

Overview

Raw material supply

- In our **top supplier partnerships, we have implemented contracts** to prioritize the supply of raw materials. To put it into perspective, out of 2,000 suppliers globally, these disruptions are being caused by just 25 suppliers.
 - For example, we have signed a supply agreement with favorable lead times and delivery rates with two of our our largest suppliers: a plastics extruder and a packaging supplier. For both suppliers, we have 1 of only 5 special supply agreements that were offered to their top customers. This, along with our long-standing relationships and connections, gives us preferential treatment.
- We have **achieved a standard format and cadence with the global procurement teams**, which is helping us understand exactly how much backorder is caused by raw material shortages so we can attack the most critical areas.
- We believe that the raw material shortages are getting better, and we see that **when we get the materials, we apply them to manufacturing** and our distribution centers to get products out to customers very quickly.

CINC was able to reach an agreement with one supplier to prioritize our needs and deliver 63 out of 79 delayed parts, resulting in an 80% improvement.

At the end of last year, a **new Emergency Supply Model/Algorithm** helped to identify a packaging shortage and allowed us to proactively find a new supplier for packaging, resulting in thousands of product sets being shipped, specifically MPIS.

- In some cases where the raw material supply is unstable, we are still **working with healthcare industry advocates to amplify our needs**, and in those situations, we are still faring better than other companies that also need those materials.
 - For context, through AdvaMed, which is the Advanced Medical Technology Association, an American medical device trade association based in Washington, D.C., we hear that our competitors are voicing strong concerns about supply from the two major suppliers mentioned above. This illustrates what extreme challenges this industry faces and how we have positioned ourselves to minimize as much risk as we can.

Manufacturing

As mentioned in previous communications, we have introduced a few lean efficiency approaches. Below are two approaches that are showing some success:

- **Automation** helps reduce the amount of human touch needed on a device to make sure our people are working on tasks that add the most value. This has already been implemented at some of our facilities, and we are seeing continued success for projects like the Dilator Tipping and MPIS at Cook Polymer Technology.

Overall, automation has increased our productivity by as much as 50%.

Continuous flow lines have shown an increase of **40–50%** in productivity, an increase of **25%** for quality improvements, and a reduction for lead times from **20–30 days** to **5–7 days**.

- **Continuous Flow Lines** is the introduction and moving of batches of items through a series of processing steps as continuously as possible to reduce waste and lead times. These have been implemented for Urology, Endoscopy, and Embolization products.

Manufacturing at Cook Inc.

- The Packaging teams have worked diligently to bring down their units on-hand, processing thousands of products per day. This proves that when we have the materials, our people can and will rise to the challenge and knock backorders down.
- We are seeing continued success on our product transfer lines, and production is ramping up. Because some of these transfers are still new, the full impact has not yet been seen, but it does offer additional capacity that will be valuable as our business grows.

Packaging's average volume has increased to **13,000 units a day**, double their previous rate.

MedSurg

- Since June 30, 2022, **backorders have decreased by \$4M**. The prefixes with the most improvement include C-UTPT, K-PETS, C-TQTS, FS, NGE, C-UTLMY, C-AEBS, and C-UDLMY.
- Unfortunately, due to a raw material issue with product pouches, our backorder for Urology **increased by about \$1 million**. Additionally, the same raw material issues have impacted our Reproductive Health unit as well. We have been working with our vendors closely, and we expect to reduce these backorders once the supply improves.

Vascular

- Since June 30, 2022, our **backorders have decreased by \$16M**. These reductions were largely driven by improvements in material supply and have occurred for these prefixes: ZIMB, PTA5, MPIS, RUPS, PTA4, MCS, ULT10.2, and HNB5.0. A special note on ULT backorders is that at their peak they were at **\$11M dollars** and are now about **\$300k**.

Manufacturing at William Cook Australia

- It is important to note that we have seen major success around custom-made devices (CMDs) from William Cook Australia. The lead times have reduced from 88 days to 35 days, but in the recent past we have seen it as low as 21 days.