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TTMI.OQ - TTM Technologies Inc at Citi Global Industrial Tech and Mobility Conference

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CORPORATE PARTICIPANTS

Daniel Boehle *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

CONFERENCE CALL PARTICIPANTS

Jason Gursky *Citi - Analyst*

PRESENTATION

Jason Gursky - *Citi - Analyst*

Great. We'll get started. Congratulations to everybody in the room. You made it to the last session.

Of, I don't know what year this is our conference down here, but, some number of years. This is the ex annual City industrial conference, in Miami. My name is Jason Gersky. I'm the city city's aerospace and defense analyst. I had the pleasure today to welcome TTM technologies to the stage. We have Dan Bailey, the CFO of the company, it's going to be an interesting one because, Back many moons ago, I was a tech hardware and I actually covered TTM in a prior life, and now the company has come full circle back into my life as a company that is a bit more focused on.

What I do for my day job, which is aerospace and defense, so Dan's got some prepared remarks and some slides that I think he wants to go through that I think will help set the stage for all of us, with the description about what the company does, from a product perspective, some of the end markets, that they are exposed to. And then I'll pick it up with some questions, and at some point we'll open it up to the brave souls in the audience to see if we have any questions.

Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

Absolutely appreciate that.

Thank you, Jason, and thank you all for coming. Appreciate being here at the conference. I think this may be our first time here, so I'll give you a bit of a quick overview on some of our slides, first to our our legal disclaimers. You can read those at your convenience.

Getting into the company, we are a technology-enabled, critical supplier to today's fastest growing, technologies, such as advanced defense radar, cloud infrastructure.

AI data centers, so you can see kind of our 4 or 5 end markets on the right side there. Data center semiconductor, computing, networking and market, our aerospace and defense market, as you mentioned, is one of our growing areas in our strategic focus, semiconductor capital equipment. In medical industrial automation, as well as automotive technology. We're about a \$2.4 billion dollar company in revenues. We have a significant global footprint with 23 facilities worldwide, about 18 of those in North America, 6 of those.

Outside, 5 of them in China, one of them in Malaysia, and about 18,000 employees across the globe. We've grown throughout the years, primarily through acquisition. We acquired, we started as a PCB company, did an IPO in 2000-ish, started growing through acquiring PCB companies. So, and then we started strategically probably about 10 years ago, wanting to get above the board, building into our, assembly and subsystems and full mission systems above the board, and then also Entering more stable marketplaces like aerospace and defense. So, through acquisitions, we've gotten more exposure to both of those. And then through divestitures, getting out of the more cyclical markets like mobility, EMS, backplane manufacturing. So, that brought us to where we are today.

A more stable, growth trajectory, less less, seasonality and cyclicity within our markets. We're mostly out of consumer markets, even on the commercial side of our business. We say we're about 50% commercial, 50% aerospace and defense, the aerospace and defense is mostly defense, 90% defense, so very small commercial aero, that.

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So on that, and then on the aerospace and debt side, we've been climbing from the PCB into the integrated electronics, wanting to be involved more in the design, early on the design with our customers, becoming more sticky, and designed into their products, longer life cycle products, and again, we also offer a footprint diversification, so.

Something we could talk more about. So our three-tiered strategic focus as I mentioned, diversification, diverse and markets, the near term focus is aerospace and defense, also a lot of growth in data center computing with the generative AI boom.

These are the five markets, aerospace and defense about 50 46%, almost 50% of our marketplace, automotive, about 13%, expected growth in that area, is low over the next year, but aerospace and defense and data center computing. We expect to be above kind of those, third party benchmarking that you see here. So those are two growth drivers, data centers, about 21% of our business right now. And then the last two, medical, industrial, and instrumentation, mid-teens, quite a broad group of customers in that area, kind of mixed cyclicity there, and the networking is starting to grow, along with the data center computing, being pulled along with generative AI.

Just a little bit of focus on aerospace and defense Q4 book to build about 1.14. We've got a program backlog of about 1.5. We are aligned with key defense programs and you can see there 90% of the business as I mentioned is defense, primarily radar focused. And then we have some exposure to commercial space and commercial aero chart on the right shows that we're more than 50% of that business is now above the PCB. It's in integrated electronics, microelectronics, RF components, and then some full mission systems, that we acquired through our last telephonics acquisition, so.

Differentiation, we differentiate through engineering, depth, being engaged earlier with our customers, having a breadth of technology and a global footprint. So this picture just kind of shows you that we are engaged across multiple different, engineered products, as well as, our base, which is the PCB, right? So in aerospace and defense, we go across all those products, commercial is more towards the lower end.

It gives you a global footprint, as I mentioned, 17 sites now in North America, 6 in Asia.

And then finally, third tier is just a financial discipline, right? So operational execution in our factories, building, improving our earnings power and expanding our operating margin, and good cash flow generation which allows us to continue to invest in our company. These are our long-term targets, 4 to 6% top line growth over long term.

We're thriving towards 11 to 13%. Non-gap operating margin. We finished 2024 at about 9.6%. Again, Penang is about 170 basis points drag on that. So you that back, we're pretty much in that target. So, and that would get us to EIA margins of 15 to 17%. Our CapEx is a little bit high right now because we've been, investing in facilities, so a little bit of love that above that long-term target, but 4 to 5% is our normal range, and we TRY to generate cash flows of 10% or more of revenue.

Which would drive 13 to 15% of return on invested capital.

Yeah, I think I talked through most of this, but our focus is on investing in markets with growth and favorable trends, generative AI, aerospace and defense, good, strong, growth without cyclicity, not consumer markets, more higher end complex boards and integrated electronics, and then a solid manufacturer or solid financial management of the company.

QUESTIONS AND ANSWERS

Jason Gursky - Citi - Analyst

Okay, great. .

They want to immediately skate towards just a couple of follow up questions. Yeah sure kind of wrote down as you're going through the presentation. I noticed that the growth rate for the auto segment is projected to be lower than what you were forecasting for the 5 year period. So is that, customer mix you've got going on there or more exposure to EVs that are decelerating? Well.

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Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

That's probably absolutely it, right? So, the market in EV, right, I think really the only area growing significantly is E, yeah, but that's not. Growing within US and in Europe, which is where our customers are. The Chinese market is where the growth is. They use their own supply chain, so we can't, we don't sell into that market. So our customers are the tier ones within, the US and Europe. EV is not really taken off there. We have more content on EV than we do on internal combustion engine cars. And so that's why, our Our forecast is a little bit down there. Frankly, we probably think that that forecast is a little optimistic, okay, that that third party forecast.

Jason Gursky - Citi - Analyst

The third party forecast, okay.

What exactly, where would we find your content and EV.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Mostly, through EV, anything that's sensor related, right, and Ada, so and so AA, the defense system safety systems, right, driver.

Can't remember what the acronym stands for, right? But the defense systems in your car that keeps you crashing, right, so we're in those sensors, and, as well as any other, we're not in really the infotainment, but sensing, PCBs, right? So PCBs that drive the electronics that do sensing within your car, right? And so there's more AA, in.

And even internal combustion cars now. So that does provide opportunity for us outside of EV, but the EV cars have much more sensors, the cameras and things like that that are sensing everything. So we get double if we probably had twice as much content on EV.

Jason Gursky - Citi - Analyst

Right? Right. Okay, good.

This is an easy finance question, but everybody seems to have a different definition to ROIC. How do you guys define it?

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Yes, so it's, it is, return on our invest capital just basically it's a simple calculation, right, of our operating margin over our average total assets, right.

Jason Gursky - Citi - Analyst

Okay.

Yeah, it's been remarkable to watch that definition like morph and the backflips over the years, so I just was kind of curious. Okay, and then on the defense side of things, you mentioned radars, I can think of, quite a few companies that are involved in radars, but do you have any, and I know you put Raytheon up there as one of the key logos at the beginning, just kind of curious of that 46% of revenue, 48% of revenue.

Customer concentration, how much do you, yeah, so I guess there's there's program concentration and then there's, your customer concentration, right, and customer concentration concentration can be across multiple programs, so I'm just kind of maybe a mix of both.

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Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Yeah, so there's, only one customer that, in aerospace and defense that's above the 10, above 10% of sales. So we have a broad diversification across, customers and platforms. So we have about, we're on about 200 programs plus, with none of those programs representing more than 6% of overall revenue on a program basis. So one customer that represents more than 10%.

Jason Gursky - Citi - Analyst

The one that's on the logo, I'm guessing, yeah, okay, got.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

It. And then. Probably the TOP20 programs representing less than 50% of our revenues in that area. So we are broadly diversified, I would say from content, we're more on radar systems than others, then we also do some communication systems, guidance systems. Some of the main platforms were on, F-35 and F-16 from an aircraft platform. The MH60 helicopter, and then on, sea-based, spy 6 by 7, as well as land-based Ltams, radar, and also then on guidance systems, we do, Javelin and Amran.

So some large platforms, decades long, business that we've been on, good customer relationships, right?

Jason Gursky - Citi - Analyst

I can't help but smile a little bit to listening to somebody from TTM. Throw out A&D acronyms at the just not, yeah, yes, back then it was what Cisco router was on.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Right? I can speak more towards those and I can't tell you what a sorry.

Jason Gursky - Citi - Analyst

Okay, good. So let's see here. Tell us a little bit of how you mentioned that the company, this diversification strategy he purposefully went after the aerospace and defense market. As an aerospace and defense analyst, I think I appreciate why you did that, but maybe talk a little bit more about the strategic rationale for for doing that first, and then secondly tell us a little bit how you did it. Was it organically through acquisition, I kind of curious.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Yeah, so, and I'm newer to this message as well, but it's part of the reason why I'm here, right? So I want to speak to that. I have an AD background for 22 years, so, the company went through that, I think intentionally, to again.

Diversify its products, to raise above the the board into more integrated electronics, bring more value add to our customer. And we can do the PCB, but we can also do microelectronics, electronics all the way through full mission systems, right? So we're developing part of the telephonics acquisition was, they're developing a radar, a full mission system. And so we did it through mostly through acquisition, the growth, right? So we bought Ain in 2018 that brought some of the assembly and subsystems and above the board and integration, engineering know-how, and then the telephonics brought us into communication systems, IFF systems, and then full mission system radar. So that's kind of how we did it, the why, was to again. Bring ourselves up to more complex, more value added to our customers, become more of a partner to them rather than building to

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building to print on PCBs, right? So even the PCBs we do are mostly build a spec. We're not building a print. We have engineers that are embedded with our customers, helping them design not only for a small batch but for ultimately for manufacturability, right? So that's the value and the know-how we bring to them is that we can help them scale and then we can help pull the be.

Our business, we can do not only PCB but then the assembly and subsystems above that, right? So we can offer you a full suite of products and so.

As we bought companies with that engineering know-how, we thought, we could bring more value to our customers, so we want a seat at the table, we want to.

Jason Gursky - Citi - Analyst

Yeah.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Be more of a partner.

Jason Gursky - Citi - Analyst

Right? And, it just occurred to me you said above the board a couple of times. I just want to make sure that everybody. Understands that that's not like doing something well and right that is the the printed circuit boards that green card you we all have seen inside of whatever electronic device we disassembled at some point in our lives, and it's all the microelectronics is on top of the board. So is it?

From where you guys are able to extract margins, is it?

Just shooting the chips onto the board, the assembly side of it, or is it working with the customer to design an integrated board layout of it, do the assembly and deliver to them a finished solution.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Understanding what their final solution and what their.

What the needs are of the system, we can help to sign that into the board, right? And then, we have, we can build complexity into the board, whether it's layers, whether it's the density of the circuits, whether it's, thermal control or what have you. So, a lot that goes into that board to be able to To allow them to put, the circuitry and chips and other components that they want. So we understand the whole system and can help them do a lot of that, or we can do it and starting with designing a board that will allow that, right? And then designing a board that can be manufactured in volume to do all those, right? And the other thing I'll mention is the footprint, right? So we do have a very large US based footprint, right? We're the largest PCP manufacturers, so as we, Started acquiring those businesses and we started getting into the aerospace and defense market. Obviously that's all going to be done on shore. So again, another reason for wanting to be a good part of that defense industrial base, right, because we are a large manufacturer. We can do volume for our customers and for our defense department.

Jason Gursky - Citi - Analyst

Right? So on the defense growth, because I think you, in your chart suggests that it's going to be above trend in 25 for aerospace and defense.

Is that what is that all organic?

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Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

That is organic. That's.

Jason Gursky - *Citi - Analyst*

Organic. Okay, yes.

Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

That's in those charts.

Jason Gursky - *Citi - Analyst*

Yeah, okay, great.

Right. And then, to be able to grow faster, I guess there's a couple of things that could be happening. One, you're on some programs that are about ready to take off, right, and are growing faster than the overall budget. I could certainly explain part of it. And then, another part of it could be just acquiring, getting designed in or getting new positions. So maybe talk to us a little bit about the growth profile of some of your most important programs. I think you said 20% represent 50% of the revenue pie, roughly rough order magnitude for the yeah, I won't quote you on, but it rough order magnitude. So is it that those 20 programs are growing faster than the overall, defense.

Market by virtue of the it's just time for those programs.

Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

Exactly I think it's timing it's the life cycle of those programs. It's the refresh of of radar systems, right now and it's the additional electrification of our radar systems and, enhancing their capabilities, right? So, there's tech refreshers going on and so you want to be able to. Again, you need boards as well as microelectronic equipments that can do things faster, manage it in smaller space or in the same footprint but get more out of that same footprint, right, because the system's already been built, right? And so we're able to, engineer and design, now with technology we're capable of doing, more capability within that same space, right. So the other thing that I should bring up, here as well is because we have a commercial, part of our business as well, 50% of the commercial business, it oftentimes the technology there is ahead of what the Department of Defense is using on the technical side, on the electronic side, right? So, we're able to pull through manufacturing capabilities, IP and technical know-how is from the commercial side. Into the defense side. Obviously, it only goes one way, doesn't go out. But the skills and the, the ability to know how we develop on that high volume commercial side helps us on the defense side to be able to be, bring things to market quicker to design and things quicker. So as we, as if the Department of Defense does start getting more efficient. And acquiring things, right, we think kind of a more commercial mindset will benefit us. We could bring things to market quicker. So part of, your question is about growth, I think that the programs that we are on experiencing good growth and we've been able to kind of pull through more content on those products as well, over, through our, engagement again above the board.

Jason Gursky - *Citi - Analyst*

And ex kind of thing, right? Yeah, okay, but and then.

So that initial position that you get, just talk to us a little bit about, so you win, a a a new board or, the fully assembled board with the whole layout on it. Talk a little bit about the sales cycle on that. Is it that you're taking business from an existing supplier or is it bringing it out of your customers?

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Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

Oftentimes it's out of the customer, there's again there. At our size and scale, there's a lot of, competition, there are a few smaller, houses, but then a lot of it is, yes, the primes doing it in-house, right? And so the primes may be able to do it in-house at smaller scale, do prototyping and Lrip, but then if they want to go to volume, so. Our Syracuse building is a good example, right? So the reason we're building that is our customers are giving us a strong demand signal for the need for ultra high density interconnect PCP boards, in the future. We are able to right now, help them design and build those in.

Small batch, right? They were probably doing it themselves. Small batch came to us. We're helping them prototype, build that in some of our facilities in the US, but to get to scale, we're building a purpose-built facility, almost 200,000 square feet, in Syracuse, New York to get to the scale that they need. They don't want to do that in-house, right? I mean, they want to come to us to do that, and we can do that for multiple customers, so.

Jason Gursky - *Citi - Analyst*

So that facility is up and running. Do you have a big backlog that you're going to.

Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

Go when it's up and so it's being built this year.

Jason Gursky - *Citi - Analyst*

When it's.

Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

Facilities, yes, for demand coming in early 2026. Okay, we will have, yeah.

Jason Gursky - *Citi - Analyst*

Does growth accelerate in 206 then for aerospace and defense?

Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

That's the signal we're getting in this particular technology, right, and the need for ultra high high density interconnect DCVs.

Jason Gursky - *Citi - Analyst*

Okay, so this is you're designed on some high growth programs, right, new platforms.

The new programs that are.

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Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

Kind of can't necessarily talk.

Jason Gursky - *Citi - Analyst*

About yeah, understood.

I know okay, I gotcha. Does it fly flies, of course, okay, got it.

Let's see here. Okay, so we've got programs that are ramping where, getting more outsourcing work, from your customers on the A&D side of things. Okay, that all sounds pretty good. And then we've got maybe just one last question on this front on A&D and then we'll maybe move to some of the other markets.

One of the things that I came into this conference wanting to TRY to learn, I think I've learned it, but I'm going around making sure I get, affirmation of what I think I've learned. So today we've got the large cap primes, beauties running raining money down and it rains on the large cap primes, and then TTM and others kind of sit underneath that rain shadow and, pick up their fair share, right? Sure. And in the future, if it's left up to Musk and Peter Thiel and, that whole cadre of people, there's going to be money raining down over here over the ends of the world and all these new defense tech companies, right?

So, I did have the Chairman of Andro on stage yesterday, and he was the one that I really wanted to ask the question of, because historically, SpaceX has been more vertically integrated than the prime, so there's maybe been less opportunity for your traditional suppliers to come feed into this the SpaceX ecosystem. So my fear coming into the conference was that I would, what I would hear from him is like, yeah, we're going to be vertically integrated as well. I'm like, okay, well that's not good because the share shifts over to these guys, the suppliers over here, the rain starts to dry up, right? Sure.

But he did say that they're going to be horizontal, not vertical. They are going to rely on the traditional supply base. So I guess the question is, are you guys working with Andro and then secondly would be.

What are you hearing from some of these other VC backed companies that are starting to produce some hardware? Yeah.

Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

I, we tend to not talk much specific about customers we're dealing with, but we certainly, we do see that as opportunity for us, right? We certainly, I will say we're, we will and are talking to all of those new entrants into the market as well, encouraged to hear you, the com. That he made about horizontal as well. We think we bring value there as well and part of, what again I I said I think we see this opportunity with with doge even in the primes is that maybe they will stop doing some of the vertical integration. They will outsource some of that to us because they cost, right? They gotta get smart on cost and we can do it more efficiently. We can do it at scale. So we see both sides of that as opportunity for us, right, and the Neanderals and and planeteers and others, will offer new new markets that we currently maybe are underrepresented within the primes right now, that they may open up to us, right? So, and we have more of a commercial mindset and more agile, thinking similar to theirs than. Than what the primes do. So we see that both of those opportunities, there's, new markets and, that we're not, we don't play that much in the under the primes and, in like the autonomous systems, autonomous, air vehicles, right, and things like that. So, maybe these other these other customers and then on the commercial side, EVA, we're talking to some of those customers as well. We could use some of our radar systems there. So there's a lot of opportunity in those other smaller, more nimble companies that we think we could plan.

Jason Gursky - *Citi - Analyst*

Okay, great.

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But.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Yeah, so we are talking, right.

Jason Gursky - Citi - Analyst

Right.

So we spent 25, 27 minutes on 26 minutes I guess on 50% of your business. Sure we spent the last 13 and change on the the other 50% we can. Okay, great.

I forget how you described it on your chart was the stuff that's kind of exposed to the hyper scaling data.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

I guess data data center computing, yeah, we call it data center computing and we also have a networking, and I think if you kind of look at those together, they're both being pulled along through by this generative AI right now, so.

Data center computing grew almost 60% year over year in 2023 years, almost 60%, 6, 60 from 2023 to 2024, the data center computing, for your company, for.

Jason Gursky - Citi - Analyst

Our company. So, okay, do that again.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

I would like to, so.

But what unfortunately it got us to capacity.

Jason Gursky - Citi - Analyst

Right?

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

So we have one major factory in China that does that we added some capacity at year end in that facility as well as we're trying to certify a second facility there so we're adding.

As a year end we brought on about 20% more capability. So as we go into 2025, we can see that growth also with Penang, Malaysia coming on. So that's cramping this year, and that currently is built, incurring cost overhead people and has very little revenue, we're scale up revenue there, and the customers there are hyper scalers are probably going to be the number one customers there, data center computing, as well as some of the. The other markets we'll talk about next, some of the, yeah, industrial, automation and medical instrumentation. So.

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Jason Gursky - Citi - Analyst

So how does this work from a strategic perspective, from a capital deployment perspective from, management's perspective? Are you building it and they will come, or do you have a bunch of firm orders anxious customers and.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

We have customers. So the reason we built Penang was because we had customers, asking for an alternative to China, right? Either an alternative altogether or at least to China plus one strategy, right? So that was in response to them. We had 4 major customers asking for it. They are what we call anchor customers. They've actually put money in, so they've got skin in the game, to bring product there. Some of that product, about 15-20 to 20% of that will be. Cannibalized from the China factories, but the rest will be new part numbers, new product that's going into Malaysia. The Malaysia facility is about going to be about \$180 to \$200,000 of revenue on an annual run basis ultimately when it gets ramped up. So that was customer driven, right? And then, so that's how, again, so we don't have, years of orders on that commercial side, right? But But that was more, not that I have a bunch of orders and I need you to build it. It's more I have it, I need an alternative to China, right? So that's why we built that. Now with generative AI again max maximizing our capability in one of our China factories, this gives us an alternative to now move more of that capability there.

So now we are starting to see the demand that will help fill that factory, right? So.

Jason Gursky - Citi - Analyst

Yes, one follow up question on Penang and then I want to spend a few minutes on China on Penang. I've been there before and walked around a lot of these, contract manufacturing facilities that are there, and you guys are adding Greenfield capacity there. Did you take over facility and re outfitting it? We built.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Greenfield capacity there, right?

Jason Gursky - Citi - Analyst

Yeah, that must be gigantic by now. I haven't been there in a long time, but, okay, got it. So.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Greenfield, there are other facilities and so again, I mean you.

We're looking at, is there another wave to this or what have you? There are other facilities out there that are, that, may be a future for us, but this one was a greenfield.

Jason Gursky - Citi - Analyst

Okay, got it. So in China, imagine, oh, I'm sorry, was it, was that.

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Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

So we could build it the way we wanted and it's highly automated, right.

Jason Gursky - Citi - Analyst

Okay, got it. So China you mentioned some of that work they're going to be putting into Penangs coming out of China.

My brother's the Chief Compliance Officer of KLA, so I've been kind of living, unfortunately, vicariously through the hell he's been through and trying to abide by all these regulations that the commerce department's throwing out these guys over the last several years, right? So, I understand why you might want to get out of China for particularly the hyper scalers and anything that touches AI and Nvidia chips, all that kind of good stuff. But maybe tell us a little bit more about what you, what percentage of your revenue today.

Yeah, the 2.4 billion, is produced in China today.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

About 40% of it, 40%.

Jason Gursky - Citi - Analyst

Okay, yeah, so what in markets.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Then? And so it, it's all those commercial in markets that we listed, so, largest being data center computing, and then networking, medical, industrial, and instrumentation. As well as automotive. So those are all done in, mostly in China, the majority of the manufacturing in China.

Jason Gursky - Citi - Analyst

Okay. And how much of that is for internal consumption in China?

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

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About 2% of our overall sales, 2 to 3% overall sales are in country. So most of those are exported out of exported out of China.

Jason Gursky - Citi - Analyst

Okay, and they are land we deliver.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

So if you're going to get to a tariff question, we deliver in China to our customers. They ultimately end up.

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Outside of China.

I see the end user is outside, but our delivery is normally in China. Okay.

Jason Gursky - Citi - Analyst

So that 40% of revenue, 2% is to Chinese customers, yeah, 38% is going to, other manufacturers operating in China who then export from there.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Absolutely.

Jason Gursky - Citi - Analyst

Got it. Okay, yeah, I can imagine.

I mean not much consumer electronics though, no.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

No, okay, no, so it's, so our customers, yeah, like an automotive, it's a tier one, suppliers, right, medical, we do.

Surgical robotics, so we're delivering to those to the folks making those, machinery, glucose monitors, things like that and medical. Industrial robotics, automation, industrial automation, so those folks building the machinery for that, and then in, instrumentation it's more automated test equipment, so for sevector testing, so with the data center, growth, that's, the testing of that is getting bigger as well, right?

Jason Gursky - Citi - Analyst

So if you guys started to get any early indications from your customers in China, the non-Chinese customers that They want you to start thinking about or they are thinking about exiting China.

I.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

I think that's been the message since first Trump administration, right? So I think that's why we built Malaysia. So we have that alternative. Yeah, obviously we also have a large footprint in North America, so you can bring, we can onshore here, and we can add facilities here if need be. I mean, secure Syracuse is one of those, right? So Syracuse.

As I mentioned, we had 4 major customers in Penang, indicating they need an alternative. With Syracuse as we talked before, there certainly is a demand signal there, right? So we're building to demand, but yeah, those customers, I think.

We're kind of, we're in a wait and see situation right now with China, I think. I mean, if it becomes more more urgent, we're ready to respond to that, but we're not getting anything more pressing right now.

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Jason Gursky - Citi - Analyst

Right? And is there anything unique in the technology that's going on there that would be difficult to stand up somewhere else pretty quickly?

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Not necessarily a technology. I think.

Jason Gursky - Citi - Analyst

We know how.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

It's more than know-how, so it's bringing that know-how that we know what we're doing. The equipment sets and things like that we use similar equipment sets here in the US already in our factories, so we could easily port that and use that. It's the manufacturing know-how in the.

Jason Gursky - Citi - Analyst

Right I'm sorry I went down a rabbit hole on this. I'm sorry to everybody in the room about that, but it's maybe at this point to wake the biggest.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Factors cost.

Jason Gursky - Citi - Analyst

So yeah, right.

And do you think we have a question here?

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Yes.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Majority of those sit in in Asia. So a lot of those when you get to that number, right, that's counting a lot of your operators on the floor in the plants, right? So our factories in Asia are much larger. They're doing large volume commercial products. The factories in North America are smaller, doing more.

Jason Gursky - Citi - Analyst

More and more aerospace and defense, in the in North America.

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Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Some, we have a large footprint. Some yes, some no, right.

But it's it's lower volume, mostly in North America. I mean that's part of the A&D, yeah, very indeed to like commercial markets. I mean there's always a lower volume, right.

Jason Gursky - Citi - Analyst

Yeah. I think we got a question here. Go ahead. You've got the mic. Yeah. So.

Unidentified Participant

On the Malaysia facility, as you mentioned, it is a drag on the margins. And I think that you said that by Q3, will be ramped up to around 30 to \$35 million. Yes. And my question is basically, what is the level of visibility that you ever everyone get into this, level?

And just how confident you are about getting there.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Good question. So we, that is one of our key focuses this year. So, backing up, it drove about at the Penang facility, we built it out, started concurring, depreciation and everything else. We've got labor there, it's been built up since the end of last year.

And so it was dragging about, it was a drag of about 180 basis points on our operating margin through all of 2024. Q4, that was about 170 basis points. Our projection for Q1 is about 160 basis points. We only project 11 quarter in advance, but we have signaled, as you mentioned, getting to break even by Q3 of this year. That's probably 6 months or so later than we expected. We expected to get there by the end of 2024. But, had, slower than expected process through getting qualification with our customers, qualifying the parts and the machinery and what have you and And then, and then getting inserted into the next design. So we are starting to see orders. So through 2004 through 2024, very small revenue. We're starting to see orders and revenue becoming in Q1, and so that's given us.

Comfort and more confidence that, those customers are starting to put orders in as orders come in and we start building our yields will get better. So to get to that number, not only do you have to get the orders in and get parts number, but also become, to start yielding better, right? So we can get to break even. So we are getting more and more confident, but we do generally only see, 3 to 6 months, of orders or Demand indication in advance. So, we'll know by next quarter.

But yeah, the ramp up between Q1 and Q3 is pretty steep, but, again, we have our customers we have our anchor customers there that are supporting us.

Jason Gursky - Citi - Analyst

It may be just to help him get a little bit more comfort with that just depending what I'm I'm not sure what your name is.

What was your name?

Oh, nice to meet you. .

The the workforce that's in Penang, that's kind of indigenously there, I mentioned earlier that I've been, it's been probably 20 years since I've been to Penang and walked to those facilities, but this is not something new to Penang. There's a.

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Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Highly skilled, yes, there's high school workforce. I mean there is, as you mentioned, a lot of other tech companies, in Penang, and we also brought over, as I mentioned, I mean one of the.

Values that valuable assets we have is our current know-how, and so, we brought folks from our other Asia facilities, our China facilities into there to train them, right? And so we've always, we've got a little bit of back and forth. Folks that are rotating in there, doing some of that work, getting those quali those parts qualified and then training the workforce there. So yes, you have a knowledge of the workforce, and then you have our folks that are going in there and giving them our br practices from our other factories as well, right?

Jason Gursky - Citi - Analyst

So, okay, cool. I think Don's got one as well.

Unidentified Participant

Yeah, thanks for the presentation and the and the good questions, Jason. So I'm newer to the story, but I'm looking over the last 5 years, you've outperformed small cap index, you.

Beaten, it looks like a lot of your peers by a wide margin.

What do you think investors are either overlooking or not appreciating enough? Like what do you think they're missing? Sure.

Daniel Boehle - TTM Technologies Inc - Chief Financial Officer, Executive Vice President

Yeah, it's a good question, one that, Samir and I and my boss, ask ourselves all the time. We think we're continued, we're still undervalued, what.

What I, part of it is the story about the A&D I think stability and the fact that, again, in aerospace defense and within North America, we are the largest PCP manufacturer, so that provides us a really good base, right, and gives us, a foothold in a lot of contracts that we can then pull through as we get more and more experience in the integrated electronics and the work that we're doing above that, we can just continue to pull through more. Content, I believe, that's our strategy. I think folks, because that's only 50% of our business, maybe they don't value the other 50% as much or don't understand it or see the risk of Asia, and what have you, right? And so I think we're, if you look at our multiple we're valued somewhere between, a contract manufacturer and an aerospace and defense. I'd like to be more towards that aerospace and defense, but I think people are, hesitant or.

Or don't understand or feel like there's more risk on that Asia side. But as we discussed, we're not delivering in Asia, we're not delivering, you're not supplying to Asia customers. Our customers are multinationals, US based, European based, and very small exposure to actual China. And we have such a global footprint that we can easily shift out of there if needed into Malaysia, into the US.

Jason Gursky - Citi - Analyst

Right? Okay, perfect.

The the clock is counting up, which means we're over time.

Don, ended up asking what is usually my last question, which is to, give you an opportunity to talk a little bit about the investment thesis, which I think you did anything else you want to add to it?

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Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

I think the only other thing is just, we are continuing to, expand our operating margin, obviously through cost controls and what have you, but also just, as Penang comes up, that's, a big lever on our operating margins, as well as in the aerospace and defense as we become more involved in integrated products, and value added, we'll continue to, heighten and enhance our operating margins.

Jason Gursky - *Citi - Analyst*

Perfect. That was great.

Thank you everybody for sticking around for the last session.

Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

Thank you all. I appreciate it.

Jason Gursky - *Citi - Analyst*

Yeah.

Daniel Boehle - *TTM Technologies Inc - Chief Financial Officer, Executive Vice President*

Thank you, Jason. Thanks.

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