



Economic Outlook for Electronics Recyclers

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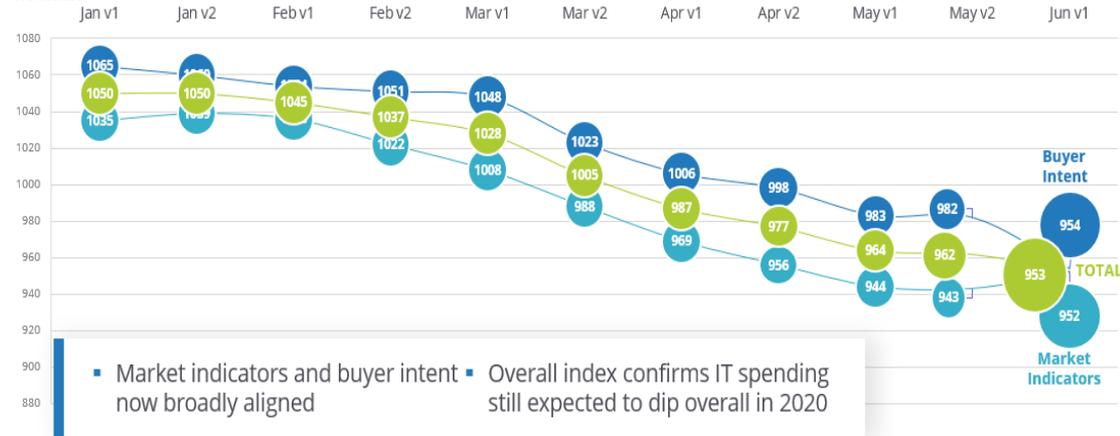
Declining Confidence in IT Spending in 2020

Index score above 1000 indicates expected increase in IT spending for 2020 overall; score below 1000 indicates a projected decline.

Source: IDC

IDC COVID-19 Tech Index, 2020 - Worldwide

COVID-19 Tech Index, June 4th 2020
Worldwide



Covid Impact on New Equipment Shipments

- IT
 - Gartner estimates that 51.6 million PC units were shipped in the first quarter, down 12.3% from 2019.
 - It marks the biggest fall in shipments since 2013 and follows three consecutive quarters of growth for the market.
 - IDC reports that vendor revenue in the worldwide server market declined 6.0% year over year to \$18.6 billion during the first quarter of 2020.
 - Worldwide server shipments declined 0.2% year over year to just under 2.6 million units in 1Q20.
 - IDC expects the sector's outlook to improve as companies invest more in telecommuting hardware.

Covid Impact on New Equipment Shipments

□ Mobility

- Global smartphone shipments fell 13 percent to 272 million units in the first quarter of 2020, according to research firm Canalys.
- A report by Counterpoint Research also indicated a similar scenario stating that this is the first time since March 2014 quarter that global smartphone shipments have fallen below 300 million units in a quarter.
- Canalys, in its report, said the smartphone market entered 2020 in good health, having just recorded two consecutive quarters of growth, but demand for new devices has been crushed.
- TrendForce is thus revising its 2020 5G smartphone production forecast from 250 million units down to 200 million units, with a 15 percent penetration rate in the overall smartphone market.
- Deferred demand for 5G

Covid Impact on New Equipment Shipments



- Education Market
 - Fall 2020 school year in doubt in some areas could impact refreshes and upgrades
 - Increased demand on data centers to support teleconferencing and collaboration platform applications
 - Increased demand for redeployment of IT assets
 - Memory demand from the server and datacenter sector has also been strong, with vendors expecting prices to go up this year

Covid Impact on Business Model

- Residential collections

 - Demand for collection services significantly impacted by Covid

 - Recovery of the collection market may be slower than economic recovery

- Operational Cost Increases

- Increased safety procedures

- Quarantining inbound shipments

- Restrictions for on-site collection services

- Devising no-contact collection programs, such as drive-thru models

- Remote data erasure services

Emerging Issue in China

- Changes to the market in Hong Kong
- Trade issues could compound negative demand forces for mobile devices and distributed assets
- Additionally, 5G rollout in China has been delayed further negatively impacting mobile device demand in the world's largest market

Summary

- Short term surge in ITAD service demand could be expected as business return to work
- Long term impact from adjustments in capital spending due to current economic conditions
- U-shaped or V-shaped recovery?

Questions?

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