CREATING "SEGMENT-OF-ONE" LEADERS

The Titanium Economy

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Fernweh Group
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For today’s discussion: three questions

1. What is the Titanium Economy?
   An often misunderstood, underappreciated, and undervalued sector that consistently outperforms
   These companies inspire the next era of American manufacturing

2. What is the Great Amplification Cycle?
   Titanium Economy hubs are booming all around the country
   Their growth often gains momentum once an anchor company attracts increasing talent and investment, in a flywheel of economy growth

3. How can government enable the ecosystem?
   Policy makers can focus on continuously improving education, assessing innovation opportunity, and follow best practices in funding/ fiscal policy
What is the Titanium Economy?
The Titanium Economy at a glance

Providing outsized value to the US economy

$400B
Contribution to U.S. GDP

5M+
Jobs provided, with another ~1.5M yet unfilled

Contribution to U.S. GDP

5M+
Jobs provided, with another ~1.5M yet unfilled

Geographic representation of manufacturing job opportunities, manufacturing jobs as percent of total employment, by state

Source: 1. IBISWorld Manufacturing industry report  2. EMSI-BurningGlass  3. NAICS Lightcast search
The Titanium Economy promises a better life for all Americans

The transition of the US economy from manufacturing has coincided with the exacerbation of income inequality …

Value added in % of US GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>US manufacturing</th>
<th>US Gini coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>0.05</td>
<td>0.395</td>
</tr>
<tr>
<td>1960</td>
<td>0.10</td>
<td>0.366</td>
</tr>
<tr>
<td>1970</td>
<td>0.15</td>
<td>0.334</td>
</tr>
<tr>
<td>1980</td>
<td>0.20</td>
<td>0.330</td>
</tr>
<tr>
<td>1990</td>
<td>0.25</td>
<td>0.301</td>
</tr>
<tr>
<td>2000</td>
<td>0.30</td>
<td>0.292</td>
</tr>
<tr>
<td>2010</td>
<td>0.35</td>
<td>0.289</td>
</tr>
</tbody>
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… and it is the highest among G7 countries

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<th>Country</th>
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<tr>
<td>US</td>
<td>0.395</td>
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<td>UK</td>
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Note: The Gini coefficient is based on the comparison of cumulative proportions of the population against cumulative proportions of income they receive
Source: Pew Research, OECD
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1. What is the Titanium Economy?

   An often misunderstood, underappreciated, and undervalued sector that consistently outperforms 

   These companies inspire the next era of American manufacturing

2. What is the Great Amplification Cycle?

   Titanium Economy hubs are booming all around the country

   Their growth often gains momentum once an anchor company attracts increasing talent and investment, in a flywheel of economy growth

3. How can government enable the ecosystem?

   Policy makers can focus on continuously improving education, assessing innovation opportunity, and follow best practices in funding/ fiscal policy
The “Great Amplification Cycle”

A virtuous cycle of sustainable and inclusive growth

Company enters a community

Provide well paying jobs

Infuse new ideas

Attract a talented workforce

Attract more companies

Entrench growth

Attract state and federal funding

Sustainable and Inclusive Growth

Build an ecosystem

Partner with educational providers and apprenticeship programs

Upskill the workforce

Simpsonville, SC and the “Golden Strip”

$20B+

GDP growth since 2001

$67k

Per capita personal income in 2020
2x growth since 1970 (adj. for inflation)
From 20% below to 6% above US avg

145K+

Jobs added since 1997

1. Simpsonville, not including Greenville metro area
Source: FRED Economic Research

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The Titanium Economy has the potential to strengthen the U.S. economy long-term

<table>
<thead>
<tr>
<th>Creating economic opportunity</th>
<th>Building a sustainable future</th>
<th>Accelerating American innovation</th>
</tr>
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<tr>
<td><strong>1.6M+</strong> potential well paid jobs to fill(^1)</td>
<td><strong>$550-700B</strong> in potential addressable value by 2030(^3)</td>
<td><strong>~$650B</strong> Industry 4.0 value creation potential for U.S. manufacturers and suppliers by 2025(^5)</td>
</tr>
<tr>
<td><strong>2x</strong> salary for Titanium Economy jobs vs service industry(^2)</td>
<td><strong>30%</strong> higher wages for clean energy workers than national median(^4)</td>
<td><strong>15%</strong> U.S. GDP boost by 2030(^6)</td>
</tr>
</tbody>
</table>

Sources:
1. NAICS Lightcast search
2. US Bureau of Labor Statistics
3. McKinsey Global Institute
5. McKinsey report: Capturing Value from Industry 4.0

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The Titanium Economy can be best supported by key stakeholders working together

**Leaders of industrial companies**
- Upskill to lead in the disrupted future
- Set aspirations for what success looks like
- Measure and adjust continuously

**Industrial companies**
- Accelerate transformation to create value
- Focus on multiple expansion
- Leverage M&A to create a “segment of one”

**Investors**
- Leverage the “X-factor” in investing beyond capital deployment through, e.g.,
  - Building innovation ecosystems
  - Building accelerator ecosystems
  - Hands-on investing
  - Intellectual capital

**Policy makers**
- Continuously improve education: e.g., Career and Technical Education (CTE)
- Assess innovation opportunity: e.g., a centralized set of public-private institutes focused on transferring academic innovations to market
- Follow best practices in funding/fiscal policy: e.g., capex incentives, on-shore ecosystem development, competitive taxes
Our global competitors offer many lessons on how to stimulate growth through public policy and government action

**CHINA**
- Invests up to 200 times the level of funding in the United States

**GERMANY**
- 77 technical centers focused on applied innovation

**SOUTH KOREA**
- Highest share of researchers moving between academia and industry

**SINGAPORE**
- “Hands-on, minds-on, and hearts-on” slogan
We need to think big on talent before the momentum of industrial innovation stalls

1. Career and Technical Education (CTE) can be reinvigorated in high schools
2. Affordable or free post-secondary education in addition to vocational training and undergraduate and master’s education in STEM
3. Removing stigma attached to CTE and vocational training
4. Create a national Apprenticeship Institute to elevate the importance of apprenticeships in American culture
5. Assist trade works in adapting to the new roles they’ll be asked to fill by reskilling the workforce
We can make the Fourth Industrial Revolution a national priority and build the infrastructure to support the adoption of industrial technology

1. Appointment of a chief industrial technology officer – a cabinet level position – in charge of overseeing our national innovation strategy and policy to support the industrial sector

2. Public and private sectors come together to create an organization, the American Industrial-Tech Institute, charged with pursuing these initiatives

3. Tax relief and “American-made” government bonds to promote small and medium sized enterprises