Cost of Inventory Possession

ITA
Scottsdale, AZ
September 2016
Specialty metals supply solutions

Full Range of Alloys In Stock
- Titanium Alloys
- Nickel Alloys
- Stainless Steels
- Alloy Steels
- Other Specialty Alloys

Mill Products – Full Line
- Bar
- Plate
- Sheet
- Tube
- Pipe
- Fittings
- Wire
- Block
- Hollows
- Forgings
- Extrusion
- Profiles

Processing and Services
- Sawing
- Water-Jet
- Shearing
- Grinding
- Heat Treating
- Trepenting
- Kitting
- Aggregation
- Materials Management
- Logistics
- Solutions
- Stocking
- Programs

Industry Leading Quality System
Reliability with a full range of internationally accredited regulatory, OEM and subcontractor quality approvals

Award Winning Customer Service
The most experienced, proactive, customer focused sales people in the industry, meeting and exceeding customer expectations every day

“Our Markets
- Aerospace
- Industrial
- Medical
- Oil & Gas
- Materials Management

T.I. is your One-stop for Specialty Metals!”
titanium.com
More than raw material

Cost of Ownership

- Raw Material Cost
- Warehousing
- Labor and Overhead
- Inventory Management
- Errors, Fraud, Theft, Damage, Relocation
- Inbound Freight
- Quality Inspections
- Forecasting of Raw Material
- Obsolescence
- Market Fluctuations
- Opportunity Costs

Uses Cash
Real Estate and Equipment

- Building
  (Rented, Owned, Public)
- Insurance
- Property Taxes
- Repairs and Maintenance
- Utilities (heating, AC, lighting)
- Material Storage
- Cutting Equipment
- Fork Lifts
- Trucks
- Depreciation
- Saturation

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Cost of Capital

- AR
- Purchasing
- Cash or Financing
- Inventory Payroll Overhead

- Turns
- Obsolescence Scrap

Erodes Profits

Cost of Capital erodes profits through various financial processes. AR, Purchasing, Cash or Financing, Inventory Payroll Overhead, and Obsolescence Scrap lead to the erosion of profits.
Labor and Other Costs

**Labor Management – Biggest Cost**
- Hiring
- Benefits
- Training
- Turnover

**Technology Staying Ahead**
- Bar coding
- JIT
- Productivity

**Slotting (Storage)**
- Number of products (Sku’s)
- Weight
- Location
- Order Profiles
- Picking
- Cutting
- Packaging
- Value added services

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Inventory Carry Rate

**Step 1 - Add up your Annual Inventory Costs:**
Example:

- $800K = Rent
- $500K = Warehouse Labor and Overhead
- $400K = Obsolescence
- $700K = Damage / Scrap
- $600K = Administrative
- $300K = Other
- $3,300K Total

**Step 2 - Divide the Inventory Costs by the Average Inventory Value:**
Example:

\[
\frac{3,300K}{40,000K} = 8\%
\]

**Step 3 - Add up the following:**

- 7% = Opportunity Cost of Capital (the return a company could reasonably expect if you invested elsewhere)
- 4% = Insurance
- 5% = Taxes
- 16%

**Step 4 - Add your percentages:**

\[ 8\% + 16\% = 24\% \]

*Inventory Carrying Rate = 24%*
Thank you

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