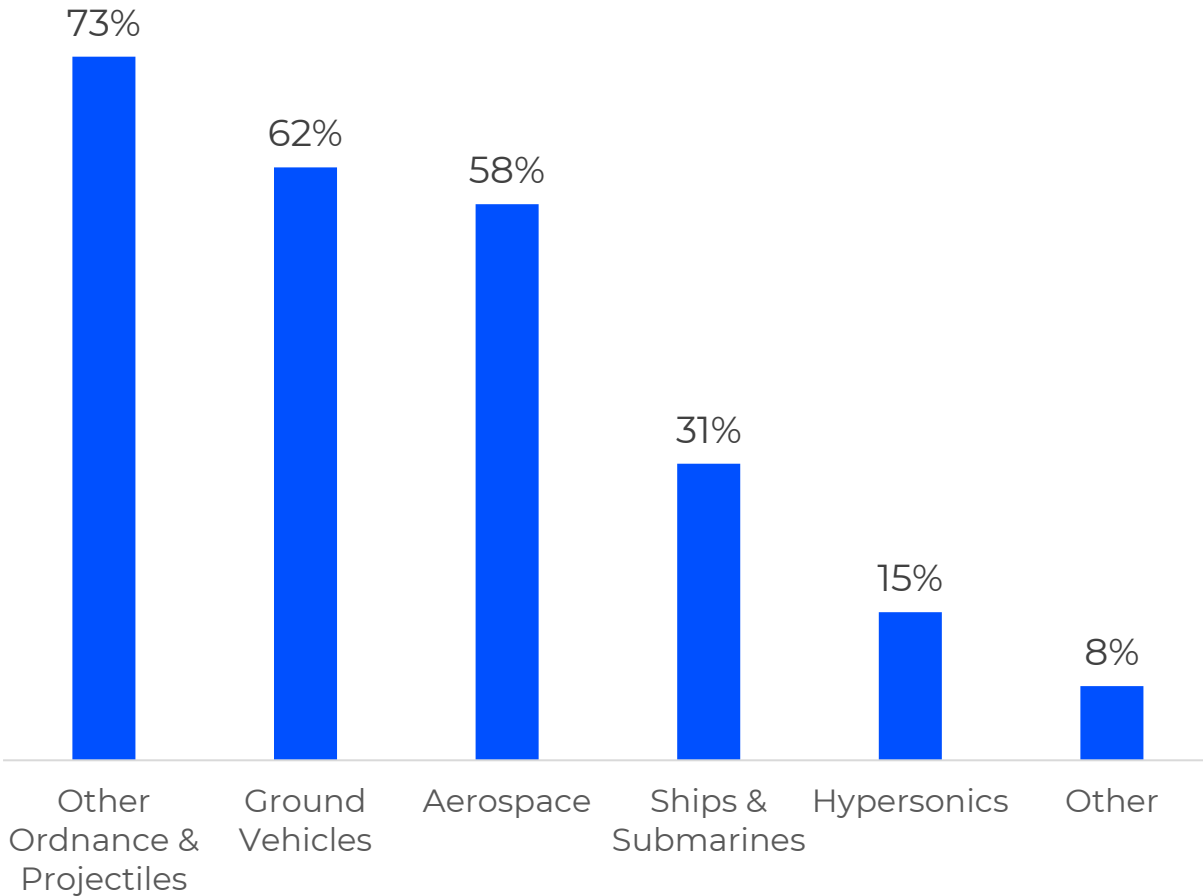
% of Revenue



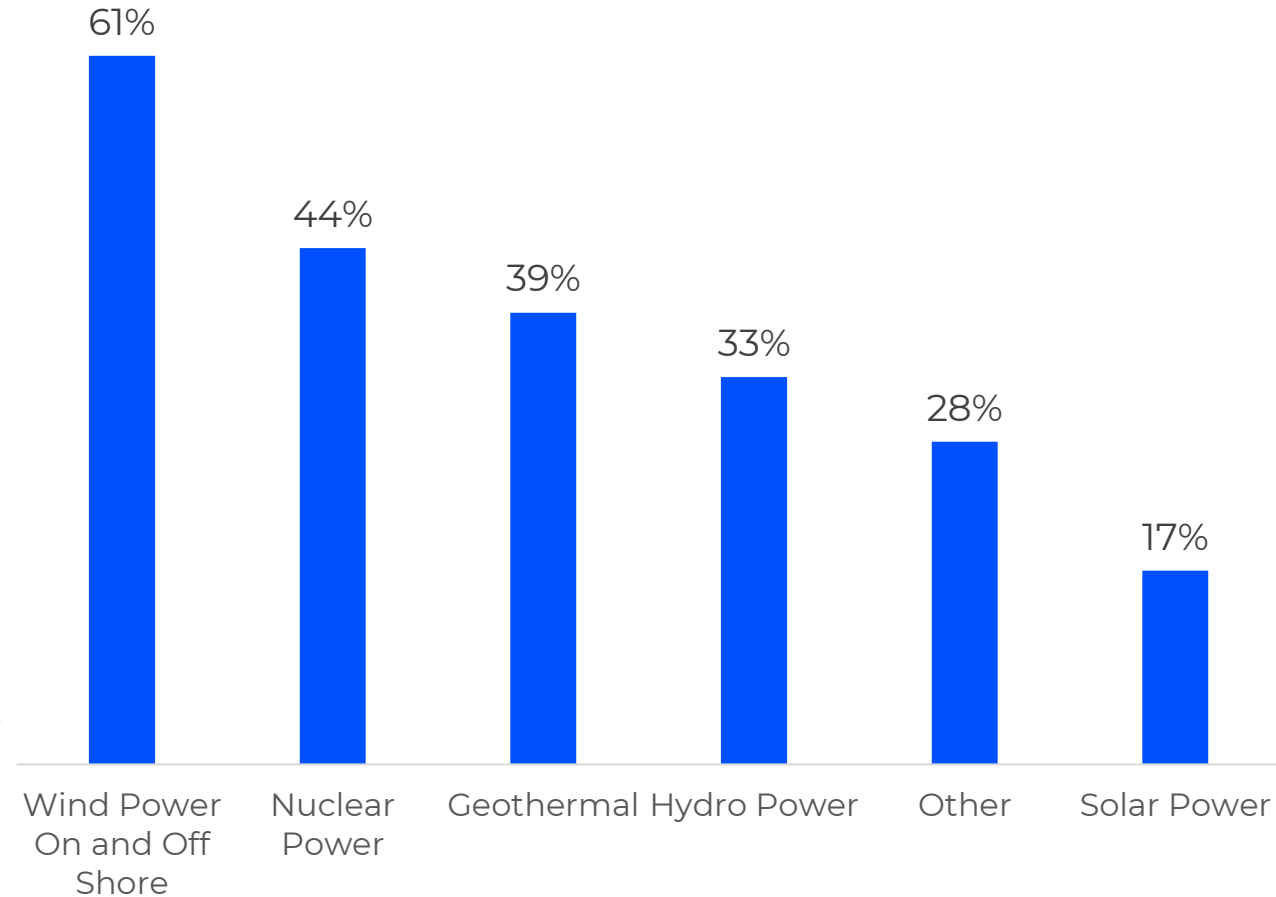
Industry Breakdown

Infrastructure Industries: anchors for concrete, buildings, movable bridge components, construction, road building, dams, pole line hardware, equipment, and utilities.

Defense/Ordnance Industries



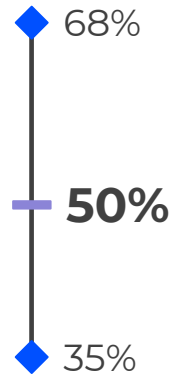
Power Generation Industries



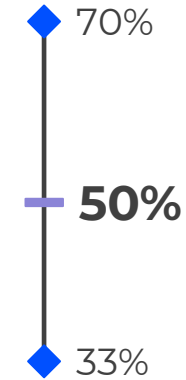
Other Defense/Ordnance: missiles, upper and lower receivers, tire svc tools, artillery, missiles, and bombs. Other Power Generation: Natural gas, energy storage, gearing blanks, and boiler/thermal. Question: What type of defense/ordnance work does your company do? What type of infrastructure? What type of power generation does your company do? Source: Harbour IQ Powered by Wipfli

41 Companies Answered

Current Utilization - 51.2%
Average



Forecasted Utilization - 53%
Average



◆ High/Low Quartile — Median

◆ High/Low Quartile — Median

25th is the data between the bottom and the median. 50th is the median, referring to the point between the bottom and top data points. 75th is the data between the median and the top data points.

Question: Based on a 24-hour, 5-day shift structure, workforce challenges aside, what is your current YTD, and expected 2024 overall capacity utilizations? Source: Harbour IQ Powered by Wipfli

4.75 Months of Backlog on Average

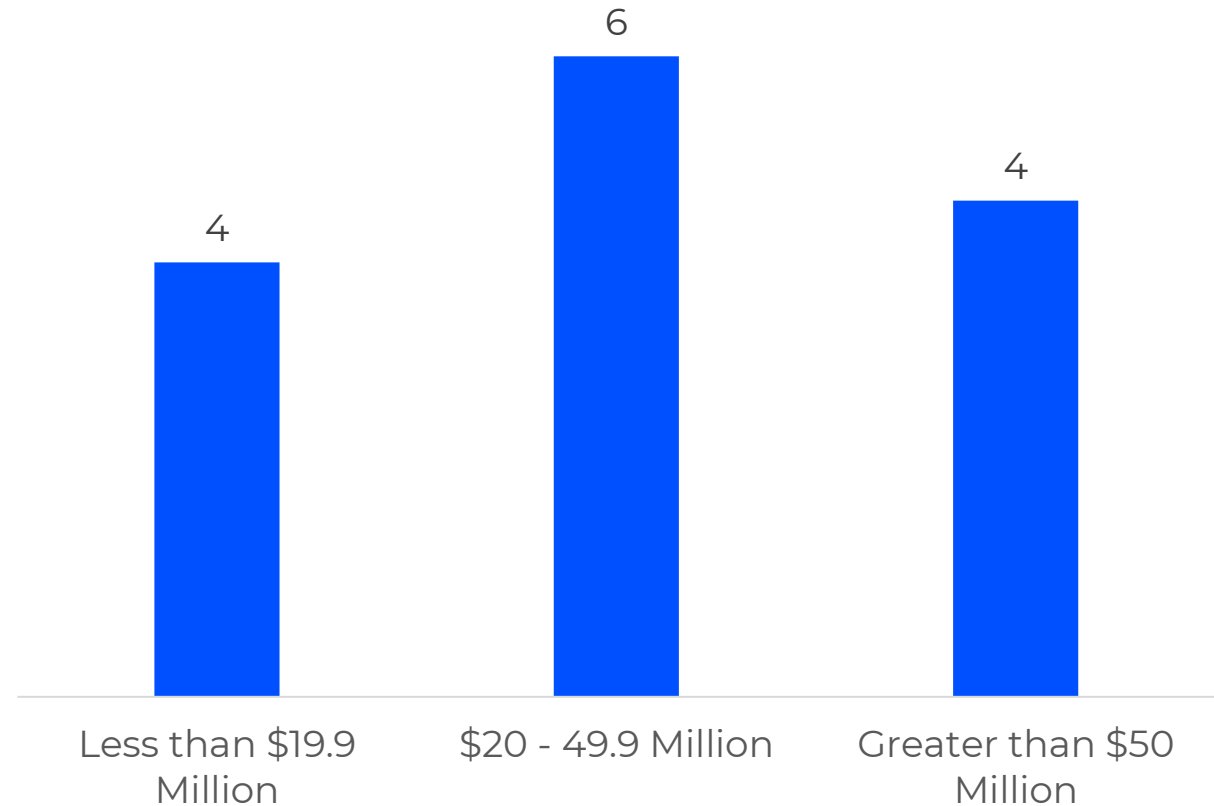
Backlog in Months

Manufacturers on average have between 4-6 months of backlog. Forgers with a 4.75 average, fall within normal ranges.



◆ High/Low Quartile — Median

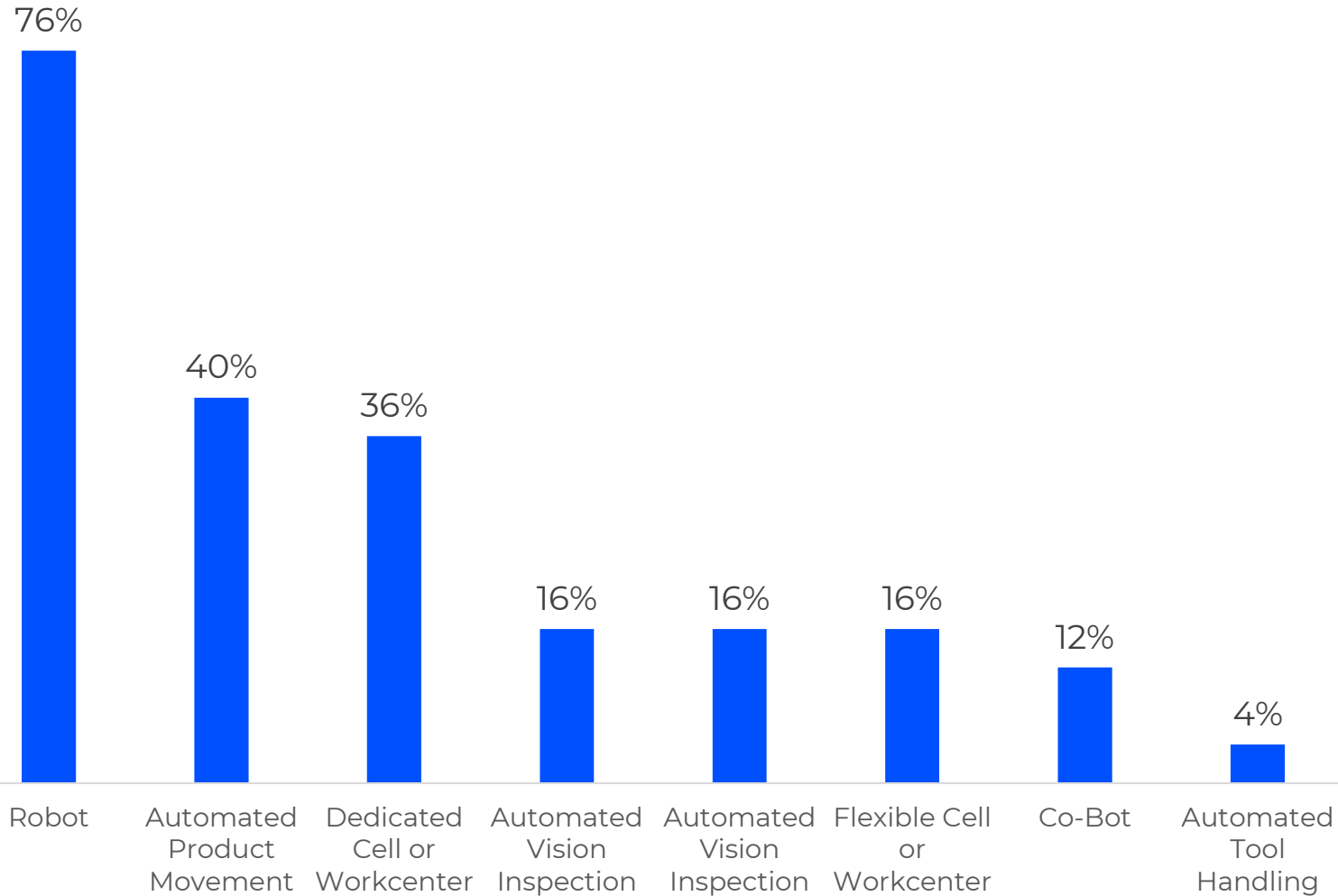
Months of Backlog



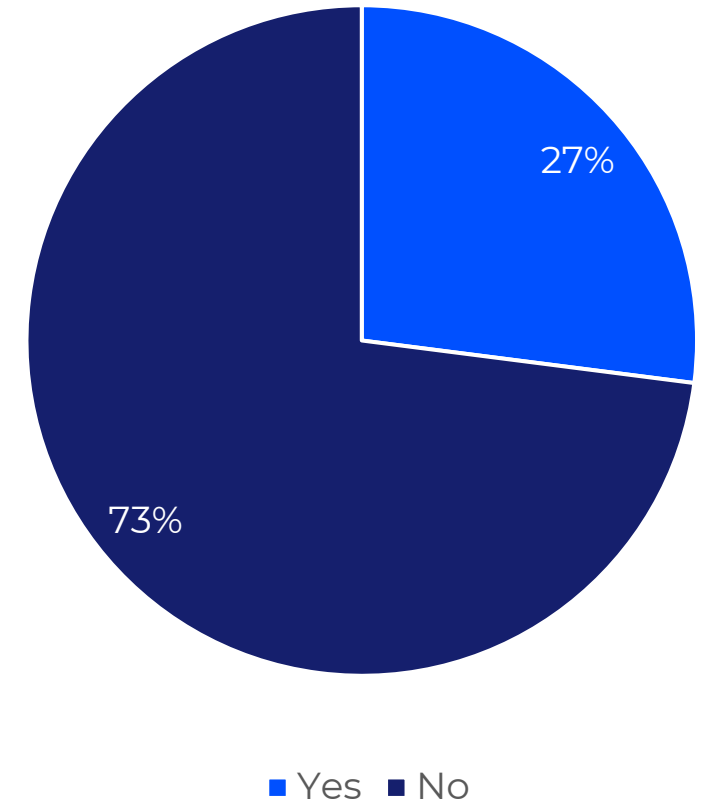
25th is the data between the bottom and the median. 50th is the median, referring to the point between the bottom and top data points. 75th is the data between the median and the top data points.

Respondents Investing in Robots

Number of Robots



Software Developments Impacted Your Open Positions or Headcount?



Question: How many robots (spray, bin picking/heater, hammer./press) are installed at your facilities? Have the software and automation investments noted in the previous question impacted your headcount or number of open positions? Source: Harbour IQ
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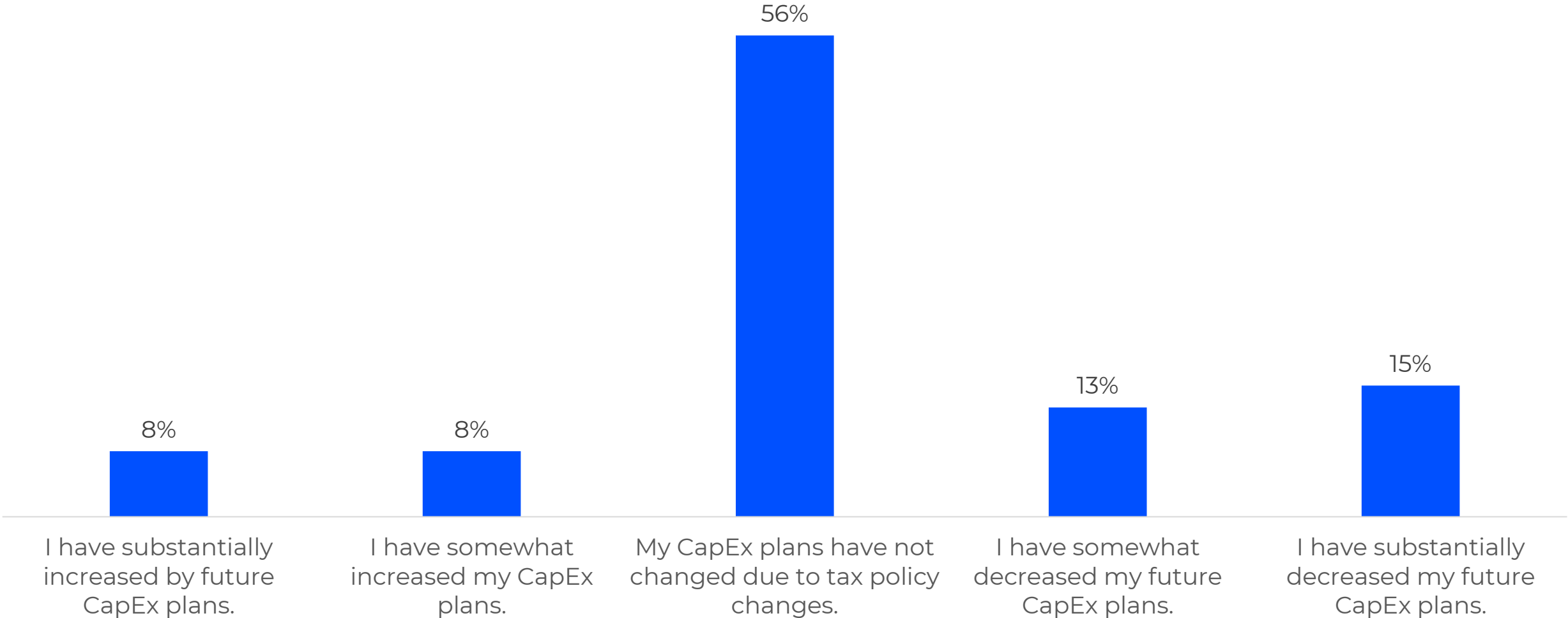
Analysis

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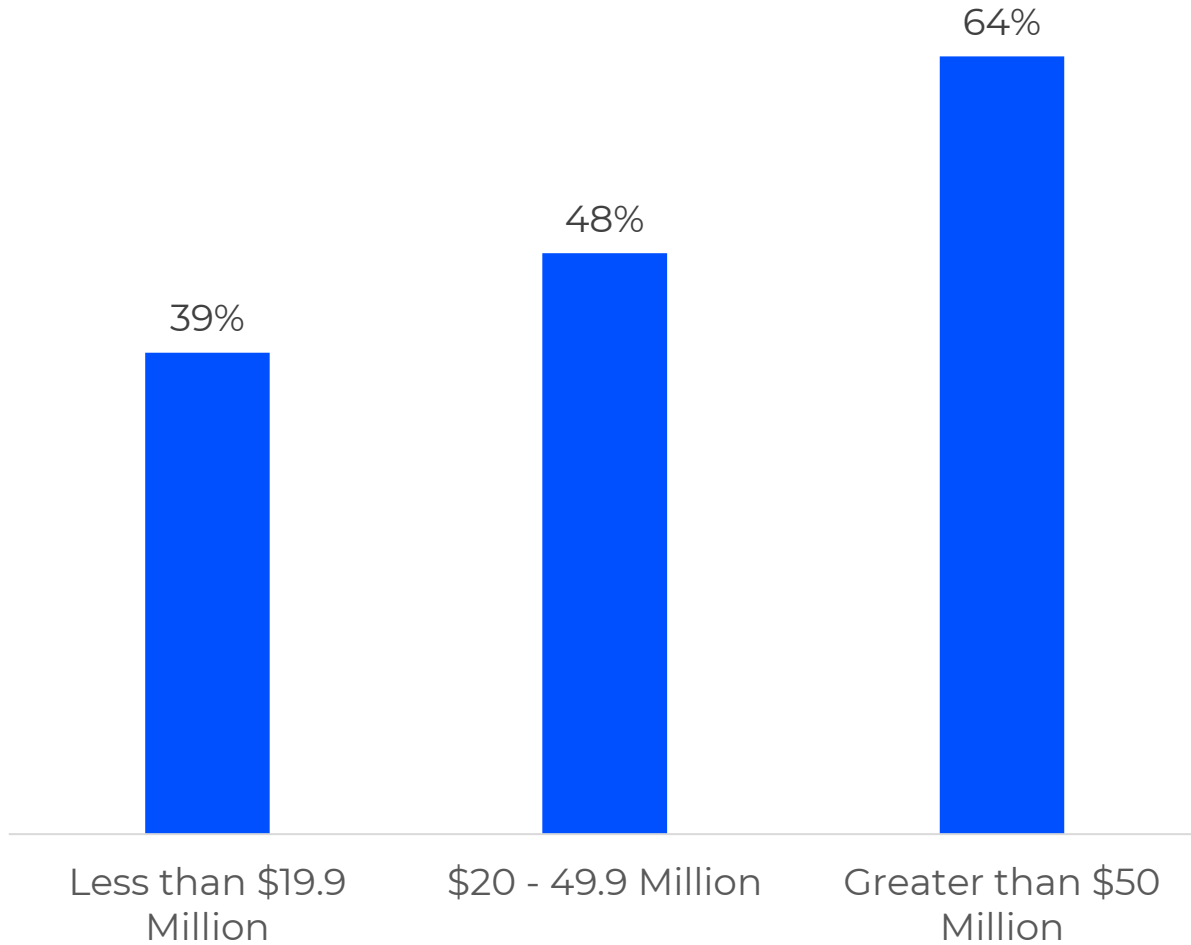
Most Respondents Have Not Changed their CapEx Plans

CapEx Investment

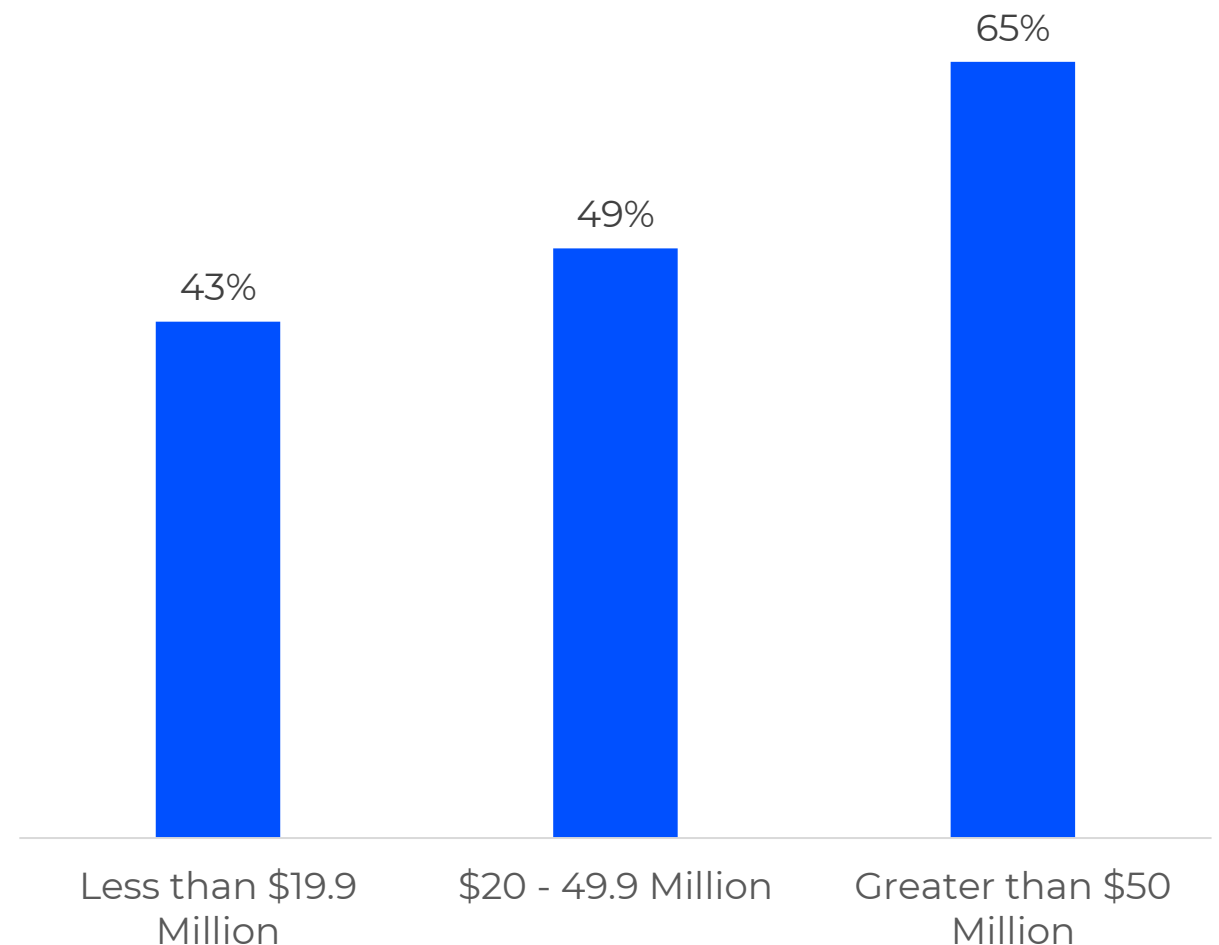


Larger Companies have Higher Utilization

Current Utilization



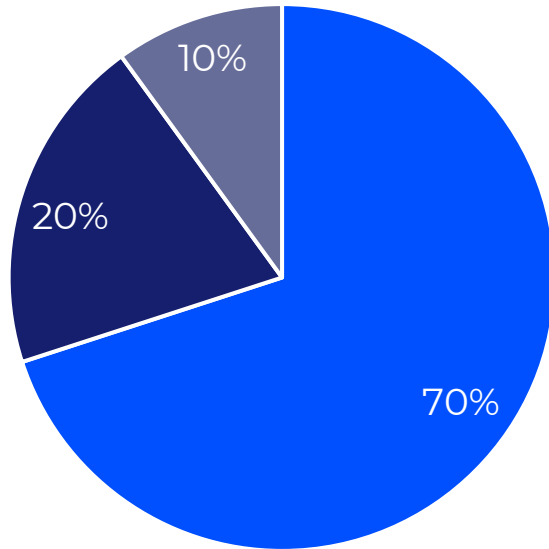
Forecasted 2024 Utilization



Question: Based on a 24-hour, 5-day shift structure, workforce challenges aside, what is your current YTD, and expected 2024 overall capacity utilizations? What was your company's 2023 revenue in USD? Source: Harbour IQ Powered by Wipfli

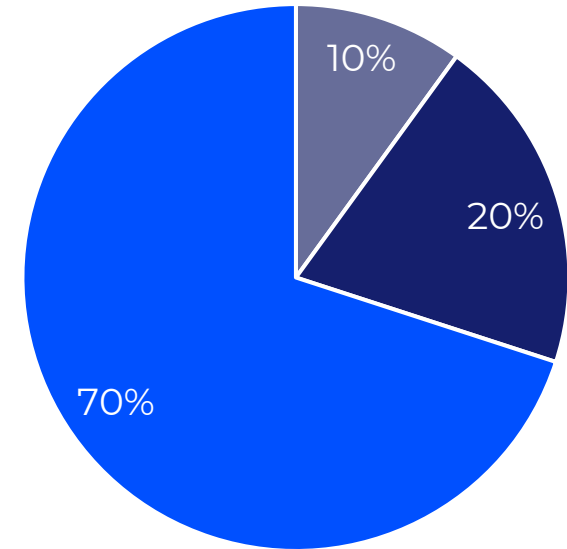
Software and Automation Investments Help with Labor Shortages

Open Positions



- We have been able to eliminate open positions due to automation and software investments
- Our open positions remain unchanged
- We have more open positions due to hiring specific skillsets to manage the software or automation

Headcount

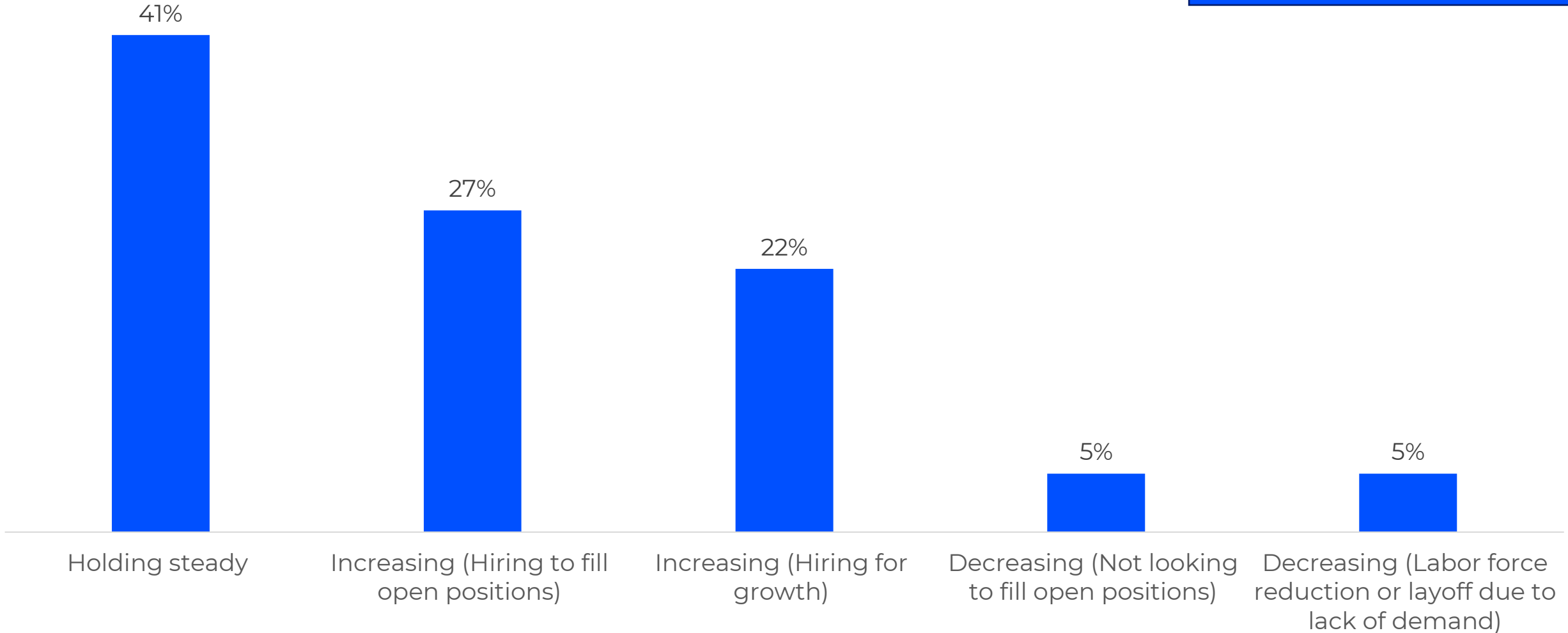


- Our headcount has increased
- Our headcount remain unchanged
- We have been able to decrease our headcount due to software and automation investments

Headcount Holding Steady

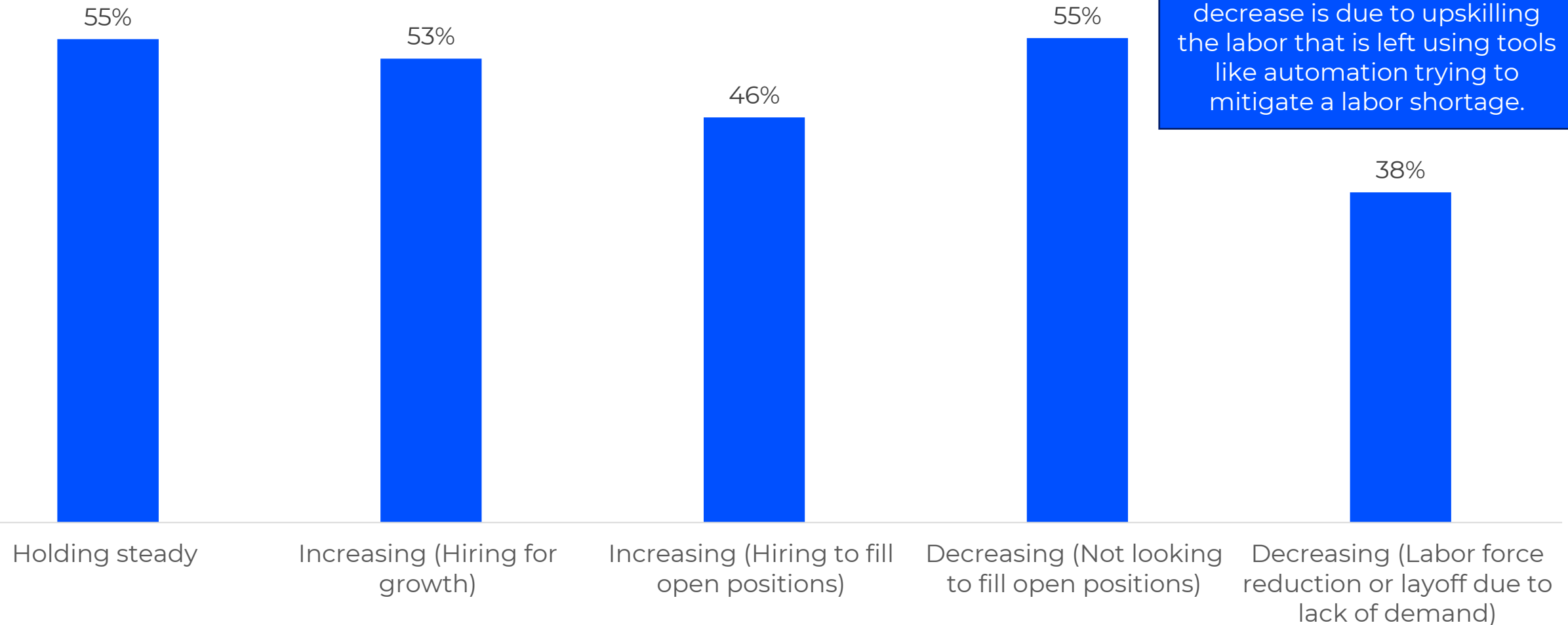
Headcount Direction

Labor force reduction and the decrease is due to upskilling the labor that is left using tools like automation trying to mitigate a labor shortage.



Respondents with Lowest Utilization are Decreasing Labor

Headcount Direction by Capacity Utilization

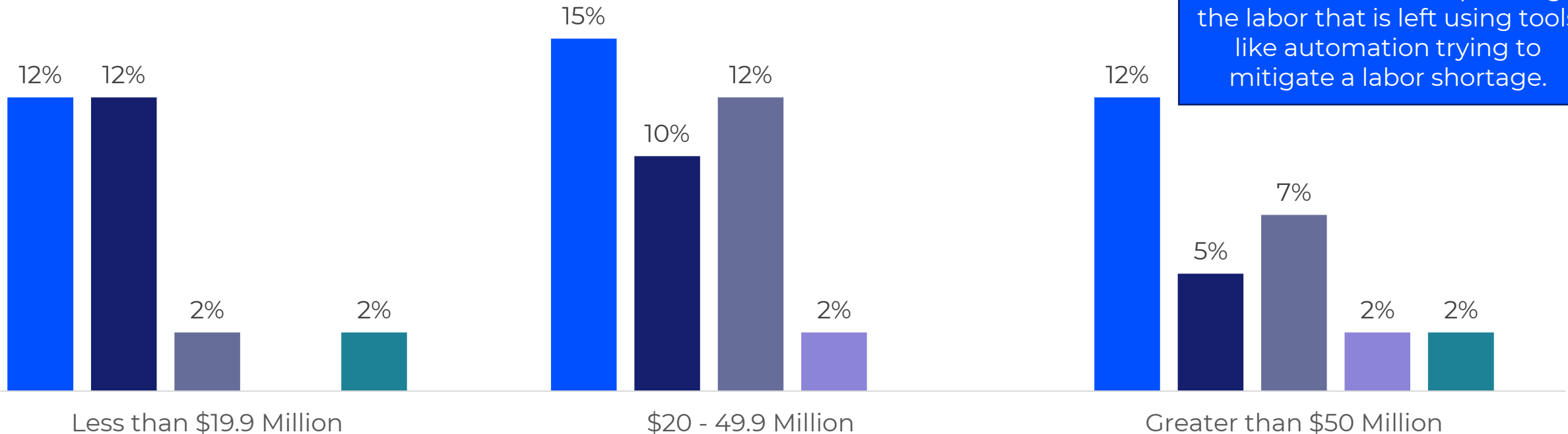


Labor force reduction and the decrease is due to upskilling the labor that is left using tools like automation trying to mitigate a labor shortage.

22 Question: In 2024 what direction is your headcount changing? Based on a 24-hour, 5-day shift structure, workforce challenges aside, what is your current YTD, and expected 2024 overall capacity utilizations? Source: Harbour IQ Powered by Wipfli

More Respondents Holding Steady than Not

Headcount Direction

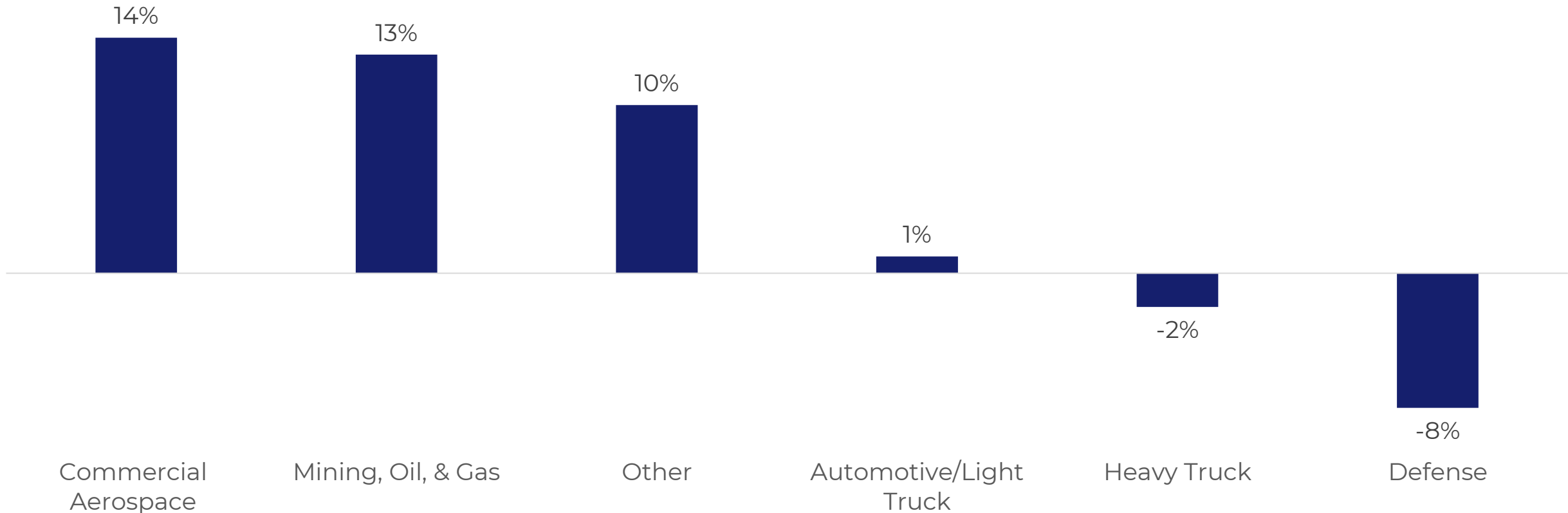


Labor force reduction and the decrease is due to upskilling the labor that is left using tools like automation trying to mitigate a labor shortage.

- Holding steady
- Increasing (Hiring to fill open positions)
- Increasing (Hiring for growth)
- Decreasing (Not looking to fill open positions)
- Decreasing (Labor force reduction or layoff due to lack of demand)

Forgers Expect Revenue to Increase by 5% on Average from 2023 to 2024

% Change 2023 to 2024



Other includes Agriculture/Off-Highway, Material Handling, Industrial Equipment, Railroad, Consumer Goods, and Ordnance. Question: What was your company's 2023 revenue in USD? What is your company's forecasted 2024 revenue in USD? Source: Harbour IQ
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Defense Has the Highest CapEx Investment

CapEx Investment by Industry



Question: What is the minimum amount of money your organization would need to spend to increase capacity utilization by a noticeable amount (at least a 10% increase in total potential capacity based on your answer to the Capacity Utilization question)? What equipment would you be adding with the CapEx investment? What was your 2023 revenue? Source: Harbour IQ Powered by Wipfli

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