REX POWER MAGNETICS

BEST MANAGED COMPANIES Platinum member

Bulletin Date: Septemeber 3, 2024
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Information regarding pending Canadian protectionist measures & the effect on Transformer Prices

The Federal Government of Canada has announced that it intends to apply a 25% surtax on imports of steel and aluminum from China, effective October 15th, 2024. This bulletin covers the effect this will have on transformer pricing and Rex's measures to mitigate the effect.

The Government's measures are intended to react to the "unfair, non-market policies and practices" of China, primarily for the Electric Vehicle (EV) industry; a 100% surtax will apply to selected automobiles. However, a 25% tax on Aluminum and Steel products is planned as well, to harmonize with recently adopted measures of Canada's key economic partners.

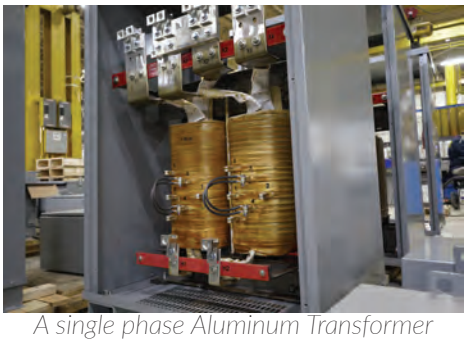
Rex's supply chain for raw material inputs such as Aluminum and Transformer Core Steel is diversified to include numerous global partners, including China. While there may be a net economic and benefit to Canada, for Transformer manufacturers it will result in increased costs. The precise details of the trade action are not yet finalized. Precisely which commodities are included will be known on October 1st. In the meantime, Rex's management highlights the following:

- A material shortage condition is not anticipated to arise from this action.
- Depending on which commodities are included in the action, and the Rex product under consideration, price increases may range from 1 – 7%.
- Rex Power Magnetics has leveraged its recently acquired additional factory floor space and strong financial backing to accumulate an abundance of raw materials that will allow a phased, managed transition to the higher cost basis, should it be required.
- In the past 12 months, Rex has increased its production capacity substantially; for Low Voltage distribution transformers, lead times are in the range of 2-3 weeks. Rex can respond to new inquiries to secure new transformers at present price levels.
- As always, for orders that are already released-to-production with a set ship date, pricing is fixed and not subject to change.
- For orders that are on hold for approval: Following October 1st, Rex will review the final ruling of the Government of Canada, and accordingly contact order administrators regarding possible price increases with the following options:
  1. The order may be released within 30 days without price impact.
  2. The order can be amended to a new price that will account for the tariff condition.
  3. The order can be cancelled subject to the applicable cancellation terms.

Rectangular Aluminum wire

Transformer Core made of Grain Oriented Silicon Steel

Transformer coil being wound



A single phase Aluminum Transformer

Aerial view of Rex's 2024 expansion to its production facilities