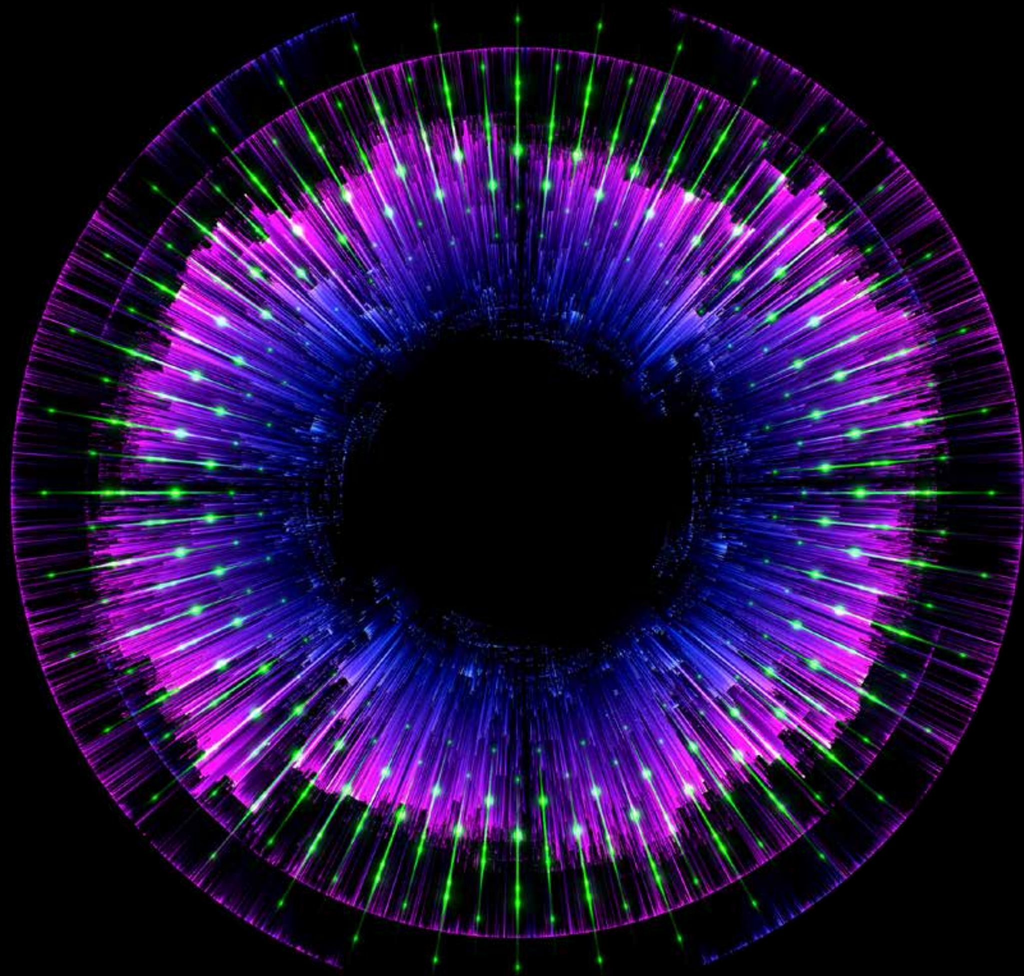


Working Capital Roundup
A look back at 2021

Table of contents:

Glossary of terms

AP - Accounts payable

AR - Accounts receivable

CCC - Cash conversion cycle

COGS - Cost of goods sold

DIO - Days inventory outstanding

DPO - Days payables outstanding

DSO - Days sales outstanding

EBITDA - Earnings before interest, taxes, depreciation, and amortization

ER&I - Energy, resources, and industrials

GDP - Gross domestic product

LSHC - Life sciences and health care

PQ - Prior quarter

OGC - Oil, gas, and chemicals

Qtr - Quarter

TMT - Technology, media, and telecommunications

WC - Working capital

YoY - Year over year

QoQ - Quarter over quarter

Basis of preparation and assumptions

- For the first time this year, we reviewed the financial and WC performance of all publicly listed companies based in the United States.
- We reviewed the financial and WC performance of many companies listed on a public stock exchange in the United States.
- Our review included 3,239 companies, looking at their working capital performance and related key indicators.
- We also looked at shifts in performance on a quarterly and annual basis to highlight the impact of the pandemic and other economic events on WC and liquidity, particularly between Q4 2020 to Q4 2021 and Q3 to Q4 2021.
- Due to their varying WC trends and profiles, we excluded the following industries from our analysis: Financial Services, Government & Public Services, and Others.

Executive summary

Key statistics (YoY Q4 2020 to Q4 2021)[1]

Number of companies

3,239

Change in revenue

18.2%

Change in EBITDA

31.2%

Change in DSO

-1.6
days

Change in DIO

-2.2
days

Change in DPO

-1.9
days

Overview

In the 2021 issue of the annual WC Roundup, Deloitte provides a detailed view on WC performance across industries, focusing on the individual sectors, identifying AR, AP, and inventory trends and underlying drivers.

Many companies experienced significant growth in 2021 boosted by government stimulus and driven by strong consumer demand. Despite the weaker second half of the year marked by supply chain disruptions, labor shortages, and rising labor and energy costs, as well as distribution and logistics challenges, the companies analyzed reported a high increase in revenue coupled with strong margin growth. This growth was accompanied by an improvement in free cash flows and a reduction of net debt.

Revenue and margin

In 2021, the US GDP increased at an annual rate of 7%,[2] propelled by increased consumer spending, business investment, and efforts to rebuild inventories.[3] The WC data reads the strong growth in revenues ranging between 17% and 34% across all industries compared to an approximate 6% decline in 2020. The growth in revenue was accompanied by a 37% increase in EBITDA in 2021, compared to a 9% decline in 2020. Although many companies were able to grow their business and generated double-digit EBITDA increase, several smaller companies (less than $500 million in revenue) struggled with negative EBITDA and double the losses compared to 2020.

Labor cost

The pandemic caused a major disruption in America's labor force. More than 47 million workers quit their jobs in 2021.[4] Many industries, including transportation, health care, social assistance, accommodation, and food, experienced labor shortages. The manufacturing industry faced a major setback after losing roughly 1.4 million jobs at the onset of the pandemic.[5] Since then, the industry has struggled to hire entry-level and skilled workers alike. Durable goods manufacturing, wholesale, and retail trade also experienced labor shortages (e.g., the gap between unemployed workers with experience in durable goods manufacturing and the vacant jobs amounted to 35%).[6]

US wages have risen across the board in the past year due to the strong competition employers are facing to retain workers. Worker shortages boosted wages and benefits causing US labor costs to rise by the highest rates since 2001. Wages increased by 4.5% for civilian workers and 5% for private industry according to the Bureau of Labor Statistics.[7]

Supply chain disruptions

Starting in 2020, companies reacted to the economic downturn by canceling production plans and reducing the size of the workforce as well as capital investment. Virus containment measures and infection clusters triggered factory shutdowns impacting supplies just when consumers' spending was shifting from services to goods.[8] Escalating shipping prices, labor shortages, and capacity restrictions contributed to more pressure on shipping, containers, railroads, and warehouses. Average transportation costs and the wages in the transportation industry skyrocketed.

In recent months, the supply chain started to normalize. The Institute for Supply Management (ISM) recent survey results showed signs of improvements in US labor and supplier delivery performance for a third month and purchasing manager testimonies in Europe also suggested easing pressures.[9] However, many suppliers are still encountering difficulties in meeting the strong demand and delivering products timely under current hiring challenges, lengthier lead times for raw materials, and inconsistent transportation availability.

Inflation

Labor costs rose to a 20-year high, crude oil prices hit their highest level since 2014, and shipping costs rose to record highs, resulting in inflation that has not been seen in the United States in 40 years.[10]

The consumer price index rose 7%, led by gasoline prices surging almost 50% and energy by more than 29%.[11] In some cases, whole industries were hit by the surging prices. For example, the producer price index for inputs to new nonresidential construction—the prices charged by goods producers and service providers, such as distributors and transportation firms—increased 19.6% in 2021. The index price for plastic construction products climbed 34% over 12 months, and index for lumber and plywood rose 12.7% and 17.6%, respectively.[12]

Interest rates

In the past two years, companies loaded up on liquidity, cushioning their balance sheets against the impact of the pandemic and taking advantage of low financing costs. According to the analysis, companies increased their free cash by 6.6% in 2021, after an almost 42% increase in 2020, while reducing net debt by 4.1%, just in time to get ready for 2022. The interest rates are coming off a historically low base, and companies should again start thinking about the rising financing cost in the years ahead, and working capital.

Impact of the economic recovery on key financial metrics

- Companies experienced a **further slowdown in revenue growth in Q4 2021**, where revenue grew 1.8% compared to 3.9% and 6.5% in Q3 and Q2, respectively. The slower growth was caused by persisting supply chain challenges and labor shortages but also the recurrence of new COVID variants. Year over year, the revenue grew 22.4% after a 5.8% decline in 2020. We see the strongest growth in ER&I (34%), led by oil, gas, and chemicals (46.9%) and mining and metals (42%) driven mainly by a surge in crude oil and energy prices, and raw materials. All other industries grew between 16.7% and 19.5%, led by the transportation, hospitality, and services sector (28.7%) and technology and automotive sectors (both 21.7%).
- Companies reported a 37.3% **increase in EBITDA YoY, after a decline of more than 9% in 2020**. Industries that suffered the biggest declines in 2020, such as ER&I (-20.7%) and consumer (18.1%), increased their EBITDA by 57.1% and 41.2%, respectively. Mining and metals added 92.7%, oil, gas, and chemicals 91.6%; automotive 60.3% and transportation, hospitality, and services 128.1%, after a 61.9% decline in 2020. The strong growth was seen across all sectors, although power, utilities, and renewables reported only a 2.0% increase in EBITDA despite a 21.5% growth in revenue. QoQ, almost all sectors reported a decline in EBITDA between -1.3% and 18.1%, except OGC (20.1%), technology (5.3%) and telecom, media, and entertainment (1.0%).
- **DSO improved by 1.6 days, or 4.3% YoY, and improved across all industries.** The improvement ranged from 0.3 days in consumer to 4.2 days in ER&I and LSHC. The only sectors that recorded a deterioration were retail, wholesale, and distribution (1.1 days), industrial products and construction (0.4 days), and automotive and technology (0.1 days). The top performer was health care with a 6.1-day decline in DSO. QoQ, the improvement amounted to 2.3%, or -0.9 days, led by TMT (-1.7 days), LSHC (-1.2 days), ER&I (-1.1 days), and consumer (-0.7 days).
- **DIO improved by 1.4 days QoQ across all industries except LSHC, which grew 1.1 days**. The biggest decline was reported by industrial products and construction (5.0 days) and retail, wholesale, and distribution (3.8 days), while mining and metals grew 7.5 days. DIO shows a 2.2-day decline YoY (4.8%) due to a 21% increase in COGS while inventory increased 14%. We see the biggest decline in ER&I (10.4 days, or 16.0%) driven by oil, gas, and chemicals and power, utilities, and renewables, while TMT added 2.8 days, or 11.4%.
- **DPO declined 1.9 days. or 3.3% YoY, driven by LSHC and ER&I, which deteriorated 8.6 and 4.7 days, respectively**. Consumer shows a 0.8-day improvement across all related sectors and TMT an improvement of 1.3 days also across all related sectors. QoQ, we see a significant decline in DPO amounting to 5.7 days, or 9.1%, with the biggest decline observed in oil, gas, and chemicals of 15.2 days (22.1%) and life sciences 11.6 days (15.7%). Mining and metals and automotive reported a quarterly DPO increase of 0.4 days (0.8%) and 0.9 days (1.7%), respectively.

Impact of the economic recovery on key financial metrics

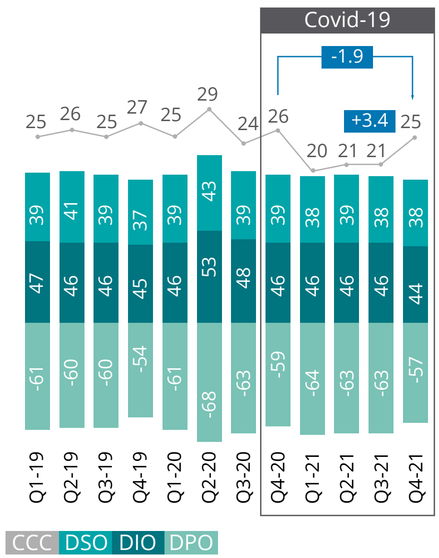
	Actual Q4-21	Actual Q4-20	YoY Q4-20 to Q4-21	Q4-19 to Q4-20	Actual Q3-21	Q3-21 to Q4-21
Revenue	$5.7T	$4.8T	18.2%	-1.2%	$5.6T	1.8%
EBITDA	$1.0T	$0.8B	31.2%	-0.7%	$1.0T	-1.2%
CCC	24.6 days	26.5 days	-1.9	-0.8	21.2 days	3.4
DSO	37.6 days	39.2 days	-1.6	2.0	38.5 days	-0.9
DIO	44.2 days	46.3 days	-2.2	1.8	45.5 days	-1.4
DPO	57.1 days	59.0 days	-1.9	4.5	62.8 days	-5.7

Note: Change calculated in percentage and days: Quarter values measured YoY 2020 and 2021 and QoQ.
Source data: S&P Global Market Intelligence LLC, December 2021; Deloitte sector mapping.

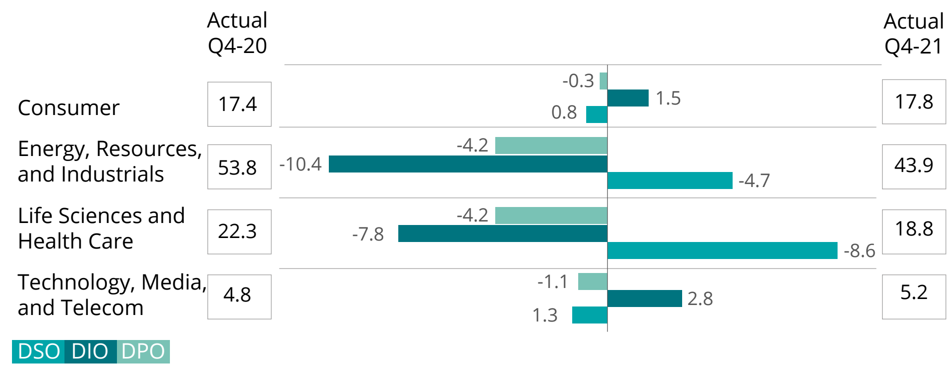
Working capital performance in the new normal

- We see a significant shift in WC performance in the last quarter of 2021. The composite metric measuring the combined performance of DSO, DIO, and DPO increased by 3.4 days between Q3 2021 and Q4 2021, even though DIO has been at its lowest levels in the past two years (44.2 days) and DSO was only 0.4 days from its two-year best of 37.2 days. Year over year, the CCC declined 1.9 days.
- The main reason for the quarterly CCC deterioration was the decline in DPO by 5.7 days (9.1%) QoQ and 1.9 days YoY.
- Quarterly DPO declined across all analyzed industries, led by ER&I with 9.8 days (15%) and LSHC with 7.1 days (11%).
- Although QoQ DSO improved in all four analyzed industries, we see a mixed performance across the individual sectors.
- DIO improved between 1.1 and 2.3 days in all analyzed industries except LSHC, which grew 1.1 days.

Developments in CCC by quarter (days)



CCC in days by industry from Q4 2020 to Q4 2021



Source data: S&P Global Market Intelligence LLC, December 2021; Deloitte sector mapping.

- When breaking down the companies and their CCC results by industry, we can see the biggest improvement in ER&I and LSHC, which grew 9.9 days, or 18.4%, and 3.4 days, or 15.2%, respectively. CCC in consumer and TMT increased by 0.4 days, which represents an increase of 2.3% and 8.3%, respectively.
- The main drivers for the improvement were DSO, which declined between 0.3 and 4.2 days across all industries, and DIO, which recorded a decline of 10.4 days and 7.8 days in ER&I and LSHC. The reductions in DIO were offset though by the decline in DPO of 4.7 and 8.6 days in these industries. And although we usually see a shorter DPO at the year end, this behavior was amplified by improved payment performance to suppliers as companies started returning to their pre-pandemic payment terms and offered more attractive payment terms in the environment of supply chain challenges.
- Compared to 2019, in the aggregate, companies (in the industries reviewed) are back to pre-pandemic levels in terms of DPO, DSO, and DIO. DIO improvement can be partially attributed to the supply chain challenges, which reduced the inventory levels despite the growing demand and revenue, indicating more companies are experiencing stockouts and product allocations.

Industry findings: Consumer

Actual Q4 2021

CCC
17.8
days

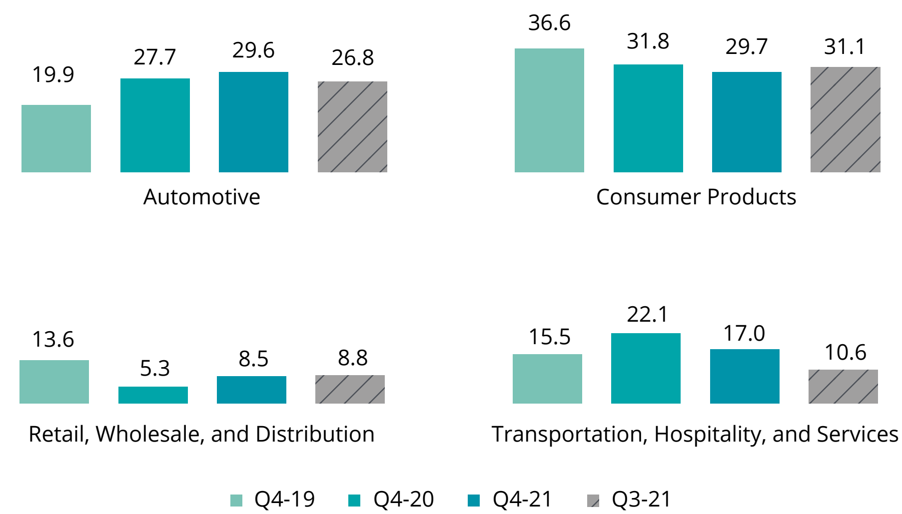
DSO
24.9
days

DIO
44.0
days

DPO
51.2
days

- Within the **consumer** industry, the industry experienced growth at a significantly slower rate of 19.0% in Q4 2021 versus Q4 2020 as compared to 41.2% in Q3 2021 versus Q3 2020. Of the four major categories, **consumer products** (17.9%), **retail, wholesale, and distribution** (25.3%), and **transportation, hospitality, and services** (39.3%) all experienced revenue growth, only slightly offset by decline in growth in the **automotive** sector (4.4%).
- In terms of CCC, WC remained relatively flat in aggregate (17.4 days in Q4 2020 versus 17.8 days in Q4 2021); however, there was a negative change in the automotive sector with its CCC increasing to 29.6 days. While the trend across the total industry is flat, businesses should remain focused on WC performance to maintain improved cash conversion levels.

CCC in days by industry from 2019 to 2021

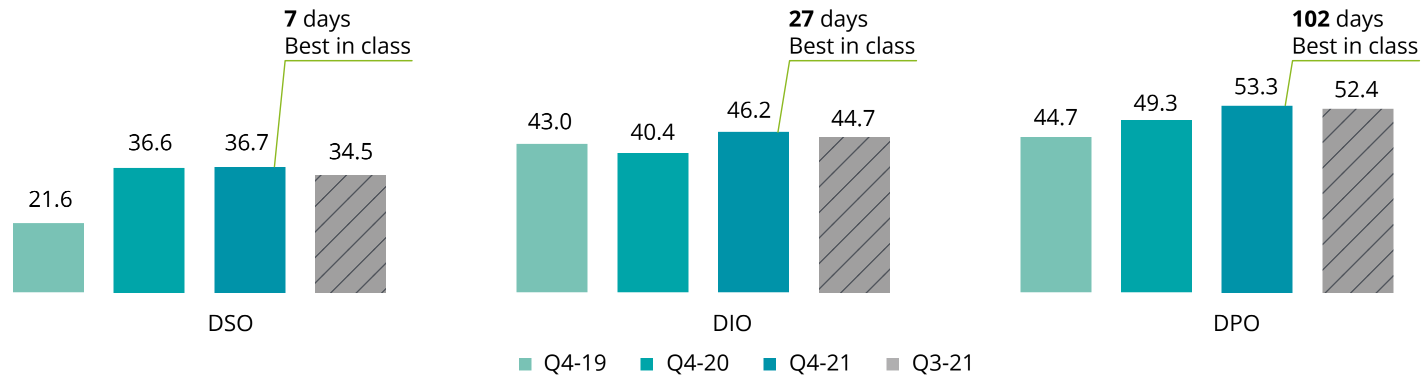


Industry findings: Consumer (cont.)

Analysis by sector

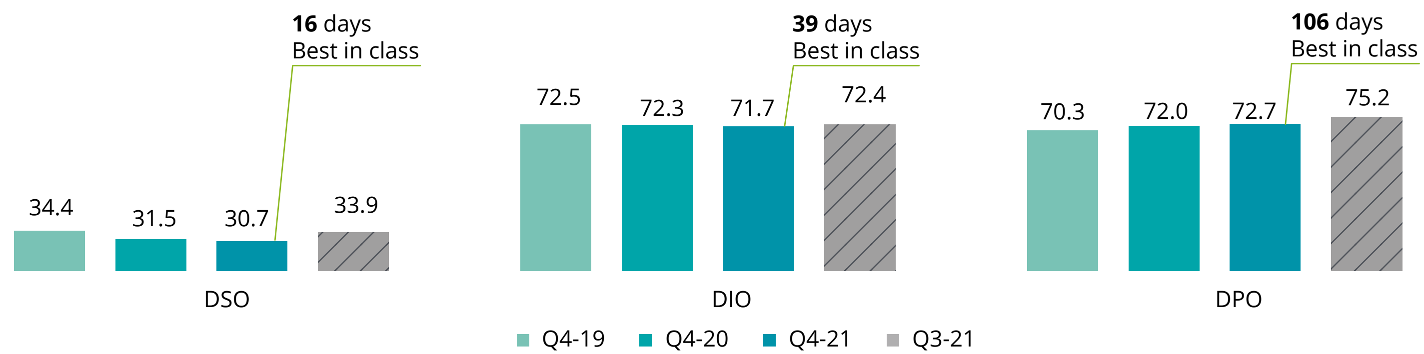
- Of all the sectors in consumer, **automotive** saw the largest increase in DPO, increasing 4 days in comparison to Q4 2020. While revenue experienced a decline in growth, DSO remained relatively flat, suggesting strong collections behavior within the sector. Conversely, DIO has increased by 6 days, indicating that the level of stock holding has been sustained, regardless of decreased sales, potentially due to global supply chain issues.

Automotive



- **Consumer products** saw a slight improvement across the CCC in comparison to Q4 2020, with improvements in all WC cycles indicative of a recovery in the industry from the initial impacts of the pandemic.

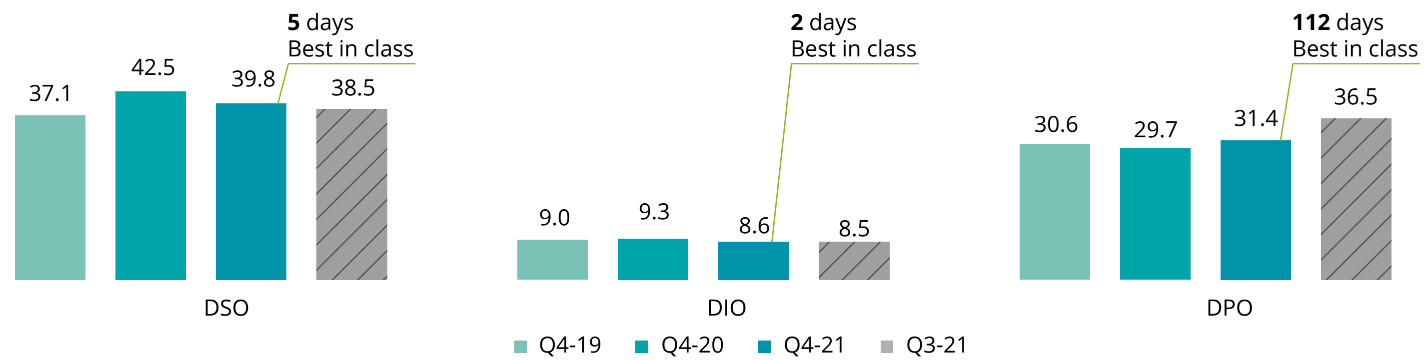
Consumer Products



Industry findings: Consumer (cont.)

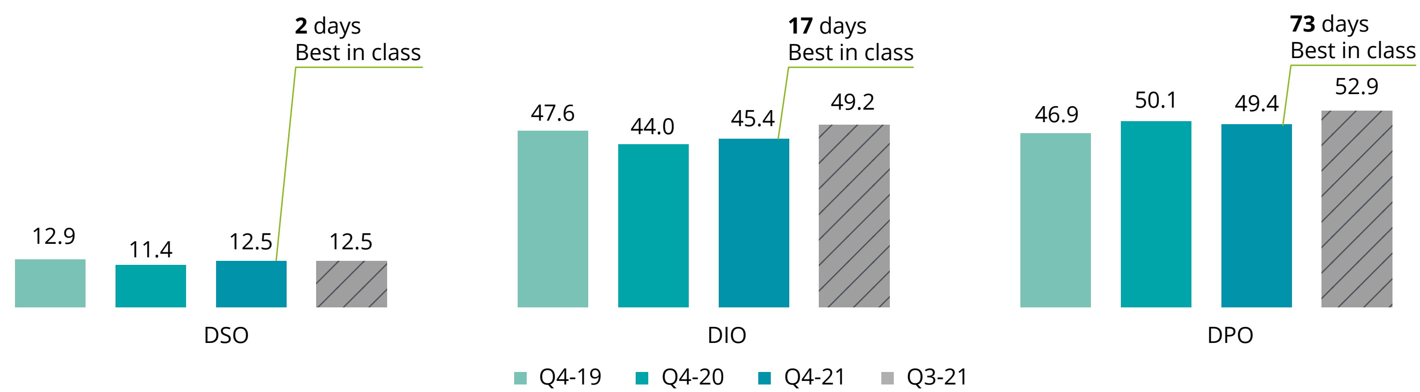
- **Transportation, hospitality, and services**, which was hardest hit by industry disruptions and revenue declines during the pandemic, has begun to turn the corner across its WC cycles. Revenue increased by roughly 39% versus Q4 2020, indicating a potential return to normalcy in the industry.

Transportation, Hospitality and Services



- Within **retail, wholesale, and distribution**, a large rebound was noted in the wholesale and distribution subsector, with an increase in revenue of 52.5%. As businesses within the sector are some of the largest buyers of goods and services, they have an opportunity to leverage economies of scale to improve their terms with their vendors, thereby improving DPO.

Retail, Wholesale & Distribution



Note: "Best in class" represents top 10% performers.
Source data: S&P Global Market Intelligence LLC, December 2021; Deloitte sector mapping.

Industry findings: Energy, resources, and industrials

Actual Q4 2021

CCC
43.9
days

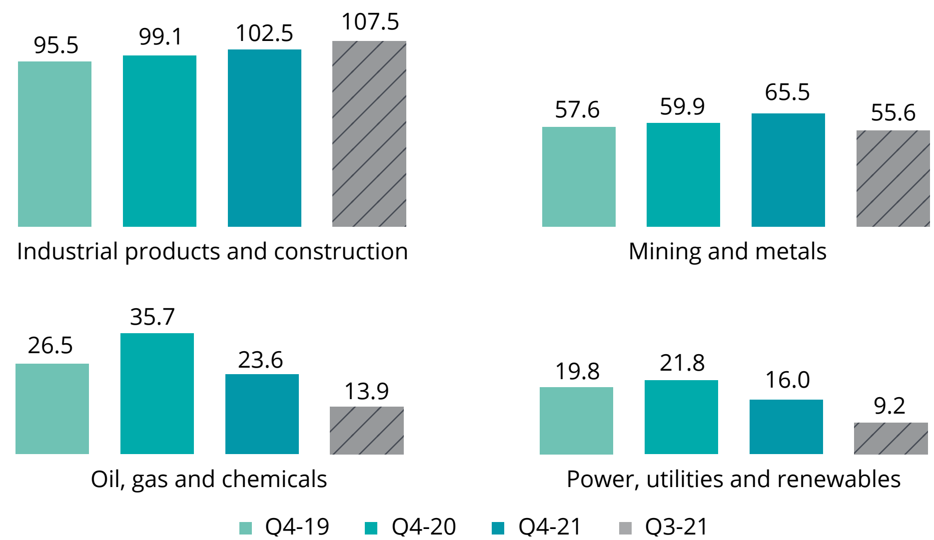
DSO
44.5
days

DIO
54.9
days

DPO
55.5
days

- ER&I saw the biggest decline in CCC among the industries analyzed. CCC improved YoY by 9.9 days, or 18.4%, mainly driven by the decline in DIO but partially offset by decreasing DPO.
- The industry reported a 34% increase in revenue YoY, led by oil, gas, and chemicals with 46.9% and mining and minerals with 42.0%. EBITDA grew more than 90% in both sectors as a result of increased energy and raw material prices. Both sectors were also able to improve their net debt and cash positions. Industrial products and constructions and power, utilities, and renewables saw a mixed performance in terms of net debt and cash.

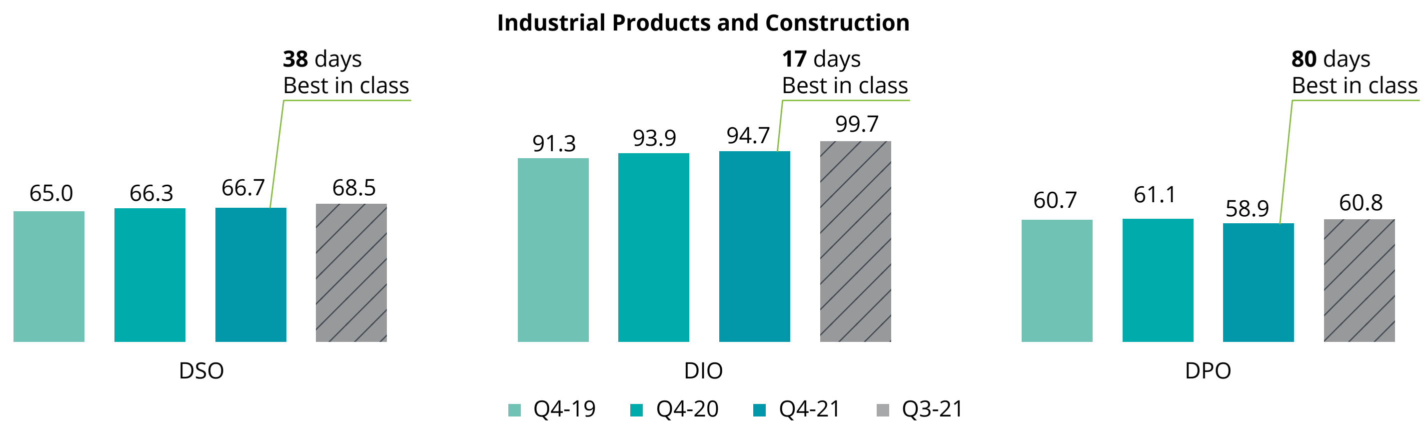
CCC in days by industry from 2019 to 2021



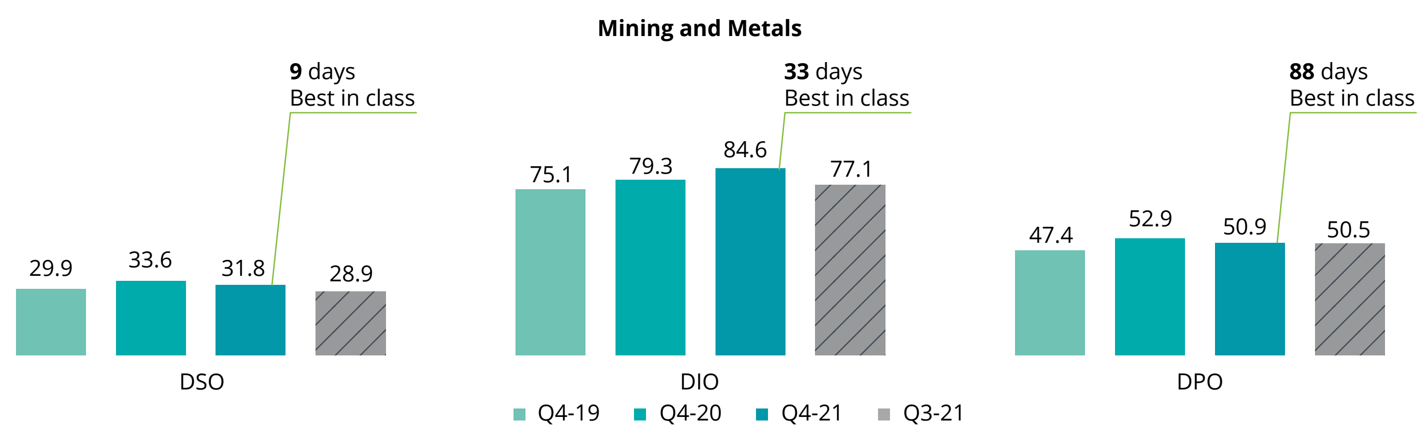
Industry findings: Energy, resources, and industrials (cont.)

Analysis by sector

- **In 2021 for industrial products and construction**, CCC in industrial products and construction increased by 3.4 days YoY as all three major WC metrics deteriorated. Especially in DIO we see a deterioration in more than 70% of companies analyzed. Only smaller companies, with less than $500 million in revenue, were able to reduce their inventory considerably, by approximately 9%.

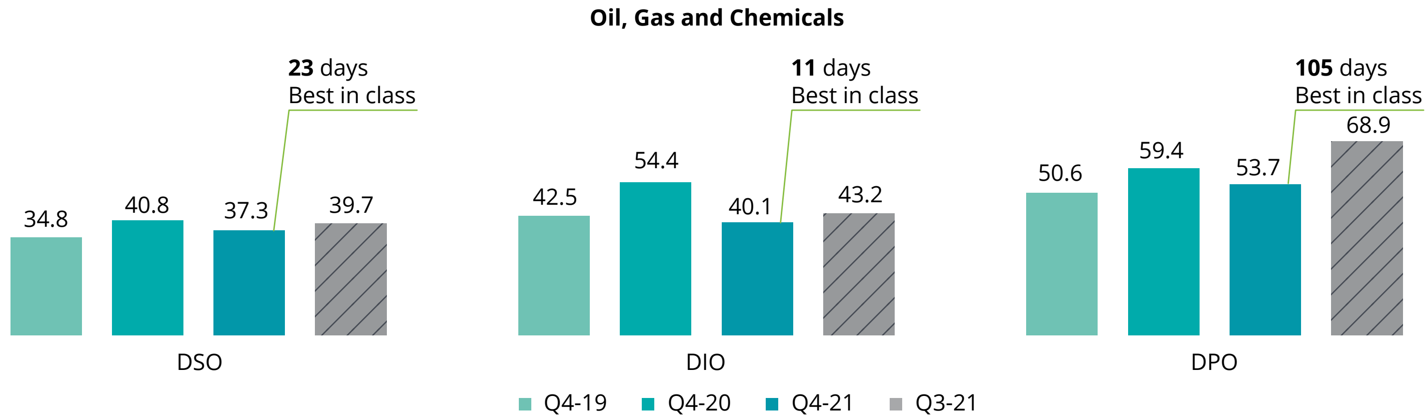


- **Mining and metals** companies saw a mixed WC performance and an overall deterioration of CCC, which grew 5.6 days YoY and is 7.9 days above pre-pandemic levels. The gap between the average and best-in-class DSO and DIO is significant across all company sizes, indicating opportunity for improvement.

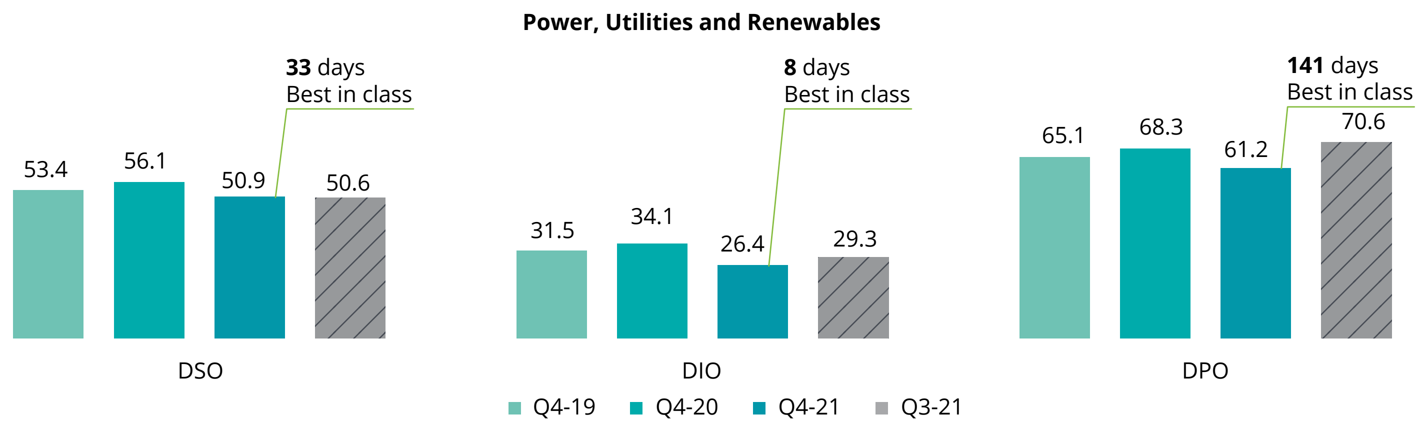


Industry findings: Energy, resources, and industrials (cont.)

- **Oil, gas, and chemicals** experienced the highest revenue and profitability growth in 2021, among all analyzed sectors. The WC performance measured by CCC improved by 12.1 days YoY, despite a 9.7-day deterioration in the last quarter of 2021. This was mainly driven by the decline in DPO, which deteriorated almost 16 days from Q3 2021, mostly for companies with more than $10 billion in revenue.



- **Power, utilities, and renewables** experienced an improvement in CCC of 5.8 days in 2021. More than 60% of analyzed companies and mainly companies with greater than $500 million in revenue were able to reduce their DSO. Companies with less than $500 million in revenue experienced a significant deterioration amounting to more than 17 days. These companies also had the biggest deterioration in DPO, which declined by more than 30%, while companies in the revenue range of $500 million to $1 billion and from $1 billion to $5 billion increased their DPO by 40.7% and 29.6%, respectively.



Note: "Best in class" represents top 10% performers.
Source data: S&P Global Market Intelligence LLC, December 2021; Deloitte sector mapping.

Industry findings: Life sciences and health care

Actual Q4 2021

CCC
18.8
days

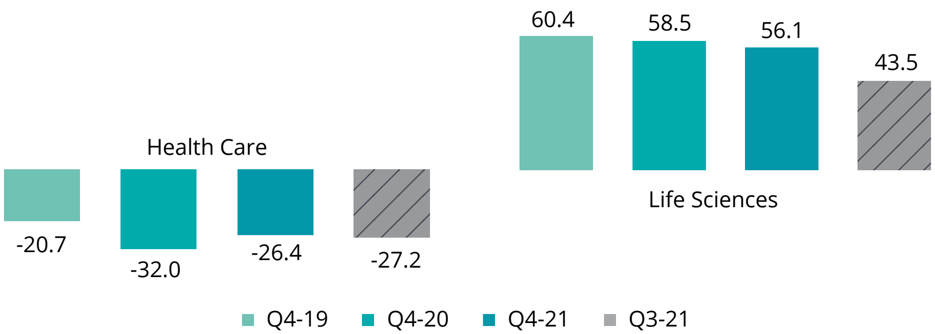
DSO
36.4
days

DIO
41.2
days

DPO
58.8
days

- LSHC CCC performance improved by 15.2% (3.4 days) mainly due to the decline in DSO. DIO declined by 7.8 days but was offset by the deterioration in DPO of 8.6 days. Although the WC performance declined in the last quarter of 2021, it is high above the pre-pandemic levels.
- Both health care and life sciences sectors reported similar revenue growth of 18.3% and 17.4%, respectively. EBITDA was 8.6% and 29.3% higher compared to 2020.
- Net debt in health care declined 1% in 2021, after an 8% decline in 2020. Cash declined 2%, after a 64% increase in 2020. Net debt improved 9% in life sciences in 2021, compensating a 10% increase a year before. Cash added 9%, after a 26% increase in 2020.

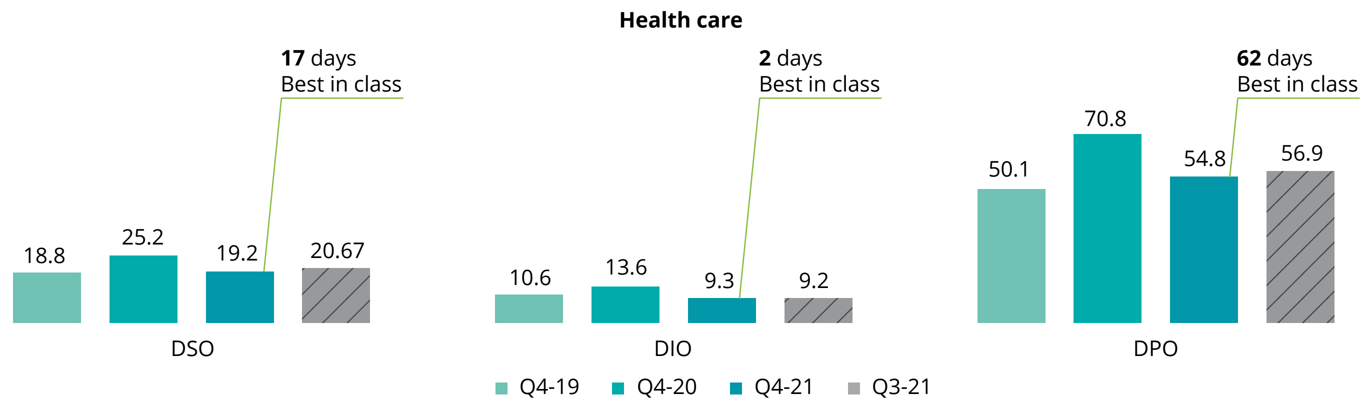
CCC in days by industry from 2019 to 2021



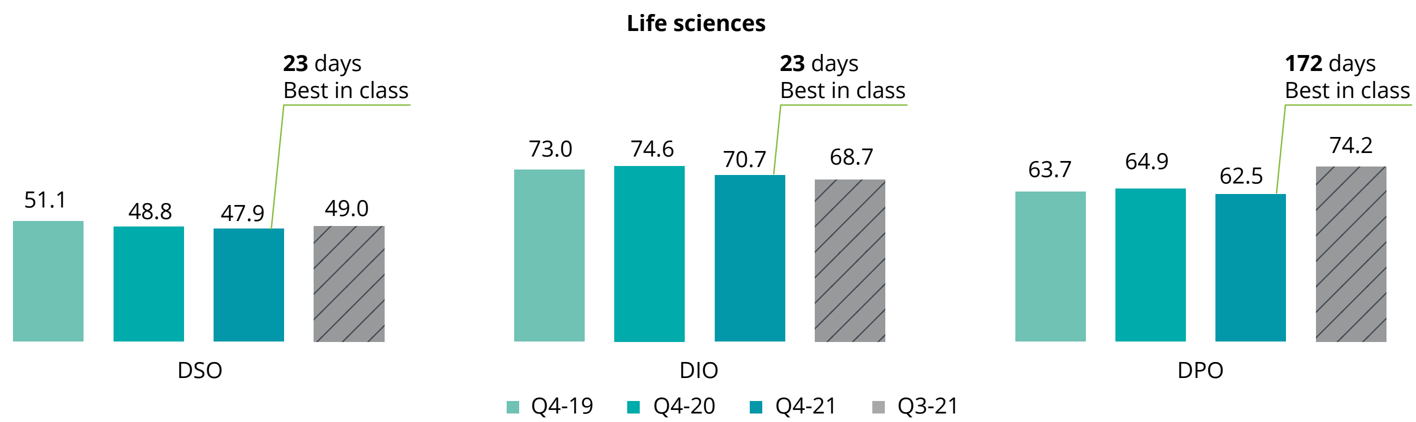
Industry findings: Life sciences and health care (cont.)

Analysis by sector

- In the **health care** sector, CCC performance deteriorated YoY and QoQ mainly due to DPO declining by 16 days YoY and returning to its pre-pandemic levels. Smaller companies (less than $1 billion in revenue) were significantly more successful in improving DSO and DIO than the bigger companies, but their DPO also deteriorated the most in 2021.



- CCC performance deteriorated in **life sciences** QoQ, while the YoY performance improved by 2.4 days despite the decline in DPO. We see that more than 70% of companies experienced a lower DPO than a year ago. While DSO improved overall, companies under $500 million in revenue saw an increase in DSO by 9 days, or 13.7%. The DPO of these companies deteriorated most and declined YoY by 10 days, or 19.2%.



Industry findings: Technology, media, and telecom

Actual Q4 2021

CCC
5.2
days

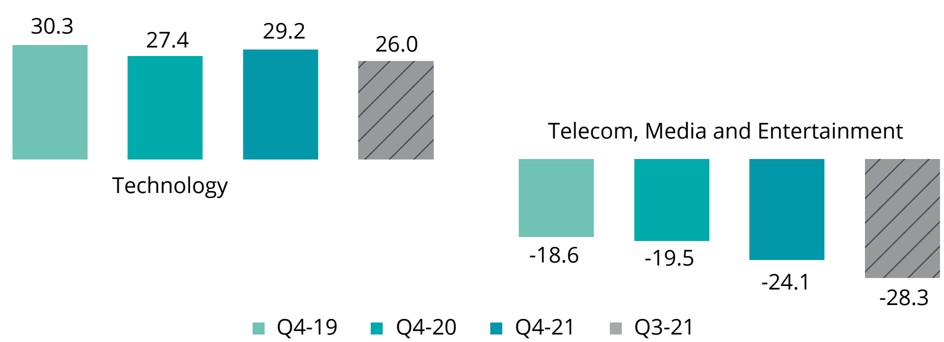
DSO
50.0
days

DIO
27.5
days

DPO
72.3
days

- The TMT industry experienced strong revenue growth of 16.7% in 2021, driven mainly by the technology sector, which grew 21.7% YoY.
- The technology sector outperformed telecom, media, and entertainment in all analyzed metrics. EBITDA increased 27.5%, CapEx grew 33%, and cash improved 14% after a 25% improvement in 2020, accompanied by net debt reduction of 245% resulting in a negative net debt.
- Despite this strong performance, technology is the only sector that experienced CCC deterioration YoY as well as QoQ driven mainly by DIO and partially DSO and DPO.
- Telecom, media, and entertainment grew at a moderate rate of 10.8%, while EBITDA increased 16.5%. CapEx increased 6%, after a 5% decline in 2020. Net debt increased by 3%, from 6% the prior year, while cash experienced stagnation compared to a 30% growth in 2020. The CCC improved YoY and remains negative at 24.1 days.

CCC in days by industry from 2019 to 2021

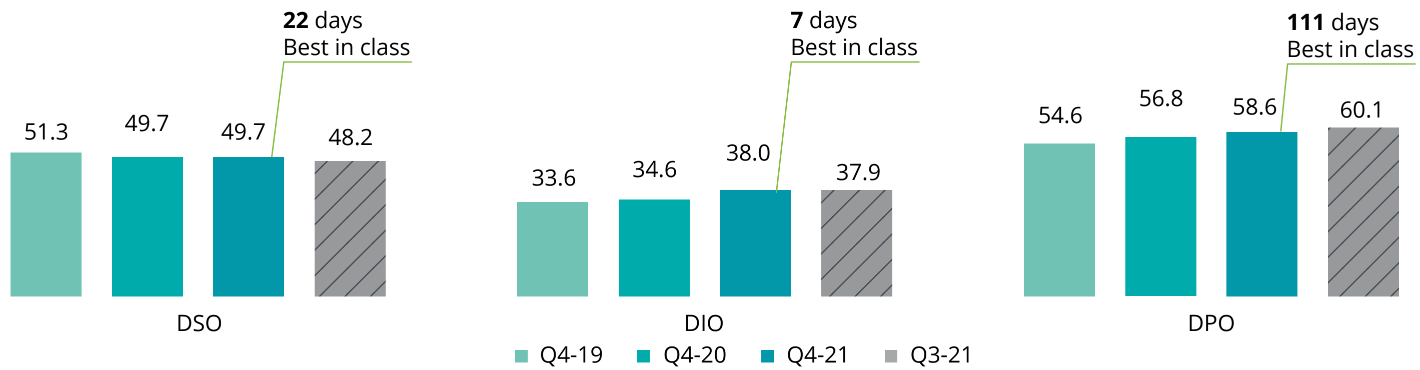


Industry findings: Technology, media, and telecom (cont.)

Analysis by sector

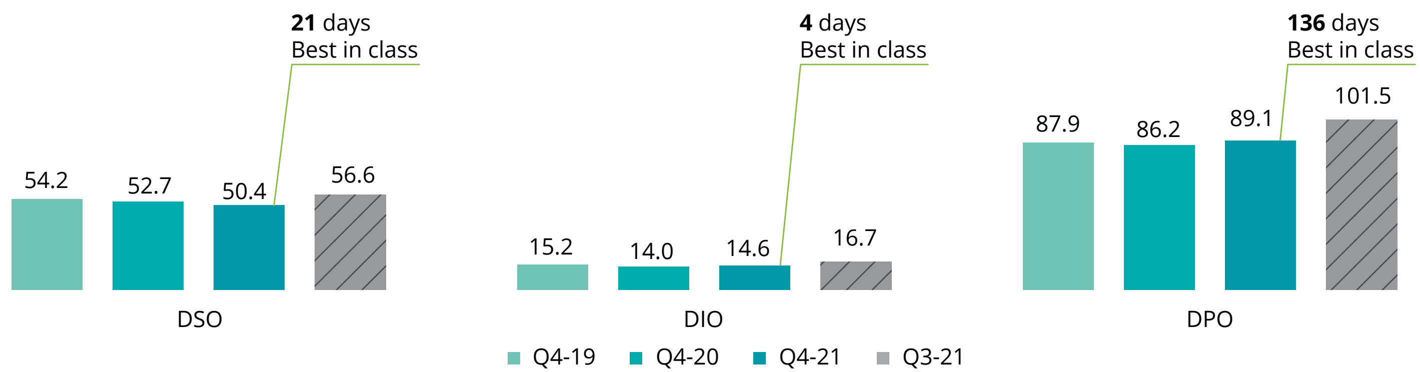
- **Technology** is the only sector that saw a decline in CCC performance both QoQ (3.2 days) and YoY (1.8 days). DPO improvement driven by companies with revenue above $5 billion couldn't offset the growing DIO, which increased for 82% of the analyzed companies and across all revenue categories, which may be the first indication of the revenue decline forecasted in 2022.[13]

Technology



- **Telecom, media, and entertainment** has performed better in all three WC metrics when compared to 2019, seeing an overall improvement of 5.5 days. Companies less than $500m in revenue outperformed their larger industry peers in DIO (36.1% improvement) but lagged behind in DPO (deterioration of 1.8%).

Telecom, media, and entertainment



Note: "Best in class" represents top 10% performers.
Source data: S&P Global Market Intelligence LLC; public financial data; quarterly earnings reports.

Looking ahead

- Overall, WC metrics have demonstrated strong performance in 2021, with DSO and DIO beating the pre-pandemic levels across many sectors, despite the supply chain challenges and rising prices for raw materials and labor. DPO pursued the same trend of moving closer to its pre-pandemic levels and has deteriorated gradually.
- Despite the overall positive trend, we noted that companies in the $500 million to $1 billion revenue range suffered the biggest decline in WC performance during the pandemic and are struggling most to recover, showing further declines in DSO and DIO performance in 2021 compensated by very long DPOs. These companies should focus on immediate improvement programs to reverse the negative trend.
- It's essential that decision-makers understand the vital importance of protecting liquidity. Building a cash culture means more than highlighting cash as a metric; a cash-conscious culture needs to permeate through the entire organization, so everyone assesses every decision through the lens of liquidity.
- Companies have an opportunity to create long-term value as well as a competitive advantage compared to their peers, through a focused effort to improve WC processes.

What helps make working capital projects and programs successful?

Leading organizations embark on transformative journeys to engrain the concept of working capital efficiency within the fabric of their daily operations

Assign executive sponsorship

- Need executive support from CXOs
- Select functional leaders and communicate goals

Establish cross-functional team

- Accounts receivable/payable
- Sales/Operations/Supply chain
- Information technology

Conduct robust discovery process

- Use industry standard measures of performance
- Perform deep cycle analytics
- Review process, policies, controls, and technology

Develop solutions and plan for success

- Execute quick wins to build momentum
- Completed customer, item, and vendor segmentations to identify opportunities
- Seek buy-in on how vendors, items, and customer decisions need to be made

Execute vigorously and manage change

- Resource the solutions
- Hold executives accountable for timelines and targets
- Identify functional interdependencies
- Focus on change management and instill a continuous improvement mindset

Build sustainable capabilities

- Build in process instrumentation and analytics to establish KPIs and increase visibility
- Measure performance regularly and establish a performance culture
- Establish governance with a monthly operation cadence and quarterly executive updates

Leading organizations have a supported ecosystem built to proactively manage and continuously improve working capital execution

Policy and process

Policy, process, contracts, and controls each tie working capital strategy to execution and enterprise value

Organization

Alignment between the different stakeholders involved; decision -making process correctly aligned

Talent and people

Training and continuous improvement are well developed; working capital is incorporated into performance management at multiple levels

Systems and information

Advanced software maximizes automation of working capital execution; master data is correct; monitoring is available, accurate, and meaningful

Enterprise value considerations

The enterprises are measured and aware of the financial impacts of working capital on the financials and are often the industry leaders with the lowest net working capital as a percentage of revenues

AUTHORS

Anthony Jackson
Principal
Deloitte Transactions and
Business Analytics LLP
antjackson@deloitte.com
+1 214 632 6658

John Little
Principal
Deloitte Transactions and
Business Analytics LLP
jolittle@deloitte.com
+1 214 840 7383

Wanya du Preez
Senior vice president
Deloitte Transactions and
Business Analytics LLP
wanyadupreez@deloitte.com
+1 571 205 9102

Special contributions from:

Tomas Szabo
Vice president
Deloitte Transactions and
Business Analytics LLP

David Everett
Vice president
Deloitte Transactions and
Business Analytics LLP

Additional working capital contacts:

Michael Epstein
Principal
Deloitte Transactions and
Business Analytics LLP
mjpestein@deloitte.com

Kirk Blair
Partner
Deloitte Financial Advisory Services LLP
kiblair@deloitte.com

Michael Quails
Managing Director
Deloitte Transactions and
Business Analytics LLP
mquails@deloitte.com

Victor Aguilar
Senior vice president
Deloitte Transactions and
Business Analytics LLP
viaguilar@deloitte.com

Endnotes

1 S&P Global Market Intelligence LLC, December 2021; Deloitte sector mapping. Change calculated in percentage and days: Quarter values measured YoY 2020 against 2021.

2 US Bureau of Economic Analysis (BEA), "Gross Domestic Product, Fourth Quarter and Year 2021 (Second Estimate)," February 24, 2022.

3 Josh Mitchell, "US economy grows as fourth-quarter GDP shows strongest year in decades," Wall Street Journal, January 27, 2022.

4 Stephanie Ferguson, "Understanding America's labor shortage: The most impacted industries," US Chamber of Commerce, February 8, 2022.

5 Ibid.

6 Ibid.

7 US Bureau of Labor Statistics (BLS), "Employment Cost Index Summary: Employment Cost Index – December 2021," January 28, 2022.

8 Mark John, "Analysis: World's damaged supply chains brace for painful recovery," Reuters, February 11, 2022.

9 Ibid.

10 Jeanna Smialek and Ana Swanson, "Consumer prices popped again in December, casting a shadow over the economy," New York Times, January 12, 2022.

11 BLS, US Department of Labor, "Consumer price index: 2021 in review," The Economics Daily, January 14, 2022.

12 Matthew Thibault, "Report: Materials prices soared 20% in 2021," Construction Dive, January 14, 2022.

13 The NPD Group, "US consumer technology revenue sales end 2021 up 9%, following double digit growth in 2020," press release, January 6, 2022.

Deloitte.

About Deloitte
As used in this document, “Deloitte” means Deloitte Financial Advisory Services LLP, which provides forensic, dispute, and other consulting services, and its affiliate, Deloitte Transactions and Business Analytics LLP, which provides a wide range of advisory and analytics services. Deloitte Transactions and Business Analytics LLP is not a certified public accounting firm. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.