

# GATEWORKS

INNOVATIONS FOR EMBEDDED DESIGNS

Dear Customer,

As most of you know, there have been major disruptions to the global supply of electronic components this past year due to a variety of reasons; COVID, factory/port shutdowns and increased demand due to the reopening of the world's economies.

At the beginning of the year, Gateworks proactively secured a significant amount of inventory as we started to see things unfold. This investment has allowed us to weather the first part of the year fairly well, however we are now experiencing many push-outs on confirmed orders which are impacting our lead times. Many components are currently being quoted at +52 weeks or with no confirmation dates at all. Prices have also increased by 10-15% across the board. In many cases, we are also having to pay 3x-10x the standard price on the spot market for specific ICs. These are very unique times which we've never experienced in our history.

We are recommending at this time for all customers to place hard orders with scheduled releases to cover their needs into Q2 of 2022. These orders will allow us to purchase the necessary components as they become available. In many cases we have to react within hours for high demand items. For customers that have customer specials, we may also require a deposit.

Some strategies that Gateworks is employing to manage through this difficult time:

1. Procurement ~ We are actively pursuing key components on a daily basis and placing hard NC/NR orders in many cases for these components across multiple distributors. In some cases we may need to use a non-authorized distributor and in those cases we are utilizing Global ETS (GETS) to verify the devices are authentic and not counterfeit.
2. Engineering ~ Gateworks designs all of our own products so in some cases we can make adjustments to our designs to take advantage of more readily available components. Our engineering is also actively involved in qualifying multiple parts/vendors to allow as many crosses as possible for a given component.
3. Sales ~ Our sales team is working with customers to place long term purchase orders to cover their needs for the next year. For customers that have high volume custom designs we are working with them to procure, on their behalf, select components that are critical to their products. This inventory is then held at our facility as "customer owned inventory".

The Gateworks Team is committed to helping our customers get through these challenging times. We can't stress enough the importance of providing our sales team with a long term forecast. If we work together, we will get through this challenging time with minimal disruption. Please contact our sales team at [sales@gateworks.com](mailto:sales@gateworks.com) for additional information, or if you have any questions or concerns.

Sincerely,

Ron Eisworth

***Ron Eisworth***

**Executive VP of Sales and Marketing**

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