Do Tariffs Have a Silver Lining?

Mohit Jaju, President, Ayna
Nidhi Arora, Vice President, Ayna
Ninad Singh, Director, Ayna

October 2025

Rarely has the resilience of global supply chains been tested as it has been during the past five years. Supply chains have been beset by a cascade of disruptions: COVID-driven shortages in 2020, port bottlenecks in 2021, inflationary shocks in 2022–23, and now, in 2025, a sweeping tariff regime enacted by the current administration to address trade imbalances and generate revenue for the federal government. This latest challenge stands out for its magnitude and scope. Furthermore, unlike the first three disruptions, the tariff policy is structural and intentional, so it is more likely to persist.

The current administration's tariff policy has reshaped the landscape at unprecedented speed and scale. As of July 2025, the effective tariff rate of the United States has surged to 19%,[1] the highest level since the 1930s (see the section "Defining the Effective Tariff Rate"). Key measures include a 25% duty on goods from Canada and Mexico not under the United States–Mexico–Canada Agreement (USMCA), a 20% duty on all goods from China, and global tariffs including up to 145% duties on advanced telecom equipment and sector-specific tariffs on steel, aluminum, vehicles, and low-value imports.[2] With consumption shifts factored into the equation, tariffs touch an estimated 15% to 20% of goods.[3]

Defining the Effective Tariff Rate

"Effective tariff rate" is a technical term referring to an overall measure of the impact of tariffs. It is the percentage increase in domestic value added per unit of output that results from nominal tariffs applied to the final product and imported inputs to produce the product. It is calculated as $(v'-v)/v \times 100$, where v is the value added before tariffs on inputs and v' is the value added after applying tariffs on imported inputs and final products.

1. "State of U.S. Tariffs: July 23, 2025," The Budget Lab, Yale University, July 23, 2025, https://budgetlab.yale.edu/research/state-us-tariffs-july-23-2025.
2. Keigh E. Hammond and William F. Burkhart, *Presidential 2025 Tariff Actions: Timeline and Status*, Congressional Research Service Report R48549, updated July 7, 2025, https://www.congress.gov/crs_external_products/R/PDF/R48549/R48549.3.pdf (Canada, Mexico); Vinayak Bali, "How Trump's 2025 Tariffs Are Reshaping the Internet and Communication Sector: Manufacturer Challenges and Market Research Solutions," *Cognitive Market Research* (blog), May 3, 2025 (updated May 5, 2025), https://www.cognitivemarketresearch.com/blog/how-trump-s-2025-tariffs-are-reshaping-the-internet-communication-sector-manufacturer-challenges-and-market-research-solutions (China, telecoms); Keigh E. Hammond and William F. Burkhart, *Presidential 2025 Tariff Actions: Timeline and Status*, Congressional Research Service Report R48549 (updated July 7, 2025), https://www.congress.gov/crs_external_products/R/PDF/R48549/R48549.3.pdf (other sector-specific tariffs).
3. "State of U.S. Tariffs: August 1, 2025," The Budget Lab, Yale University, August 1, 2025), https://budgetlab.yale.edu/research/state-us-tariffs-august-1-2025.

The business response has been mixed. Some highly operationally strong companies have found themselves exposed and ill-prepared, burdened by global supply chains that offer little flexibility in the face of sudden shocks. Ford, for instance, recently announced an $800 million earnings hit from tariff-related costs,[4] while Honeywell and GE each projected roughly $500 million in tariff exposure for 2025—even after mitigation measures in the case of GE.[5] Other companies have seized the moment to increase their options and build resilience. Advanced Energy Industries, for example, accelerated plans to shift production out of China as early as the second quarter of 2025.[6] Caterpillar leveraged existing dealer inventories to defer tariffed shipments, dampening a projected $350 million cost hit.[7] Builders FirstSource, with a disciplined sourcing model under USMCA and only 15% reliance on imports for raw materials, has managed to blunt the impact altogether.[8]

The takeaway is clear: There is no right answer, but there is a right approach. Companies focused only on whether to absorb the cost or pass it through are at risk of falling behind. Those who embrace the tariff volatility as a catalyst to increase their resilience—rethinking supplier footprints, rebalancing sourcing, and making strategic investments in agility—are positioning themselves not just to weather this storm but to emerge stronger on the other side.

A policy environment where tariff rules shift month-to-month and supply chain disruptions are increasingly geopolitical requires more than defensive plays. Instead, firms must treat resilience as a strategic asset. In this article, we explore how this new normal is taking shape and how businesses can respond strategically.

4. Sherry House, "Ford Motor Company (F) Q2 2025 Earnings Call Transcript," July 30, 2025.
5. Vimal Kapur, "Honeywell International Inc. (HON) Q1 2025 Earnings Call Transcript," April 29, 2025; Rahul Ghai, "General Electric Company (GE) Q2 2025 Earnings Call Transcript," July 17, 2025.
6. Stephen Kelley, "Advanced Energy Industries, Inc. (AEIS) Q4 2024 Earnings Transcript," January 17, 2025.
7. Joseph Creed, "Caterpillar Inc. (CAT) Q1 2025 Earnings Transcript," April 30, 2025.
8. Peter Jackson, "Builders FirstSource Inc. (BLDR) Q1 2025 Earnings Transcript," March 31, 2025; Pete Beckmann, "Builders FirstSource Inc. (BLDR) Q1 2025 Earnings Transcript," March 31, 2025.

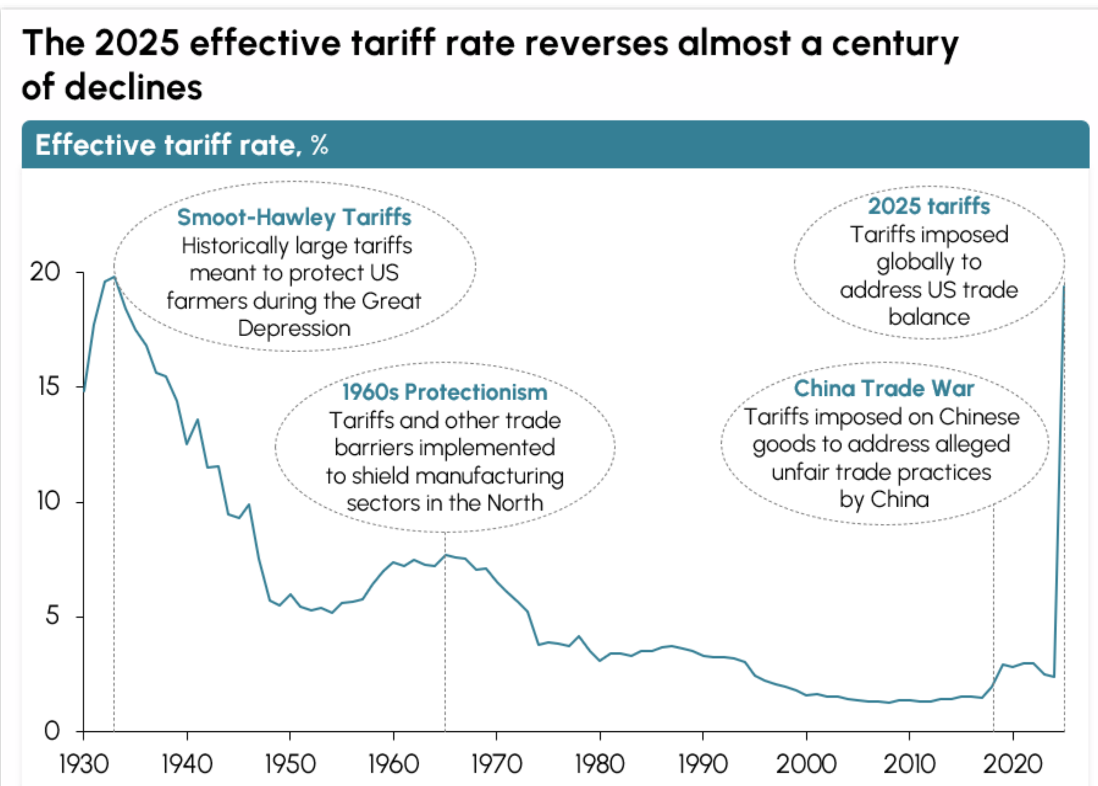
The New Normal:
The 2025 Tariff Shock

The 2025 tariff regime has caught even seasoned observers off guard. Whereas the 2016–22 period saw gradual tariff escalations, primarily targeting China, the 2025 tariffs have taken a sledgehammer approach. Compared with prior tariff policy and practice, the 2025 tariff shock stands out for its magnitude, volatility, broad scope, and structural intent.

Nearly Unprecedented Magnitude

As of July 2025, the US effective tariff rate stands at 19%,[9] its highest level since the Smoot-Hawley era of 1933 (see Exhibit 1). For context, average tariff rates hovered between 2.5% and 4.0% through most of the 21st century, peaking briefly at just 3.0% during US–China trade disputes in 2019.[10]

Exhibit 1



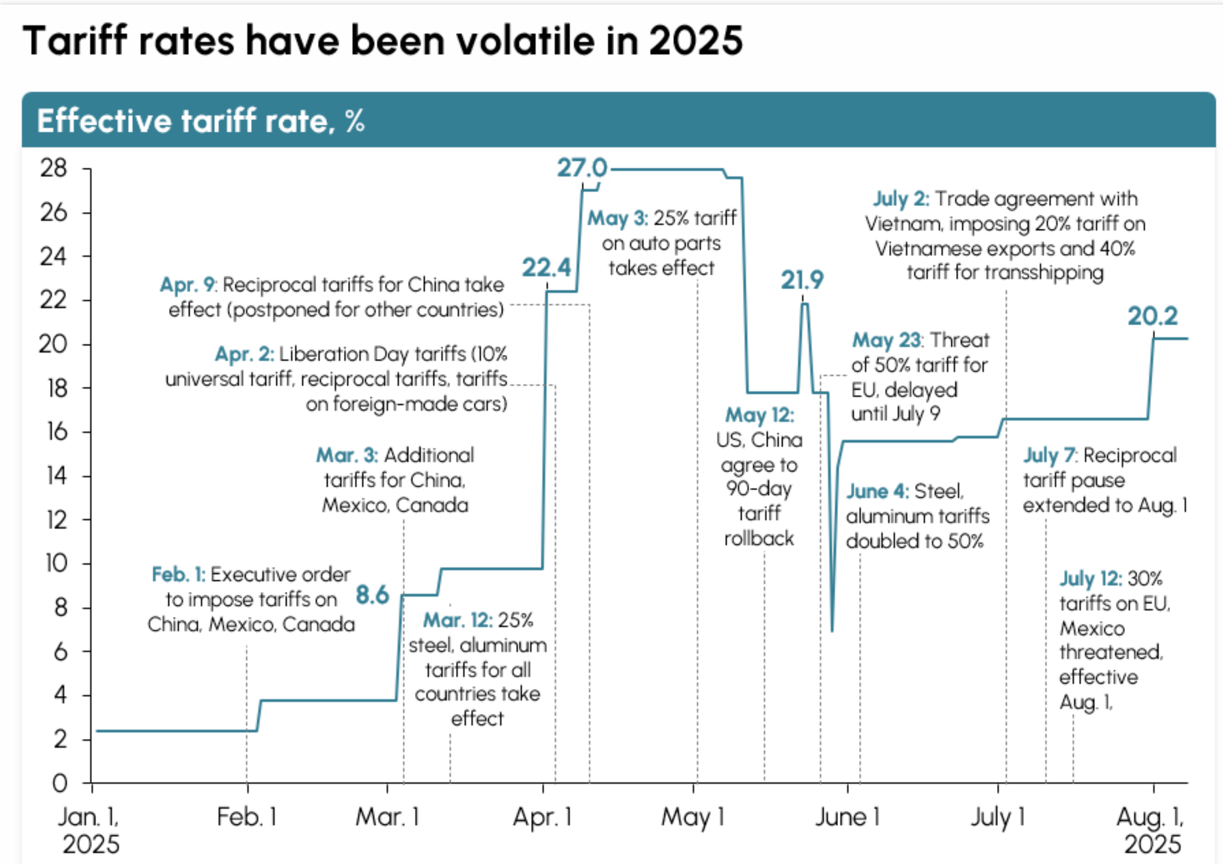
Source: "State of U.S. Tariffs: July 23, 2025," The Budget Lab, Yale University, https://budgetlab.yale.edu/research/state-us-tariffs-july-23-2025 .

9. "State of U.S. Tariffs: July 23, 2025," The Budget Lab, Yale University, July 23, 2025, https://budgetlab.yale.edu/research/state-us-tariffs-july-23-2025.
10. Ibid.

Volatile Execution

The execution of the current tariff regime has been extremely volatile. Effective rates have swung from 4% during initial announcements in February to 27% during peak tariffs announced on April 2 (Exhibit 2). On that day, declared as Liberation Day, the announced tariffs included a 10% tariff on all countries, tariffs on foreign-made cars, and a set of additional tariffs referred to as "reciprocal." Other tariffs, such as a 50% tariff on imports from the European Union, were announced then later postponed. This degree of volatility has made the 2025 tariffs unusually destabilizing for businesses.

Exhibit 2



Source: Elisabeth Buchwald, Rachel Wilson, Amy O'Kruk, and Eleanor Stubbs, "Timeline: What to Know about Trump's Global Tariff Rollout," CNN Business, updated August 8, 2025, https://www.cnn.com/business/tariffs-trump-timeline-dg.

As of July, the notable US tariffs in place are as follows:[11]

China: 20% base duty on all goods, with peak duties reaching 145% before a partial rollback

Canada and Mexico: 25% on non-USMCA goods, 10% on potash and Canadian energy

De minimis imports: Application of tariffs to low-value Chinese goods, which formerly were exempt

Designated countries: 25% tariffs on goods from countries that are importers of Venezuelan oil

Global (excluding China, Canada, Mexico): 10% tariff on most goods plus duties of 25% to 50% on steel, aluminum, vehicles, and telecom components

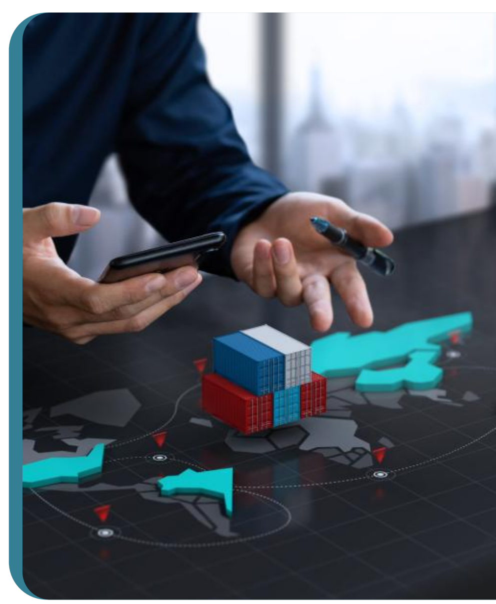
Broad Scope

Despite a patchwork of rollbacks and deferrals, the impact is unmistakable, widespread, and growing. For the top 10 US trading partners, if these tariffs had been imposed on their 2024 exports, an average of 74% of their exports to the United States would have been subject to new tariffs (Table 1). For some of these countries, including Canada, Costa Rica, Cambodia, and Nicaragua, the share subject to new tariffs would have exceeded 80%. Assuming a similar pattern of trade in 2025 and beyond, the tariff impact on importers from these countries will be widespread, possibly discouraging these trading partners from selling to US markets.

Table 1

Trading partners most reliant on the US market are seeing tariffs imposed on three-quarters of their exports

Country	Added effective tariff rate	Additional announced reciprocal tariffs	Exports to US as a % of total 2024 exports	% of 2024 exports to US exposed to new tariffs
Mexico	15%	30%	83%	52%
Haiti	10%	10%	77%	100%
Canada	24%	35%	76%	85%
Costa Rica	10%	10%	48%	90%
Jamaica	7%	10%	45%	67%
Liberia	1%	10%	42%	13%
Cambodia	35%	36%	38%	98%
Nicaragua	11%	10%	37%	91%
Trinidad and Tobago	5%	10%	37%	48%
Dominican Republic	11%	10%	37%	98%
Average				**74%**



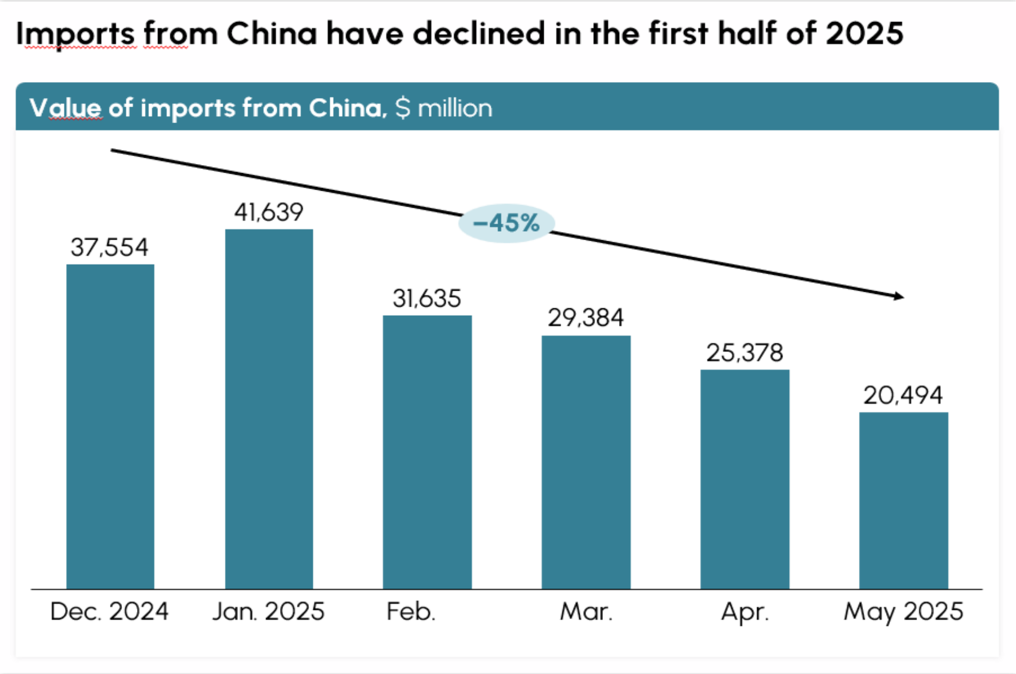
Source: Elisabeth Buchwald, Rachel Wilson, Amy O'Kruk, and Eleanor Stubbs, "Timeline: What to Know about Trump's Global Tariff Rollout," CNN Business, updated August 8, 2025, https://www.cnn.com/business/tariffs-trump-timeline-dg.

11. Keigh E. Hammond and William F. Burkhart, *Presidential 2025 Tariff Actions: Timeline and Status*, Congressional Research Service Report R48549, updated July 7, 2025, https://www.congress.gov/crs_external_products/R/PDF/R48549/R48549.3.pdf.

The tariffs on imports from these top 10 are impactful on US businesses because these trade partners provide key raw materials and inputs. For example, Mexico supplies key inputs including electrical and electronic equipment, machinery, plastics, and iron and steel.[12] Key inputs supplied by Canada include machinery, diversified commodities, plastics, electrical and electronic equipment, wood, and aluminum.[13] And Haiti's exports include wood, paper, and paperboard.[14]

Among the top 10 trading partners by volume of US imports, China remains the most affected by tariff announcements including a 145% peak rate originally scheduled to take effect in April (a rate postponed several times and negotiated down to 30%), a 30% base rate taking effect in May, and a 50% tariff on copper and a 55% effective rate taking effect in August. In 2024, China provided $525 billion in US imports, including $126 billion in electronics and $93 billion in machinery, but US buyers are showing hesitancy to buy as much in 2025.[15] After surging in January 2025, imports from China have plunged 45% between December 2024 and May 2025 (Exhibit 3).

Exhibit 3



The impact shows up in sales of key imports. Oil and fuel, automobiles, and pharmaceuticals saw declines in imports, especially around the month of April, when President Trump declared a Liberation Day and announced country-by-country global tariffs.

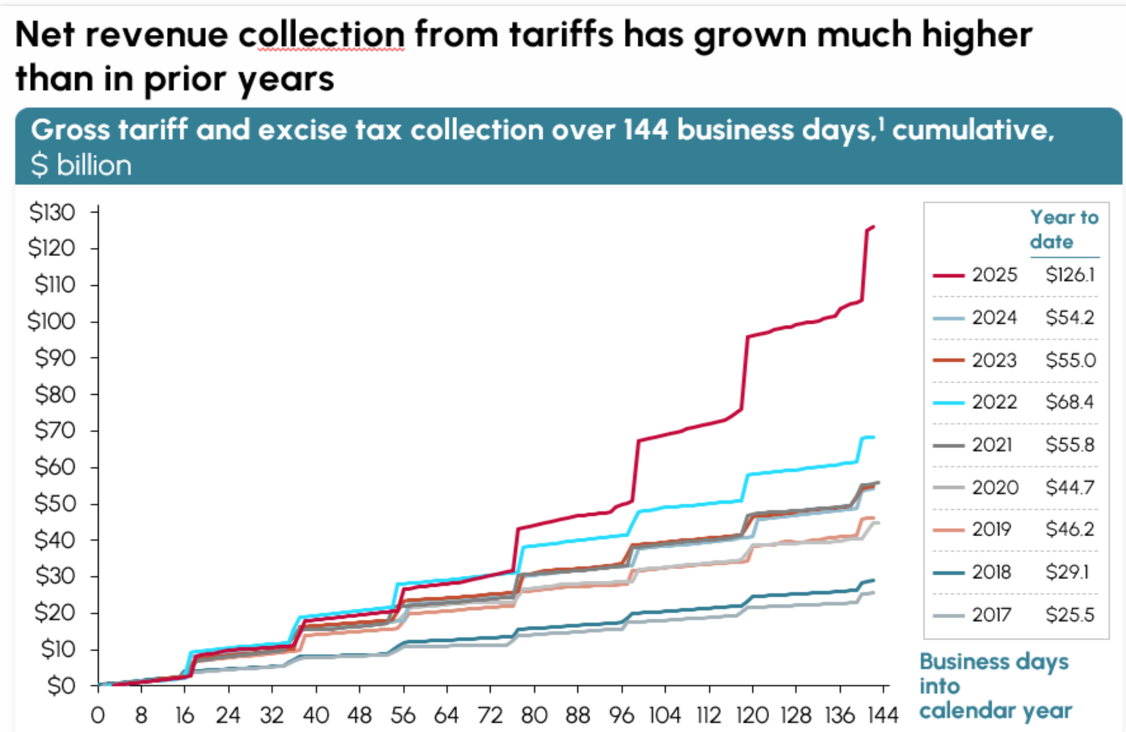
Source: Imports database, US International Trade Commission.

12. "Mexico Exports to United States," Trading Economics (United Nations COMTRADE data), updated August 2025, accessed August 5, 2025, https://tradingeconomics.com/mexico/exports/united-states.
13. "Canada Exports to United States," Trading Economics (UN COMTRADE data), updated August 2025, accessed August 5, 2025, https://tradingeconomics.com/canada/exports/united-states.
14. "Haiti Exports by Category," Trading Economics (UN COMTRADE data), updated August 2025, accessed August 5, 2025, https://tradingeconomics.com/haiti/exports-by-category.
15. "China Exports to United States," Trading Economics (United Nations COMTRADE data), updated August 2025, accessed August 5, 2025, https://tradingeconomics.com/china/exports/united-states.

Structural Intent

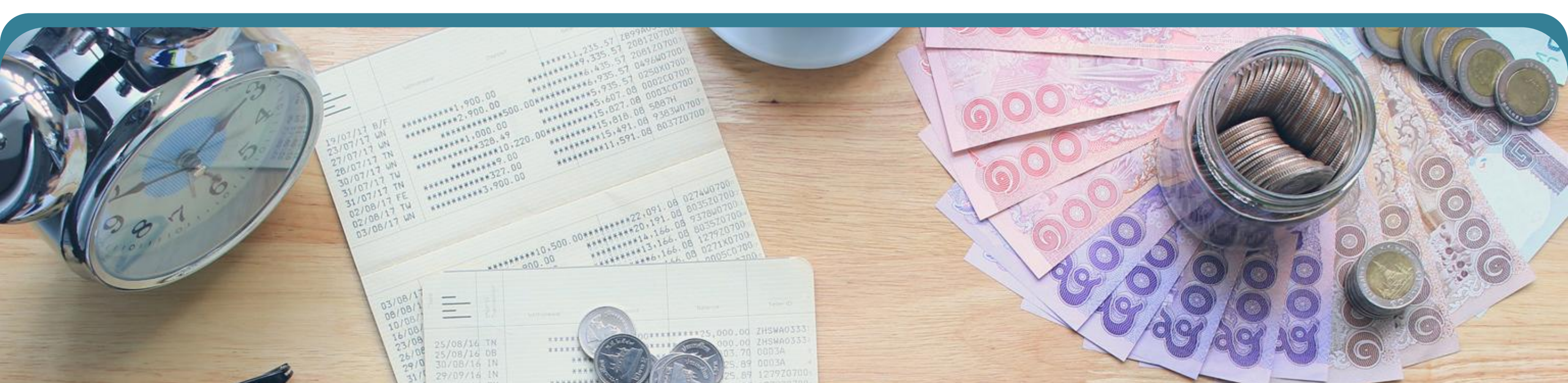
The current administration has cited multiple reasons for imposing tariffs, among them national security and economic sovereignty. One motivation for the tariffs stands out for already delivering on the promise: Tariffs deliver tax revenue to the federal government. In the first 144 days of 2025, the collection of tariffs and excise taxes brought in more than $126 billion, far above any of the previous eight years (Exhibit 4). In June alone, customs duties hit $27 billion, putting the year on track for a record $300 billion in tariff collections.

Exhibit 4



Given the scope, volatility, and intentionality of the tariffs, they are impossible for businesses to ignore. Forward-thinking companies will instead understand their impact and strengthen their ability to anticipate and adapt to supply chain pressures.

[1]Totals represent gross tariff and certain other excise tax revenue. Net tariff revenue—which removes "certain other excise tax revenue" and incorporates tariff rebates/refunds—is typically 80–85% of gross tariff and other excise tax revenue and is reflected in Treasury Monthly Statements. Dollars are not adjusted for inflation.
Source: US Treasury monthly statements.

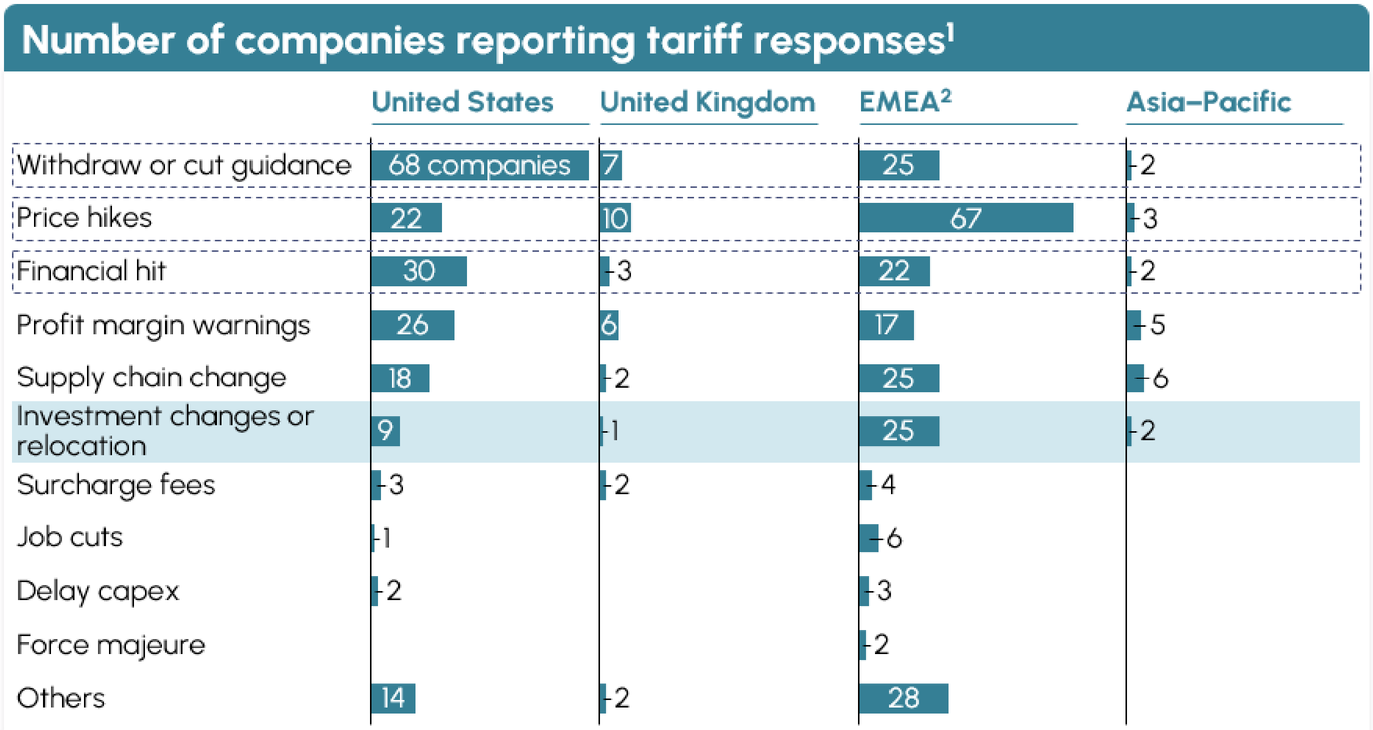


The Trouble with Tariffs

To many business leaders and investors, tariffs have long been synonymous with trouble. Over the past decade, the mere whisper of new tariffs has reliably triggered stock sell-offs, reduced guidance, and defensive earnings calls. In 2025, the most common responses reported by companies include price hikes and withdrawal of guidance. As of July 21, 2025, 68 US companies had reported withdrawing or cutting guidance, 22 said they raised prices, and 30 announced financial hits to their bottom line (Exhibit 5).[16]

Exhibit 5

Companies report mostly defensive responses to tariff announcements



[1]Includes the most recent information of current reactions and impacts for each company. If a company has reacted in more than one way, it would be included once for each reaction.
[2]EMEA includes countries in Europe (except the UK), the Middle East, and Africa.
Source: "How Companies Are Responding to Trump's Tariffs," Reuters, July 21, 2025, https://www.reuters.com/graphics/USA-TRUMP/TARIFF-COMPANIES/movadjkmnpa/.

16. "How Companies Are Responding to Trump's Tariffs," Reuters, July 21, 2025, https://www.reuters.com/graphics/USA-TRUMP/TARIFF-COMPANIES/movadjkmnpa/.

AYNA

Looking at company responses by industry, the industrial and manufacturing sector has acknowledged greater pressure. Companies more frequently report price hikes, financial hits, and changes to their supply chain[17] (Table 2).

Among the most visibly impacted is Ford Motor Company, which reported an $800 million tariff hit to its 2025 earnings. With a supply chain built for efficiency rather than flexibility, Ford had little room to maneuver. Long-term vendor contracts and limited nearshoring options left the company exposed, forcing it to absorb much of the cost directly. Similarly, General Electric expects a $500 million hit in 2025 and has acknowledged that tariffs, when the pause on them ends, could make that worse. While GE has outlined offsetting actions like cost cuts and pricing moves, it has yet to publicly commit to a broader supply chain redesign or geographic diversification.

Table 2

The industrial and manufacturing sector has exhibited clear distress from tariffs

	Agriculture	Automation & transportation	Consumer	Energy	Finance & real estate	Health	Industrial & manufacturing	Technology
Withdraw or cut guidance	—	20	37	1	3	13	17	11
Price hikes	1	5	41	1	2	10	36	6
Financial hit	—	10	11	5	2	9	18	2
Profit margin warnings	—	6	8	5	5	6	14	10
Supply chain change	—	4	17	—	—	9	16	5
Investment changes or relocation	1	6	7	4	1	9	6	3
Surcharge fees	—	1	—	—	—	2	5	1
Job cuts	—	3	—	—	1	—	3	—
Delay capex	—	1	1	—	—	1	2	—
Force majeure	—	1	1	—	1	—	—	—
Others	—	4	6	3	6	8	13	4

Source: "How Companies Are Responding to Trump's Tariffs," Reuters, July 21, 2025, https://www.reuters.com/graphics/USA-TRUMP/TARIFF-COMPANIES/movadjkmnpa/.

However, the traditional playbook—raise prices, delay shipments, and renegotiate contracts—is wearing thin in terms of effectiveness (see, for example, "A CEO's Take on Tariffs: Ed Dowling, Compass Minerals." Firms that maintain rigid supply chains have a hard time shifting away from existing suppliers, so their cost of sales tends to rise. This lack of flexibility brings about the financial impacts and margin warnings when tariffs enter the picture.

17. Ibid

A CEO's Take on Tariffs: Ed Dowling, Compass Minerals (1/2)

How are companies weathering the tariff storm? Ayna.AI recently spoke with Ed Dowling, CEO of Compass Minerals, to get an on-the-ground impression. Following are edited excerpts from that interview.

These tariffs have become structural, rather than temporary, so they're here to stay for at least the foreseeable future. How does that shape Compass' strategy?

It has required a restructuring of our supply chains—not so much our outbound products, but more our inbound supplies—advancing alternative suppliers, different logistical networks, and contingency planning around these second-order impacts.

Before, we may have sole-sourced agreements with certain key suppliers. The risk associated with that was considered relatively low, and through sole-source agreements, for example, you might have the benefits of lower cost. The risks associated with that now for certain parts of our supply chain are probably too high, so it has required us to advance multiple suppliers, and more complexity to our business is associated with that.

Which businesses for Compass have been the most exposed to tariffs?

It has really affected our salt business probably more than the other business segments we have. It's because there's a lot of specialized equipment that we use—for example, for underground mining or processing of these salts. Generally, there's just a handful of suppliers globally that supply this type of equipment. And generally, you would end up with a relationship with a sole-source supplier, but it has required us to really reassess that sort of relationship and start diversifying our supply chains to minimize that risk.

A CEO's Take on Tariffs: Ed Dowling, Compass Minerals (2/2)

How have your customer relationships been affected?

We started engaging with our customer base before tariffs were enacted, to let them understand that this was a risk. Our initial strategy was we pre-position material—like millions of tons in some materials—across the border in warehouses to serve your needs over the course of a year. But if, suddenly, that's being subject to tariffs, sitting in a warehouse because we shipped across the international border, you're going to need to pick up that difference.

Different parts of the business had different reactions to that. In general, with higher-value products, we were able to get agreements that if the tariffs came to be, we'd be able to pass that along. And with the larger bulk, we were unsuccessful in doing that, so we've had to modify our business. It cost us many millions of dollars in opportunity costs this year.

In your opinion, do tariffs ultimately help US producers remain competitive, or do they create more volatility in global trade?

I think you may see it helps certain segments of production in the US, and that may be good for a period of time. But ultimately, you've got to be competitive. And if you're not competitive everywhere, you're really not competitive.

At Resilient Companies, Tariffs Trigger Action

The recent tariffs highlight the difference between companies with rigid supply chains and those that plan for flexibility. While the former remain in damage control mode, the latter can treat tariffs as a long-term strategic lever. By redesigning supply chains, reducing risk, and unlocking future value, they position themselves to outperform their less agile peers.

Put simply, companies can no longer afford to treat tariffs as temporary shocks. In a world where trade policy is increasingly wielded as a geopolitical tool, margin defense alone is not a strategy. Resilient and diversified supply chains, designed for agility and aligned with shifting policy landscapes, are becoming essential for long-term competitiveness. The companies that recognize this shift are already separating from the pack.

Consider two examples:

Builders FirstSource (BLDR) has kept tariff exposure in check through structural advantages and disciplined sourcing. Only 15% of its raw-material spend is import based, and it has actively leaned into USMCA provisions to avoid duties on key inputs.[18] Its procurement model offers a blueprint for midsize firms to stay agile amid policy shifts.

Advanced Energy Industries is capitalizing on its 2023 reconfiguration of its global supply footprint, shifting sourcing to Southeast Asia.[19] This forward-looking approach minimized customer disruption and improved visibility on cost and risk.

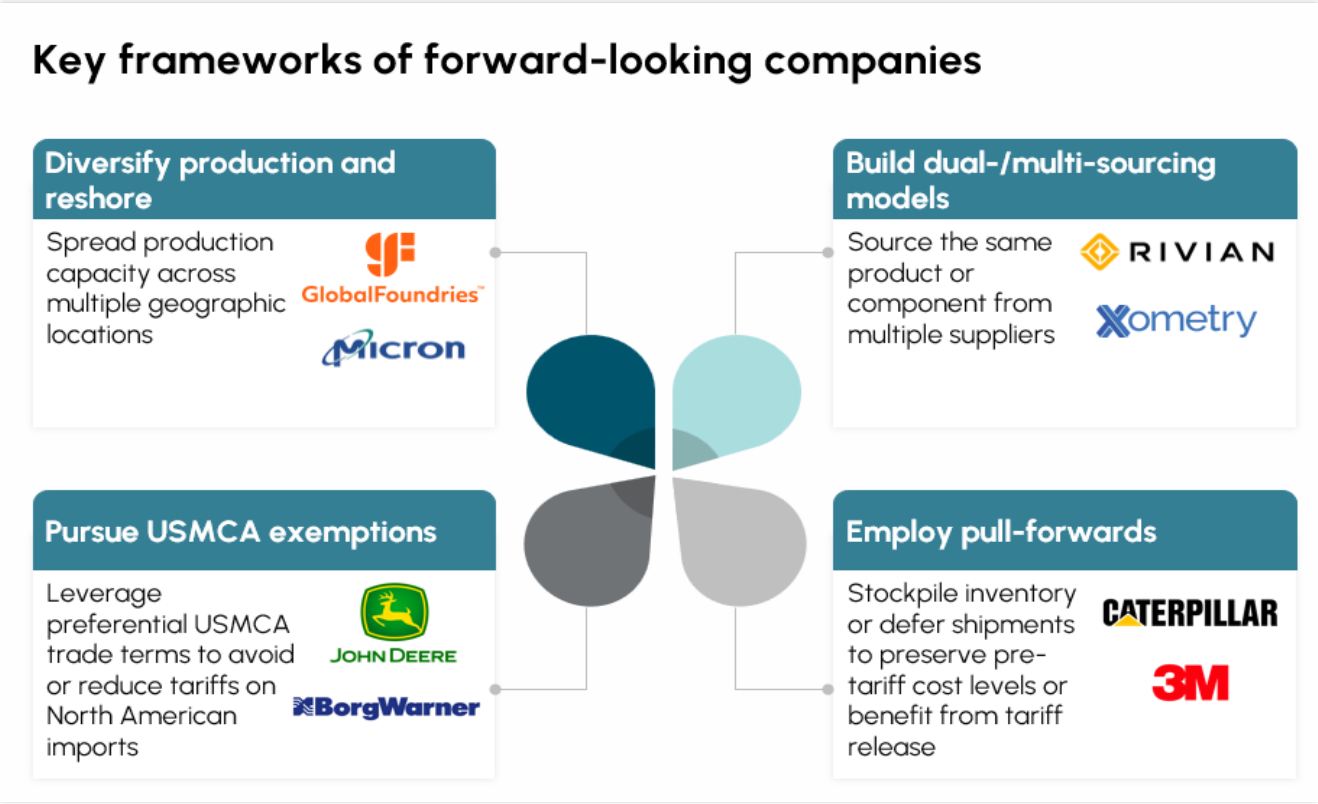
Levers to Pull

Themes are beginning to emerge from companies that are separating themselves through strategic redesign and management of their supply chains. We've identified four key levers that have allowed firms to keep their competitive advantages and strong outlooks: diversifying production and reshoring, building dual- or multi-sourcing models, pursuing USMCA exemptions, and employing pull-forwards (Exhibit 6).

18. Peter Jackson, "Builders FirstSource Inc. (BLDR) Q1 2025 Earnings Transcript," March 31, 2025.
19. Stephen Kelley, "Advanced Energy Industries, Inc. (AEIS) Q4 2023 Transcript," February 7, 2024

We find champions of each lever across the United States in a variety of subsegments of industrials and manufacturing.

Exhibit 6



Source: Earnings transcripts; Ayna analysis.

Diversifying production and reshoring. Some companies are already spreading production capacity across multiple geographic locations. In some cases, they bring production capacity back onshore. This helps spread production to areas that have a lesser aggregate tariff affect. For example, GlobalFoundries has strategically expanded capacity in Europe and the United States to avoid the impact of tariffs. The company has deployed more than $7 billion to US, Germany, and Singapore fabs since 2021. In Europe, they are converting their back test facility to expand wafer fabrication capacity; in the United States,[20] they are working on transferring mature and differentiated process nodes to US fabs, fulfilling their first chip milestone in the United States. Similarly, Micron is bringing capacity onshore to defend against future trade barriers. The company has invested $15 billion in a fab in Boise to supply advanced DRAM and NAND to US customers, slashing the risk of import levies.[21] They are also in the process of modernizing and establishing fabs in New York and Virginia.

20. Timothy Breen, “GlobalFoundries Inc. (GFS) Q2 2025 Earnings Transcript,” August 5, 2025.
21. Manish Bhatia, “Micron Technology Inc. (MU) 53rd Annual JPMorgan Global Technology, Media and Communications Conference,” May 14, 2025, transcript.

Building dual- or multi-sourcing models. Companies can establish supplier relationships for the same product and/or component across multiple geographies. This enhances flexibility and gives firms the option to source at a lower cost, including opportunities for local sourcing.

For example, Rivian's multi-sourcing strategy is moving critical cell production and broadening the supplier base. The R2 cells, initially produced in Korea, will be fully localized to Arizona by early 2027; Rivian is also evaluating alternative suppliers and onshoring for R1 cells.[22] The company also sources nearly 100% of its noncell bill of materials from US or USMCA qualified partners.[23] And Xometry, in the face of volatile trade policies, accelerated efforts to multi-source by scaling its network in new regions while also deepening the domestic base.[24] Xometry has been able to establish a supplier network that spans 51 countries and all 50 states. This breadth of suppliers ensures no dominance in a single geography, reducing exposure to future tariff shocks.

Pursuing USMCA exemptions. Companies can leverage trade terms under the USMCA to identify preferential trade policies. This reduces or, in some cases, fully avoids the tariff impact on imports from Canada and Mexico. John Deere was able to leverage USMCA agricultural use exemptions to shield itself from the 10% reciprocal tariffs. The company was able to certify most of the at-risk inventory in a few weeks. This has helped insulate most of its potential exposure from Canada and Mexico, two countries with key suppliers.[25] BorgWarner has reengineered its North American supply chain to maximize USMCA tariff-free treatment. This has allowed the company to achieve 100% compliance on Canadian imports and climb toward 70% compliance on Mexican imports.[26] The company also produces in the same regions as its customers, thereby leveraging plant locations and local supplier networks to satisfy USMCA rules of origin.[27]

22. Robert Scaringe, "Rivian Automotive Inc. (RIVN) Q1 2025 Earnings Transcript," May 6, 2025.
23. Javier Varela, "Rivian Automotive Inc. (RIVN) Q1 2025 Earnings Transcript," May 6, 2025.
24. James Milm, "Xometry (XMTR) Q4 2024 Earnings Transcript," February 25, 2025.
25. John Jepsen, "Deere & Company (DE) Q2 2025 Earnings Transcript," May 15, 2025.
26. Joseph Fadool, "BorgWarner Inc. (BWA) Q1 2025 Earnings Transcript," May 7, 2025.
27. Craig Aaron, "BorgWarner Inc. (BWA) Q4 2024 Earnings Transcript," February 6, 2025.

Employing pull-forwards. Companies are strategically stockpiling inventory at pre-tariff cost levels and holding onto inventory for excess periods of time to avoid periods of increased cost. Firms can also defer shipments strategically to create burst shipments when tariffs are released. This tactically avoids tariffs on key inputs.

Caterpillar maintained three to four months of dealer inventory, which allows dealers to source from on-hand stock.[28] Caterpillar also implemented holds on inbound shipments to defer tariff liability and then lifted those holds when rates eased, which created burst shipments that offset lower tariff rates.[29] And 3M maintained roughly 90 days of on-hand stock to smooth the earnings impact of newly imposed duties.[30] The company acknowledges working-capital trade-offs, so it keeps a sharp focus on driving down days on hand for cash efficiency, allowing cash flow from operations to remain stable

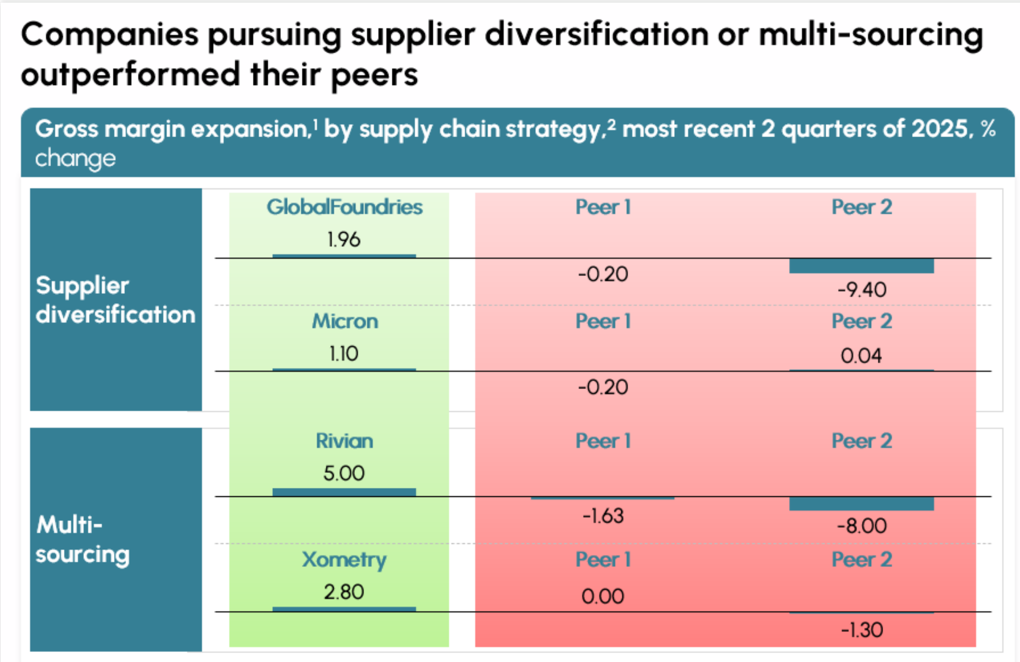
Supply Chain Opportunities

The most impactful efforts are to diversify suppliers and reshape sourcing. Companies diversify risk by sourcing through various channels, and firms that can reshore and vertically integrate bring their supply back home. These efforts reinforce firms' supply chains and give them newfound strength. The bottom line is increased predictability and typically lower cost of revenue.

All firms have the capability to diversify their supply base and establish multi-sourcing models. Our analysis shows that companies doing this have been able to weather the tariffs with stronger operating performance in terms of gross margins relative to their peers (Exhibit 7).

28. Joseph Creed, "Caterpillar Inc. (CAT) Q1 2025 Earnings Transcript," April 30, 2025.
29. Andrew R. Bonfield, "Caterpillar Inc. (CAT) Q2 2025 Earnings Transcript," August 5, 2025.
30. Anurag Maheshwari, "3M Company (MMM) Q1 2025 Earnings Transcript," April 22, 2025.

Exhibit 7



[1]Gross margin expansion measured as the difference between companies' 2 most recent 2025 earnings as a percentage.
[2]The named companies in the first column employed the given strategy; the peers did not report using such a strategy.
Source: Company earnings transcripts.

These efforts have impact because in most businesses, risk is too heavily concentrated in certain channels, and supply chains are inflexible. In contrast to supply chain crises that companies can't control, such as inflation or the supply chain constraints that arose because of COVID-19, the US tariff regime is more malleable, so it can serve as a wakeup call to insulate against all forms of risk. Now is the time for firms to focus more on supply chain design so they can protect themselves from future threats.

One company that has navigated these stresses well is a building products manufacturer in the eastern United States (see the sidebar "A Successful Tariff Playbook"). Its supply chain team addressed tariff-related challenges by creating visibility to where the largest challenges lie, leveraging their existing supplier base to create more options, and expanding the company's role in the value chain. To make such decisions, a company requires quick ideation, collective knowledge sharing within complex organizations, and resourcefulness to stand up to these changes within a few months.

A Successful Tariff Playbook

The window industry is highly susceptible to tariffs on hardware and on certain vinyl and aluminum products from Canada. A producer of custom windows for restoration and remodels has developed a playbook that is giving it an edge in this challenging situation.

Making Tariff Impacts Visible

Given the ever-changing nature of the 2025 tariffs, the company's first order of business was tracking tariffs in a coherent manner to ensure its team is working on the biggest risks. With the help of its suppliers, the company created an Excel-based tariff tracker that includes data on the source, usage, and cost of each part and on each tariff levy.

The procurement team allocated any cost updates to items, which then automatically reflected on the dashboard. The broader team can display details of the tariffs' impact by vendor and part (Exhibit 8).

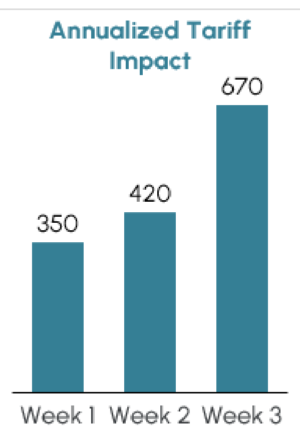
Exhibit 8 shows a version of the tracker, which has provided direction on which categories and vendors to focus on internally. It also enables the company to build credibility with customers in situations where the tariff impact must be passed along to customers.

Exhibit 8

Template of a tariff tracker's dashboard shows nearly $700,000 of annual impact in the sample week

Spend Impacted
$6M
(6% of annual spend)

Annualized Tariff Impact
$675K
(10% of impacted spend)



Supplier Detail

Vendor	Total spend	Spend impacted	Geographic exposure	Estimated tariff impact	Latest update
Vendor 1	$10M	$5M	Canada	$500K	Not implemented yet
Vendor 2	$6M	<$1M	China	$5K	Only locks are subject to tariff
Vendor 3	$2M	$1M	Mexico	$100K	
Vendor 4	$1M	[Estimation in-progress]			Will pass along cost if tariffs persist
Vendor 5	$1M	<$1M	Mexico	$30K	Charging only 10% of the 25% tariff
Others	$1M	TBD	Various	$40K	
Total	**$10M**	**$6.6M+**		**$675K**	

Countermeasures: Update

- Potential: Vendors 1 and 3 agreed to stock more items in the US (impact = $50K).
- Qualifying additional vendors: Alternatives identified for Vendor 5 (potential impact = $30K).
- Insourcing production: Grids project implemented (impact = $100K).

Market Intelligence

- Key competitors have much higher exposure to vinyl extrusions in Canada.

Managing the Impact

The window manufacturer also took several high-impact measures to prevent and mitigate tariff impact while also strengthening its supply chain:

Making the supply chain more agile

Gaining a deeper understanding of the supply chain is critical for identifying how to make it more agile. In one case, a key supplier was assembling entire parts outside of the United States, which made the parts subject to high tariffs. The company worked with the supplier to set up assembly in the United States, which lowered the tariff impact by 40%.

Developing flexible sourcing options

Based on familiarity, focused R&D, and a desire for high levels of service, the company had until recently worked only with hardware suppliers that had deep expertise in windows. However, considering the broader changes in the economy, the window manufacturer quickly qualified new suppliers that could add value through new ideas, broader supply chains, and product redesign. The company worked with suppliers from other industries to identify opportunities for redesign, so products could use these suppliers' hardware components, lowering the cost of production. The new supplier relationships also open the door for future capacity and know-how that the company can tap into as it grows.

Insourcing some production capabilities

The window maker had doubled its business over the past few years, and this growth in footprint and volume made it worthwhile to reconsider past make-or-buy decisions. The company reassessed what parts of its supply chain, at its current production volume, it should now insource. A cost-modeling exercise, which estimated labor and material costs, capital expenditures, and operating expenses suggested that the company could save more than 50% by insourcing the production of certain items. Enhancing the opportunity, a nearby plant closure made equipment available for an immediate purchase, avoiding the long lead times common for equipment purchases. After implementing this change in strategy, the company saw its EBITDA margin increase by about 20 basis points and gained much more control over its supply chain.

Seizing the opportunities is challenging, but every organization has opportunities it can discover through a thorough cost-modeling exercise. Understanding your supply chain's full potential of options is an exercise that you can start today to best prepare you for the next supply chain shock. Shocks like the 2025 tariffs also give companies the opportunity to rethink their operational strategy.

It’s Time for a New Mindset

The 2025 tariff regime is not just a passing policy shift, it’s a structural reset. Traditional responses like price increases and cost absorption may buy time, but they ultimately erode competitiveness. Instead, leaders must reframe tariffs not merely as a tax to be endured but as a stress test to be learned from—one that reveals fragilities, exposes overdependence, and—if harnessed wisely—unlocks new sources of resilience.

Trade flows with Canada, China, Mexico, and other major partners are unlikely to return to pre-2020 norms anytime soon. For firms still reliant on legacy sourcing structures, the third and fourth quarters of 2025 are a critical window for action. This entails urgently identifying near-term alternatives in Southeast Asia, leveraging trade benefits like USMCA exemptions, and auditing cost structures at a granular level.

Above all, the moment calls for a new mindset: one that sees resilience as a cross-functional responsibility and a strategic differentiator. Firms like Advanced Energy Industries, GlobalFoundries, and Micron are pulling ahead not because they predicted tariffs—but because they have been investing in optionality, redundancy, and agility. Their playbook—multi-sourcing, reshoring, requalifying suppliers—is now the blueprint for success in an era when policy can shift overnight.

To truly future-proof operations, leaders must break down silos between sourcing, finance, operations, and public policy. They must embed resilience KPIs—like source diversity, lead time agility, and supplier concentration risk—into the P&L. These metrics look beyond short-term survival to inform long-term value creation.

Tariffs are no longer isolated policy levers; they are fast becoming a persistent feature of the global business landscape. And while they introduce friction, they also offer clarity. In a world defined by volatility, companies that treat agility and resilience as core capabilities will outperform.

The divergence is already evident. Companies like Ford, GE, and Honeywell have found themselves reacting late, constrained by legacy decisions. In contrast, proactive players—whether multinationals like Caterpillar and Micron or midmarket leaders like Builders FirstSource—are seizing this moment to realign sourcing, enhance supply optionality, and build muscle memory for future shocks.

The lesson for industrial leaders is clear: Resilience isn't a cost, it's a form of insurance, differentiation, and ultimately growth. By treating tariffs not as a catalyst for transformation, businesses can not only survive the volatility ahead but also lead through it.

Disclaimers (1/2)

- Past performance is not indicative of future results. There can be no assurance that any activities will achieve results comparable to what is discussed herein or avoid losses.
- Neither these written materials, nor any accompanying oral presentation, or the two combined, should in any way be interpreted as investment advice. Ayna.AI does not provide investment advice. Any person in receipt of these materials should consult appropriate legal, tax and investment professionals before acting on any of the commentary presented herein, as this presentation is not a substitute for personalized investment advice.
- This presentation is confidential and is intended solely for the information of the person to whom it has been provided. It is not to be reproduced or transmitted, in whole or in part, to third parties, without prior consent. By accepting or accessing this document or any related materials you agree to be bound by the limitations and conditions set out herein and will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this disclaimer including, without limitation, the obligation to keep information contained in this document and any related materials confidential. No regulatory body has reviewed or approved or passed upon these materials.
- These materials are intended to be read as a whole. Excerpts cannot be removed without sacrificing the meaning of any portion. Many statements herein represent abbreviated commentary. These statements are in no way intended to be a full outline of a company's operations or outlook. The information in this document does not purport to be comprehensive and has not been independently verified. No reliance may be placed for any purposes whatsoever on the information contained in this document or related materials or in the completeness of such information.

Disclaimers (2/2)

- Certain portions of this presentation may include information regarding the performance of various industries or companies or the economy in general. Such information is taken from various sources, and while believed to be reliable, is not necessarily independently verified, and accordingly, such information should not be relied upon in making any investment decisions. While this document has been prepared in good faith, it does not constitute a representation, warranty or undertaking, express or implied, with respect to the information or opinions contained in it and no responsibility or liability is accepted as to the accuracy, completeness or reasonableness of such information or opinions or any other written or oral information made available to any party or its advisers. Without prejudice to the foregoing, we do not accept any liability whatsoever for any loss howsoever arising, directly or indirectly, from use of this document and/or related materials or their contents or otherwise arising in connection therewith. The information set out herein and in any related materials is subject to updating, completion, revision, verification and amendment, and such information may change materially. We are under no obligation to provide the recipient with access to any additional information or to update this document or any related materials or to correct any inaccuracies in it which may become apparent.
- Some portions of this presentation include the use of various charts or graphs. These are intended as visual aids only and are not to be construed as a means to make investment decisions of any kind.
- The information presented represents the opinions of Ayna.AI and all statements of opinion and/or belief contained in this document and all views expressed represent our own assessment and interpretation of information available as at the date of this document. While these opinions are based on our experience and research, there can be no guarantee that any expectation discussed in these materials will be realized.

THANK YOU