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<<Jim Ricchiuti, Analyst, Needham & Company>>

Good morning. Welcome to the 28th Annual Needham Growth Conference. Our next session will be a fireside chat with TTM Technologies. My name is Jim Ricchiuti, Senior Analyst in the Equity Research Department at Needham & Company, covering companies in the industrial technology space. So we're delighted to have with us this morning the company's President and CEO, Edwin Roks, who joined TTM in September.

<<Edwin Roks, President and Chief Executive Officer>>

September, yeah.

<<Jim Ricchiuti, Analyst, Needham & Company>>

After a long career at another one of my coverage companies, Teledyne Technologies, we're also pleased to have TTM CFO, Dan Boehle, so thank you, gentlemen, for joining us.

<<Edwin Roks, President and Chief Executive Officer>>

Thank you for inviting us.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Let's start first with a brief snapshot of TTM, and then what we can do then is maybe segue into questions, Edwin, on just what has stood out for you the most in the first three months. So maybe just from the standpoint of the markets you address, I think a lot of folks are familiar with TTM, certainly in the past year, given what we've seen in the markets that you play in. But why don't you start there?

<<Edwin Roks, President and Chief Executive Officer>>

Sure, sure. And then you can fill in...

<<Jim Ricchiuti, Analyst, Needham & Company>>

Absolutely.

<<Edwin Roks, President and Chief Executive Officer>>

So first of all, TTM is a high-tech technology company and a very attractive company. If you look at the end markets, they are all high-end markets, yeah, long cycles, very, very challenging

markets, and we play a role there. If you look at the current economy, 80% of the megatrends are affecting our company. So if you think about AI, if you think about the defense spending, if you think about all the automation, it all affects TTM. And the reason is basically because if you look at chips, and I see the chips as the brain, yeah, we are the nervous system of that. We combine, we connect these chips. So what TTM is really good at is interconnect, advanced interconnect, combining all these sophisticated chips. And you see that these chips, they come to an end, more and smaller is no longer applicable.

So the only thing that you can do is combining these chips, and that's what we do. So first of all, we provide the advanced interconnect solutions, be it PCB, be it substrates, be it advanced packaging. And then on top of that, we make our own modules and subsystems and systems using our own advanced packaging or interconnect technology. That's basically who we are.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Just in the first three months since you arrived, what has stood out to you the most from a technology standpoint as you've been?

<<Edwin Roks, President and Chief Executive Officer>>

Coming from a high-tech technology company and multiple companies, by the way, I used to work for Philips and I used to work for Teledyne, CEO of Teledyne over the last years. TTM was under the radar. TTM was not visible, and that's what we're going to change. So TTM will be very visible. It will be on the radar, and it's supposed to be on the radar because we provide these solutions to our customers, both on the commercial side and the defense side. So that was the number one observation. The number two observation, there was no growth. The growth is now pretty, pretty good. I can disclose here that over the coming three years, every year we will grow between 15% and 20% top line. And we will double our earnings from 2025 to 2027. We will double our earnings.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Let's talk about growth because one of the areas that has really stood out for most folks who have been looking at the company is your exposure to the data center market. About 22% of sales through the first nine months of 2025. It was up about 44% in the third quarter. So you gave guidance at the end of October, and that actually assumes an acceleration in the growth rate in Q4. So first, just a question on the data center business. How are you thinking about the sustainability? Since it's been on the minds of a lot of folks who look at companies and that supply chain, how are you thinking about the sustainability of the demand from your major customers?

<<Edwin Roks, President and Chief Executive Officer>>

Sure. Let me give Dan a chance to answer that question, I'll fill in.

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

So I think one of the things we want to mention is, so you've got data center computing and networking. They're moving pretty well together now, and we would probably start grouping those together as being driven by artificial intelligence. And yes, if you put them together, we're forecasting them to grow about 30% plus this year. We have new orders. We get visibility about six to nine months out. But as we're putting together our strategic plan and we're speaking with our customers in the supply chain quite regularly, we're pretty comfortable about where our customers' roadmaps are and how they align with ours. We're deeply engaged with them early. And so we do get pretty good visibility into that. We feel confident about the growth rates as Edwin just mentioned on the total company level, about 15% to 20% over the next three years.

A lot of that driven by AI, right? The AI growth will be higher than that, comparable where we are this year, so. Plus, so.

<<Jim Ricchiuti, Analyst, Needham & Company>>

One of the questions I get frequently is, this industry has a lot of players in it, many of which are based in Asia and certainly capable of doing high volumes and complex board work. But what differentiates TTM in this market, the data center computing market?

<<Edwin Roks, President and Chief Executive Officer>>

Yes, first of all, I don't want to, let's say, yes, we are a U.S. player. So we provide the solutions in the U.S., and we provide the solutions in Asia. And customers have the flexibility, basically. And Asia can be China, and it can be Malaysia in our case. But I don't want to use that as our only differentiator. It's absolutely not correct. We are a technology driver, yes? So we have discussions with our customers, and they are balanced discussions about the roadmap. So if you, for instance, look at our new sites, we are having, let's say, development centers and work very, very closely with the top customers. That's also the reason that these commitments are very strong. Because, as Dan said, our visibility is six to nine months on existing business, let's say. But if you talk about these strategic initiatives, it's further out.

So we have very strong relations. But it's not that the customer is asking us to do this and this and this, and we just do it. No, we have a balanced discussion on that. Balanced discussion. We are a technology driver.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Is it fair to say that's more characteristic of the data center computing business? I put aside defense, which we'll get to in a moment, but as you think about the other.

<<Edwin Roks, President and Chief Executive Officer>>

It's valid for all our markets, basically. It's valid for all our markets, but you're right. You're right. We deal with the big guys. We cannot disclose the customers, unfortunately, here, but these are the big players, and they drive the roadmap with us. So that's the good thing.

<<Jim Ricchiuti, Analyst, Needham & Company>>

And just to that point, given the demand you're seeing in that market, the Data Center Computing market, yes, at the moment, you're serving that market through your major factories in China. Do you have sufficient capacity in place? We'll talk about Malaysia in a moment, but do you have sufficient capacity in place in China with these existing facilities to support the growth that you're expecting?

<<Edwin Roks, President and Chief Executive Officer>>

Yes, Jim, the short answer is yes. The short answer is yes. And again, with the visibility of years out, our strategic plan, our budget is also not a static thing. We have flexibility to change that over time. We are not, let's say, extremely aggressive with spending capital, but we are aggressive enough. We have the capacity in place.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Maybe you could remind us as well, in terms of what you've done in China in this market, in terms of adding capacity, give us a sense as to what you've done and how easy is it to add capacity to flex with demand?

<<Edwin Roks, President and Chief Executive Officer>>

Yes, yes, sure, you can.

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

I'd say yes. I think at the end of last year, we were talking about adding 25% capacity within our Chinese plants that are doing AI, and we did that. So we did that in two ways. We added equipment to our main facility in Dongguan, and then we also certified a second facility in Guangzhou. And so we've got two facilities that are doing most of the AI work right now. And what we had said is that we'll add 25% capacity, right? But as I mentioned earlier, we've grown 30% plus in that area over the year. And that's also because we were able to outsource some of our work to another site in China, in ZS. How do we spell that? Zhongshan, is that how I say that? He's been my Chinese translator.

And that site has traditionally done a lot of the auto work. The auto business has gone through kind of a macro downturn. And so we've been able, though, to use those resources to help bolster the work that's going on in our two major AI sites as well. So we've been able to get capacity pretty easily in those ways, right. So no greenfield plants, just new equipment, and then sister plants helping out. As we talked about in the third quarter conference call, we're going to spend \$200 million to \$300 million over the next couple of two to three years expanding, doing that same thing, adding more equipment to our existing facilities, refurbishing some of the facilities that we do have that we can more optimally align our manufacturing plants and what have you. So not new greenfield, just those existing sites. It's a lot, I guess, more efficient and easier,

obviously, than building a new greenfield like we're doing in Penang, Malaysia, and in Syracuse, New York right now.

<<Jim Ricchiuti, Analyst, Needham & Company>>

That actually is a good segue to the discussion around Penang. Prior to you joining, Edwin, I think the company acknowledged that the ramp-up in capacity, the ramp-up of that facility has taken a little longer. How confident are you that the company is going to be able to overcome some of those early challenges? If you want, help us understand those challenges.

<<Edwin Roks, President and Chief Executive Officer>>

Happy to do so. So Penang is still part of the China Plus One strategy, which is, I think, still very valid. We were a bit optimistic about Penang. There are cultural aspects there, correct? China, very steady workforce. We have now, by the way, 18,000 people, and we are able to keep our people. And so yield learning is very efficient in China and in the U.S., Malaysia was a different story. It's about staff, it's about yield development, it's about delivering our products. It was all more challenging than we thought.

The good thing is now, let's say, that we are making good progress every week. Our yields are going up tremendously every week. We changed leadership, we changed some of our staff. It's going really, really smooth. And the good thing, Jim, is that we don't need it for our capacity story. We don't need it.

So we take our time. We're not going to say anymore when we are exactly break even on that plant. It's just a plant of all the other plants. All the other 23 plants we have are doing really well. So that means that our CEO can also focus a bit more on Penang, yes, and get that under control. He's doing an amazing job. I'm really happy over the last four months, not three months, I'm four months now, and no excuses anymore. So I'm very happy what that team is doing in getting Penang up. And I will be there, by the way, myself in a couple of weeks.

<<Jim Ricchiuti, Analyst, Needham & Company>>

But the fact that the yields are improving on a weekly basis, and Dan, maybe you could remind us of what the headwind was from that in Q3, but I mean.

<<Edwin Roks, President and Chief Executive Officer>>

The headwind was yields, and the headwind was learning, getting let's say learning people how to do these processes, how to be efficient in these processes. It's a tough thing. So we have these five anchor customers and two of them are really, really at all important, by the way, but two are very critical for that yield learning. And they are still with us, they're still happy and they're still – they're part of the whole discussion. So it was a wrong thing to do to highlight Penang. Yes, Penang is like any other site, we just have to learn. Malaysia was new for us. We don't need it for the capacity. It's fine. We give it some time.

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

But to answer your question, Jim, I think you wanted me to quantify it. I think – and I'm going off the top of my head, but you can look back at the transcripts. I think it was about 180 basis points in Q3. We forecasted Q4 to be about 160 basis points. So it's improving. It'll continue to improve throughout this year. So that's a headwind to our margins – that's a headwind to our bottom line margin. And so you look at where our margins are now and know that when we get that factory ramped up.

<<Edwin Roks, President and Chief Executive Officer>>

This year, we should be able to get back half of it or so.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Okay. And the fact that the anchor customers associated with this are still sounds like fairly comfortable with your timeline as to the progress you're making.

<<Edwin Roks, President and Chief Executive Officer>>

Yes. They were part of the whole story and they are with us and they support us.

<<Jim Ricchiuti, Analyst, Needham & Company>>

We're going to stay on the topic of capacity for the next couple of questions, but we're jumping around a little bit. But I want to talk about the capacity expansion in Syracuse on the defense side of the business. Remind us of what that's going to do for the company. And you have talked about getting to volume production in the second half of this year. So just – that's the question. Are we still on that?

<<Edwin Roks, President and Chief Executive Officer>>

Sure, schedule. Let me start and then Dan can fill in. Yes. Syracuse is – by the way, Syracuse is now a campus. That new building is close to our existing building. It's becoming a real nice campus. Making a lot of progress there. Most of the equipment is in and it's now being calibrated and making sure we can use it. That's happening. Some of the equipment, by the way, is dedicated equipment for TTM. It's a very sophisticated facility. It's mostly for defense, for aerospace and defense applications.

And it's not only PCB, there's also, let's say, what we call heterogeneous packaging is also happening there. So it's a very, very nice proposition for our defense customers. And the schedule is as is – as we discussed, second half of the year, it will ramp up. We are commissioning the equipment, we are qualifying, let's say, these customers. We had a very big milestone a month ago, which we passed. Everything is on track. And there's no doubt that we can start ramping in the second half of this year.

<<Jim Ricchiuti, Analyst, Needham & Company>>

How does – what you’re doing in Syracuse with this facility compare with Penang? Which is a different facility?

<<Edwin Roks, President and Chief Executive Officer>>

It's different. First of all, it's the U.S. We have thousands and thousands of experts close by in New York. Yes, so it's a different story. Very sophisticated processes, ultra HDI processes and advanced packaging processes. So it's challenging. So it's a completely different story, completely different story.

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

Yes. So I think just to bring that together, you've been talking about capacity and then how easy it is to add capacity with our sites in China, Syracuse versus Penang, right? So a lot of – if you listen to what Edwin's been saying, it's about the people, it's about the workforce, right? So China, we have a very skilled, experienced workforce. So add equipment, put those folks on it. They know how to run it, right? So same with Syracuse, we have a capable workforce in the area. We've been doing this technology now in lower volume at different sites. And we're just putting it all into a major site now that can do it at volume. Whereas Penang was a new place for us, new workforce, new culture, new philosophy and so we're learning that and we're coming up that learning curve. But that's why it's easier for us to add capacity. These other sites we've got existing workforce.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Before we move away from the capacity discussion, I want to just and talk about some of the other major markets. But I wanted to talk about the announcement that the company made in July of the acquisition of a facility in Wisconsin. How does that align with your plans to really not only support high volume PCB production in the U.S., including presumably some of your data center computing customers? And then I have a follow up because a lot of people have taken note of some of the news that's come out externally and there seems to be a bipartisan support to building up a U.S. manufacturing base in this technology.

<<Edwin Roks, President and Chief Executive Officer>>

First of all, we are extremely happy with Eau Claire. It's in Eau Claire, it's Wisconsin. It's a big facility, 750,000 square feet in three different segments. So we can use each and other segments. We can use it either for commercial business, we can use it for defense. We have that flexibility. I really like to use it also for some advanced R&D as well to be even closer with our customers. So that's going well. While we speak and Doug is sitting there, but most of his team and also the defense team, we are negotiating right now with customers regarding capacity, what they like to do in that facility with us. So that discussion is underway and it gives us basically coming back to that flexibility. Expanding in China but also having enough footprint in the U.S. We were already the biggest in the U.S. We're now even bigger with that side. There's a lot of traction on

the side. There's a lot of traction. The interest is very high from our customers. So it's going well.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Do the demand trends that you're seeing both in defense and in the higher growth area, the commercial business...

<<Edwin Roks, President and Chief Executive Officer>>

Both, both.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Is that changing your view of your timeline for when you...

<<Edwin Roks, President and Chief Executive Officer>>

No, no, it's not changing the timeline. No, the timeline is, forget 2026, even if you want to order equipment. And again, this is high end equipment. Yes, these are the cores six of this world, very expensive equipment. So that will be in place in 2026. And then we start talking about ramping.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Potentially in 2027.

<<Edwin Roks, President and Chief Executive Officer>>

Yes, potentially in 2027.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Okay, okay. Maybe going back to your end markets for all the focus on the data center computing market. The other commercial markets, it's fair to say, have been more mixed. On the one hand, you've talked about a vertical that we refer to as MII, medical industrial instrumentation. Yes, that started to show some recovery, which is encouraging. I think the sales were up what about 20% or so through the first nine months of 2025. On the other hand, sales into auto another market of yours, smaller down it looks like for a third consecutive year in 2025. So I wonder if you could talk to some of the trends that you have seen in those markets.

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

Sure. Yes, again, we talked traditionally about these as separate markets, but in our third quarter conference call we talked about the impact that AI has on these markets as well. And we said probably about 25% of these markets is also being driven by advancements or applications that AI is bringing into those markets, right, with medical, robotic surgeries, the sensors and things

that we use in industrial robots for moving things and what have you. And then instrumentation that's being – that's probably the one most impacted by the fact that with all the semiconductor chips and all that, we do the test, the burn in boards for that, so semi testing. So that's kind of getting that uplift from that.

So you mentioned about 20% growth this year. So we'll see some – continue to see some good growth there. Automotive, as I mentioned before, we had post-COVID a lot of inventory, build up, a lot of expectations about EV sales. Those have not really panned out unless you're in China. But they don't use our supply chain. So our customers in that business had a prolonged, I think challenging environment for them.

And so – and frankly for us, we don't want to – we're not going to chase that market down on price wars. It's a competitive market. We'll stay as a niche player in that at the high end things that our boards are good for. And as I mentioned before, we'll use those resources where we need to help out our other facilities doing AI work in China. So you kind of add all those together, and you say that's all being driven by more automation and electronics within those industries. We'll see some uplift, but not the same as what we're seeing in artificial intelligence and data center and networking, right? So, lower growth rates. But we're still – they're good markets. We have very good long lasting relationships there.

That medical field similar to like aerospace and defense, a lot of certification and qualification you have to go through. And when you're in with those customers, you're in, right? You're trusted and you're going to be in with them for a long time. So it's a good long cycle business.

<<Jim Ricchiuti, Analyst, Needham & Company>>

And I assume that coupled with what we're hearing in semi test it seems to suggest that momentum that you're seeing in that market is good.

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

We'll continue, yes.

<<Edwin Roks, President and Chief Executive Officer>>

Exactly. We get so much momentum at the moment from data centers, from networking and from defense that basically we can take some extra time on MII. Let it come up. Basically it's the same as tunnel line. We started from zero in the medical business and it grows quite a bit. We're going to do the same thing at TTM. We don't need it now.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Let's talk about defense. For all the interest in the DCC area of the business, defense is still the largest end market about what 45% of sales in 2025. So I want to dive into that area a little bit. And maybe for those who are not as familiar with your AMD business, first, how big is that non-PCB part of the business, which is important because I don't think people fully understand that.

<<Edwin Roks, President and Chief Executive Officer>>

If you think about the – let's call it aerospace and defense and it's mostly defense by the way. The size is, let's say it's about 45% of our revenue. Correct? And if you split it up it's basically half of it is let's say what we call PCB, printed circuit boards and half of it is not. It's basically using our advanced interconnect and making modules, subsystems and systems out of it. So that's about a split, about 50-50 on the aerospace and defense being PCB or let's say everything on top of a PCB. That's the split.

<<Jim Ricchiuti, Analyst, Needham & Company>>

And Edwin, in that non-PCB area of the defense business, some of the bigger applications.

<<Edwin Roks, President and Chief Executive Officer>>

Yes, yes, basically keeping things a bit simple, there's a lot of radar systems. So SPY-6, SPY-7, SPY-8, all these type of radar systems there's a lot of let's say what we call surveillance systems, lot camera but also other techniques. And then the last one is communication systems. So if you split it in these three, I think you cover 95% of the defense business.

<<Jim Ricchiuti, Analyst, Needham & Company>>

And the company also has a fairly significant backlog associated with this business.

<<Edwin Roks, President and Chief Executive Officer>>

Yes. Yes. Yeah.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Maybe remind us...

<<Edwin Roks, President and Chief Executive Officer>>

Yeah. Yeah.

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

Yeah. We're still roughly around \$1.5 billion of backlog in that area. I think we started out this year a little bit slow on bookings, but it was back end loaded and we think we'll get to about one to one, maybe even a little higher than that by the end of the year. So good strong bookings for the year. So our backlog is going to stay strong. That backlog usually rolls out over probably the 18- to 24-month period. So we get good visibility into what our revenue is for the next couple years within that business, right? And frankly with the government budgets, you've got longer visibility and knowing what platforms you're on, right? So that's what's nice about our business,

right? Everyone's talking about AI right now, but half of the business is aerospace and defense, which is very steadily growing. Good cash flow, very sticky relationships with our customers obviously and with the government. And we're the largest U.S.-based PCB manufacturer. We are their trusted partner for the work they need to be done for our warfighter. Yeah.

<<Jim Ricchiuti, Analyst, Needham & Company>>

In that the non-PCB area, what is it that competitively differentiates you? Because I'm not sure there's a great understanding of the competitive landscape in that market. And the company got into that market in large part through the acquisition of Telephonics.

<<Edwin Roks, President and Chief Executive Officer>>

Correct.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Is that fair to say?

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

Anaren.

<<Edwin Roks, President and Chief Executive Officer>>

Telephonics and Anaren.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Yeah, and Anaren.

<<Edwin Roks, President and Chief Executive Officer>>

Anaren was very interesting. If you talk about differentiator, RF technologies are a big differentiator, is a big differentiator for TTM. So it's mostly that it's used in all kinds of radar systems, circulators, a lot of other components are being used in these type of systems. And we're unique in these type of things. It's also an area where we see some further growth as well. So yeah, a lot of the differentiation. And by the way, on the 1.5 billion, there is no Golden Dome in our forecast yet. We see the first Golden Dome activities coming up. We get some RFQs on Golden Dome, so that's not in our books yet. That's great.

<<Jim Ricchiuti, Analyst, Needham & Company>>

And if we think about Golden Dome, is that something that potentially could start to impact your bookings in the back half?

<<Edwin Roks, President and Chief Executive Officer>>

Absolutely. And I would say with Golden Dome, correct me if I'm wrong, Dan, you're more familiar with that business, but 50% of Golden Dome is already our existing business. These are these radar systems, these are these surveillance systems and these are these communication systems.

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

And we're emergent supplier to any of the primes that are doing those systems today, right? So whoever wins the competition amongst the primes, we're likely going to be their supplier, right, on the radar systems, the things that we do.

<<Jim Ricchiuti, Analyst, Needham & Company>>

We touched on this. But A&D defense has also been a fairly active area for you on the M&A front over the last several years. Is that wondering if this is going to continue to be a key component of the M&A strategy or yeah just given what we're seeing in some of the other markets, yeah, are you looking at opportunities in the commercial area of the business as well?

<<Edwin Roks, President and Chief Executive Officer>>

The answer is yes and no. We have so much, let's say organic growth at the moment.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Yeah.

<<Edwin Roks, President and Chief Executive Officer>>

The 15% to 20% and forget the 15% to be honest, is a pretty good number. And that's where we are going to execute and I'm 100% confident we're going to do that. So yes, of course we look at acquisitions. We look at acquisitions not only by the way in the U.S. We look you hear my bad accent, I'm Dutch. We're looking for acquisitions in Europe. We do both, but we're not in a rush. We can look at it, we can evaluate it and see if it makes sense. So we're not in a rush, but of course it's our focus. And both on the PCB side, by the way, it would be great to have a PCB activity in Europe, but also on the value add side, the modules, the subsystems.

<<Jim Ricchiuti, Analyst, Needham & Company>>

I guess, particularly in light of what most of us are seeing now, the appetite to spend more for defense.

<<Edwin Roks, President and Chief Executive Officer>>

Right. Right. Right. Right. It is great for all these. On the defense side, our competition is mostly the primes themselves.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Right. Yeah.

<<Edwin Roks, President and Chief Executive Officer>>

So we can help the primes with getting a bit more in volume and a bit more, let's say, a bit more advanced technology. So we help the primes. That's basically the proposed action in the U.S. but also in Europe.

<<Jim Ricchiuti, Analyst, Needham & Company>>

So over time, do you think there's going to be an appetite from some of the primes to potentially focus more of their business on the core areas and maybe provide an opportunity for TTM?

<<Edwin Roks, President and Chief Executive Officer>>

Exactly. That could be in different ways. It could be carve outs, yeah, from big primes. We already have some of those discussions. And it could be also, let's say being their volume partner and their innovation partner. So that's happening, yeah.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Maybe we'll shift to the financials a little bit. And Dan, maybe you could talk to some of this. But the company has been operating at least in some cases above the target model that you provided back in 2023 maybe, which will remind the audience, I think that's at the time we're talking 4% to 6% organic growth and I think 11% to 13% operating margins. Your EBITDA margin targets were 15% to 17%.

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

Right.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Yeah. Just in light of what we're seeing. And so it was three years ago.

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

Yeah.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Do you anticipate maybe updating the model this year?

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

Sure.

<<Jim Ricchiuti, Analyst, Needham & Company>>

And just in broad strokes, yeah, given what's happened, has the business maybe altered the way management is thinking about these various metrics which went into that model?

<<Daniel L. Boehle, Executive Vice President and Chief Financial Officer>>

Yeah. You bring up a good point. There's been quarters where we've hit those numbers. There's been quarters where we've beaten those now. What we're looking for is consistency, right? So I think as we come into 2026 and as we forecast through where we're going to be in 2026, we expect to probably see hitting those numbers more consistently. And so I think your point is well taken, that it's time to maybe review those. We have talked amongst ourselves about doing another Analyst Day this year. So it's been three years as you mentioned. I think with Edwin's joining the company and some of the trends that we are seeing within the company now with the AI wasn't here three years ago at this rate. So it is time to review that and look at that and probably set some new targets for us. So we do expect to do an Analyst Day this year.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Finally, and then if we can, we might take a few questions from the audience.

<<Edwin Roks, President and Chief Executive Officer>>

Sure, yeah.

<<Jim Ricchiuti, Analyst, Needham & Company>>

But yeah just – balance sheet is in good shape. How are you thinking about capital deployment? Your M&A may not necessarily be on the front burner, but it's something you're looking at. Talk to us about leverage, share buybacks, just in terms of how you're thinking about capital allocation?

<<Edwin Roks, President and Chief Executive Officer>>

The first thing supporting our growth, so buybacks is not on my top list, let's say. Absolutely not on my list, to be honest. On my list is first the expansion. Making sure we do the N plus M. We call it N plus M. Signal on one side, power on the other side, unique proposition. We had a discussion this morning, but we are the inventor of it. We are the inventor of N plus M. Yeah. So we like to use that. That expansion in China is going to happen. That's very good capital deployment. Like I said, the M&A, yes, we are looking, but it can be a bit on the back burner.

We can pick our battles there. So that's in place and that's basically it. We're not looking for buybacks certainly at the moment.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Also, is it fair to say that we could see potentially higher levels of R&D spend?

<<Edwin Roks, President and Chief Executive Officer>>

Yes, yes, yes, yes. But always in a decent way. It's also getting R&D more focused and making sure we do the right things. And that's – I must say the business units are doing an amazing job in setting their priorities. What are we going to do? What are we not going to do? Okay. These type of discussions we have all the time and I think that's where we get.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Any questions from any members of the audience?

Q&A

<Q>: In terms of the aerospace and defense business, like one of the hotter areas within A&D seems to be drones and counter drones.

<A – Edwin Roks>: Yeah.

<Q>: It seems to be a big theme as of late. So can you just sort of tell us to what extent you have exposure there within PCB's RF microwave?

<A – Edwin Roks>: Yeah. Absolutely. I fully agree with you. On the counter drone side, it is a very important thing there because it's mostly radar systems and surveillance systems. So that's already happening. On the drone side itself, there are a lot of systems. I agree with that. But the PCB business is relatively small. So yes, it's on our list and of course, if we talk with our customers, yes, it's on the list. Is it the big thing happening right now for drones itself, not counter drone activities? It's not. I have to be honest there. It's not. It's not in our top five. Can it be there? Absolutely. If you talk about flex PCBs or more compact PCBs, there might be a solution. Remember I come from Teledyne where we had that nano-drone, yeah. There's not a lot of PCB in that nano-drone. Yeah.

<Q – Jim Ricchiuti>: Any other questions? We finished early.

<A – Edwin Roks>: That's good. Normally it's good, sometimes good. Oh, there you go.

<Q>: Yeah, last one. Just in terms of like data center PCB onshoring specifically for AI. I'm curious, like what you guys are seeing out there?

<A – Edwin Roks>: Yeah.

<Q>: It seems there's a number of lobbyist groups that are kind of pushing for PCB onshoring.

<A – Edwin Roks>: Sure. Yeah.

<Q>: You guys obviously have the Wisconsin facility. How real are those conversations? How real is the interest? And do you guys think something could get done?

<A – Edwin Roks>: Yeah, it could happen. We are in the middle of those discussions with our customers, by the way, and some customers think left, some think right. And we just provide the flexibility. And they are aware. If you make things in China and you suddenly make things in the U.S. then counts for a factor of 1.7 or 1.5 or 1.9, I don't know, yeah, in price. So they're aware of that as well. So we have to see at least we provide the flexibility.

<A – Daniel L. Boehle>: We keep pointing over here at Doug Soder. He's the President of our Commercial business.

<A – Edwin Roks>: Yeah.

<A – Daniel L. Boehle>: So he's having those conversations right now, except for the fact he's in this room today, but certainly is engaged in those conversations.

<<Jim Ricchiuti, Analyst, Needham & Company>>

Okay. Thank you.

<<Edwin Roks, President and Chief Executive Officer>>

Thank you, Jim. Thank you very much.