

20 March 2020

COVID-19 Update

To our valued customers,

On behalf of the Dalton International team, I wanted to get in touch and give you an update on what is happening in our business and discuss how we can assist you during these difficult times.

What Dalton International is doing to keep our staff safe and well

In order to minimise face to face interactions, we'll be taking the following steps immediately:

1. All domestic and international flights will be cancelled or postponed until further notice.
2. Account managers will mainly make contact via phone, email and video conference.
3. Site visit and audits will be postponed until further notice.
4. All staff (except the warehouse team) are preparing to be able to operate from home.

What we're doing in relation to stock management

From early on, we decided to only supply existing customers and to proactively communicate available stock levels to those who regularly purchase. While this has worked well, we have largely sold through many of the high demand lines including:

SMS coveralls, microporous coveralls, surgical face masks, hand sanitiser and mediwipes.

We still have good stock levels of hazardous substances storage products such as DG Cabinets and Spill Pallets as well as Emergency Response Products such as showers and eyewashes, industrial absorbents and spill kits.

Seven of our eight Chinese based manufactures are up and running, albeit with some delays due to staff shortages. The eighth manufacturer is based in Wuhan and has only opened this week, we have yet to receive confirmation of orders.

What we do know is that unprecedented demand from around the world, a shortage of staff and significant cost increases for materials will lead to significant cost increases for replacement stock. For high demand items such as surgical face masks, prices have risen by over 1250%.

Due to the level of uncertainty around pricing and availability, we will, in the coming weeks, be working with customers to lock in supply on future orders. This will likely involve committing to higher prices and future shipments including up front deposits to secure stock. As the situation remains fluid, we'll need to work together to get what stock we can. Our team will be in touch when we know pricing and availability of key lines.

What's happening with freight shipments?

Sea freight, both FCL and LCL, is currently the best option to get stock out of China. Due to a lack of manufacturing, there is still significant excess capacity, although this will begin to fill as manufacturers come online again. For now, shipping times have pushed out an additional seven days from 18 to 25 days, as ships stay in port an extra week in order to fill up as much as possible.

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Pricing remains reasonable and we strongly recommend that customers plan for the future and opt for this method of transport.

Airfreight is currently very uncertain. Airlines have pulled out of the market as there are few passengers flying. This now means that previously there were three flights per week from Shanghai to Auckland, now there is one. Capacity on that flight is very limited and bookings are getting bumped, which delays shipments a week each time. What's more, prices are skyrocketing and have jumped from \$3 USD/Kg prior to covid-19 to \$8.70 USD/Kg now and likely to go higher. Once booked in with Airfreight, it's almost impossible to change your mind and ship by sea if you keep getting bumped. Some shipments have been bumped three times which means they have taken almost as long to arrive in NZ as sea freight but at a significant cost premium.

When is new stock arriving?

Depending on the items, we have containers beginning to arrive again from China from mid-May. Some items such as coveralls are arriving from June but stock is limited and we are yet to confirm pricing.

The best thing to do is discuss your needs with the team. If we can help, we will, and if we can't, we'll certainly explain the latest information we have, so you can keep your own customers in the loop.

Where to from here?

Our view is that, although this is going to be very disruptive, it will pass in time and we are committed to ensuring our customers have the latest information. Should you wish to speak to people in the team all their mobile details are available on our website at <https://daltoninternational.co.nz/our-team-of-safety-experts/>

For the most up to date information check out our website where we have set up a dedicated link on the home page. We will also be turning on an online chat module on our website next week that will allow you to communicate with the team online, should the mobile network become overloaded with everyone working at home.

In the meantime, hang in there and look after each other!

Yours sincerely

Darryl Burn
Managing Director
Dalton International Ltd