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TTM Technologies, Inc. (TTMI) Q3 2023 Earnings Call Transcript

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Q3: 2023-11-01 Earnings Summary

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Press Release

EPS of \$0.43 **beats by \$0.15** | Revenue of \$572.58M (-14.68% Y/Y) **beats by \$1.95M**

TTM Technologies, Inc. (NASDAQ:[TTMI](#)) Q3 2023 Earnings Conference Call
November 1, 2023 10:00 AM ET

Company Participants

Sameer Desai - Senior Director, Corporate Development & IR

Thomas Edman - President and CEO

Dan Boehle - CFO

Conference Call Participants

Jim Ricchiuti - Needham & Company

Mike Crawford - B. Riley Securities

William Stein - Truist Securities

Chan Park - Stifel

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the TTM Technologies' Third Quarter Fiscal 2023 Financial Results Conference Call. During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be open for questions. [Operator Instructions]. As a reminder, this conference is being recorded today, November 1st, 2023.

Sameer Desai, TTM's Vice President of Corporate Development and Investor Relations, will now review TTM's disclosure statement.

Sameer Desai

Before we get started, I would like to remind everyone that today's call contains forward-looking statements, including statements related to TTM's future business outlook.

Actual results could differ materially from these forward-looking statements due to one or more risks and uncertainties, including risk factors we provided in our filings with the Securities and Exchange Commission, which we encourage you to review.

These forward-looking statements represent management's expectations and assumptions based on currently available information. TTM does not undertake any obligation to publicly update or revise any of these forward-looking statements, whether as a result of new information, future events, or other circumstances except as required by law.

We will also discuss on this call certain non-GAAP financial measures such as adjusted EBITDA. Such measures should not be considered as a substitute for the measures prepared and presented in accordance with GAAP and we direct you to the reconciliations between GAAP and non-GAAP measures included in the company's earnings release, which is available on the Investor Relations section of TTM's website at investors.ttm.com. We have also posted on the website a slide deck that we will refer to during our call.

I will now turn the call over to Tom Edman, TTM's Chief Executive Officer. Please go-ahead Tom.

Thomas Edman

Thank you, Samir. Good morning and thank you for joining us for our third quarter fiscal year 2023 conference call. I'll begin with a review of our business highlights from the quarter and a discussion of our third quarter results, followed by a summary of our business strategy. Dan Boehle, our CFO, will follow with an overview of our Q3 2023 financial performance and our Q4 2023 guidance. We will then open the call to your questions. The quarter's results are also shown on Slide 4 of the investor presentation posted on TTM's website.

We delivered an outstanding quarter despite the current uncertain macroeconomic environment and I would like to thank our employees for their hard work and contribution to generating these results.

In the third quarter of 2023, non-GAAP EPS was well above the guided range as a result of better operational execution, particularly in our North America region. Revenues were within the guided range due to better-than-expected results from our aerospace and defense and data center computing end markets, which were offset by lower-than-expected results from our medical, industrial and instrumentation, automotive and networking end markets.

Demand in our aerospace and defense market, which was 45% of revenues, continues to be solid with strong backlog, offset by weaker demand in some of our commercial end markets.

As we look into Q4, we see a mixed picture in our end markets with sequential growth in our automotive market, stability in the aerospace and defense and MI&I markets and a decline in the data center computing and networking markets.

I would now like to provide a strategic update. TTM is on a journey to transform our business to be less cyclical and more differentiated. Over the past several years, TTM has consistently emphasized that a key part of our strategy is to add value to the product solutions that we deliver to our customers, particularly in the aerospace and defense market.

In 2018, we acquired Anaren, which broadened TTM's product portfolio into highly engineered RF components and subassemblies as well as adding critical RF engineering capability and resources.

In 2022, we acquired Telephonics, which builds on Anaren and TTM's customer-driven culture and disciplined approach to engineering and manufacturing. The addition of Telephonics expanded TTM's aerospace and defense product offering vertically into higher-level engineered system solutions and horizontally into the surveillance and communications markets, while strengthening our position in RADAR systems.

As a result of these strategic moves, over 50% of A&D revenues are from engineered and integrated electronic products with PCBs being less than 50% of the overall contribution.

Another important element of our differentiation strategy is our investment in a new state-of-the-art highly automated PCD manufacturing facility in Penang, Malaysia. The decision to build this new factory is a direct response to our customers' increasing concerns about supply chain resiliency and regional diversification.

And in particular, the need for advanced multilayer PCB manufacturing options in locations outside the Greater China region. The new facility in Malaysia will support customers in our commercial markets, such as networking, data center computing and medical, industrial, and instrumentation.

We continue to make progress on the Malaysia facility and the commissioning process is almost completed. We began to install equipment in the second quarter and are presently in the start-up phase in a number of work areas. We remain on track for first product samples in the fourth quarter and will begin customer qualifications and ramp in the first quarter of 2024.

I'd also like to update you on the consolidation of our manufacturing footprint. We previously announced our plan to close three small manufacturing facilities in order to improve total plant utilization, operational performance, customer focus and profitability. PCB manufacturing operations in Anaheim and Santa Clara, California, and Hong Kong are being closed and consolidated into TTM's remaining facilities.

We seized production at our Hong Kong manufacturing facility during the second quarter, stopped production at the Anaheim facility in the third quarter and will cease production at the Santa Clara facility by the end of the year. Customers have been supportive of the consolidation, and we expect to retain the majority of the business that will be transitioning from the closed facilities.

Finally, I would like to discuss the separate press release we issued regarding the announcement of our intent to expand our advanced technology capability for the aerospace and defense market through the construction of a new facility immediately adjacent to our Syracuse, New York campus.

Our new facility will bring disruptive domestic production of high technology, ultra-high-density interconnect or HDI printed circuit boards in support of national security requirements. This new facility will focus on the high-technology PCB production in North America, providing customers with reduced lead times and a significant increase in domestic capacity for Ultra HDI PCBs.

In addition, it will be our most sustainable facility in North America.

Groundbreaking is anticipated in the first half of 2024, with initial production in the latter half of 2025. Phase 1 of the proposed project, including capital for campus-wide improvements, is estimated to be \$100 million to \$130 million and is anticipated to run through 2026. TTM's planned capital investment commitments will be determined after finalizing terms with various stakeholders.

Now, I'd like to review our end markets, which are referenced on Page 4 of the earnings presentation on our website. The aerospace and defense end market represented 45% of total third quarter sales compared to 38% of Q3 2022 sales and 47% of sales in Q2 2023.

The solid demand in the defense market is a result of a positive tailwind in previous defense budgets, our strong strategic program alignment and key bookings for ongoing franchise programs.

At the end of the third quarter, our A&D program backlog was \$1.35 billion. During the quarter, we saw significant bookings for key programs, including the advanced medium-range air-to-air missile or MRAM and the MH-60.

We expect sales in Q4 from this end market to represent about 45% of our total sales. On the US budget, though the specific trajectory of the future US defense budget is still in process between the administration and Congress. The global threat landscape is increasingly elevated.

As Congress continues to work through the fiscal year 2024 Appropriation Bills, we are optimistic that there will be consistent support for the National Defense strategy and the funding of its priorities.

Sales in the data center computing end market represented 17% of total sales in the third quarter compared to 14% in Q3 of 2022 and 12% in the second quarter of 2023. This end market performed better than expected and returned to year-on-year growth due to strength in our data center customers building products for generative AI applications. We expect revenues in this end market to represent approximately 16% of fourth quarter sales.

The medical industrial instrumentation end market contributed 16% of our total sales in the third quarter compared to 19% in the year ago quarter and 16% in the second quarter of 2023.

The year-over-year decline was caused primarily by inventory reductions at a number of our customers. In addition, the Instrumentation segment is weighted towards the semiconductor capital equipment market, which is seeing weaker demand.

For the fourth quarter, we expect MI&I to be 16% of revenues. Automotive sales represented 15% of total sales during the third quarter of 2023 compared to 15% in the year ago quarter and 17% during the second quarter of 2023.

The year-over-year decline for automotive was due primarily to continued inventory adjustments at several customers and the impact of annual production shutdowns. We have not yet seen an impact on sales due to the UAW strike, but we are closely monitoring the situation. We expect our automotive business to contribute 17% of total sales in Q4.

Networking accounted for 7% of revenue during the third quarter of 2023. This compares to 14% in the third quarter of 2022 and 8% of revenue in the second quarter of 2023. The Demand was softer as customers continue to focus on inventory digestion as well as weak end market demand.

As a reminder, the Shanghai backplane business, which we sold in our second quarter, contributed approximately \$16 million of sales to this segment in the third quarter of 2022.

In Q4, we expect this end market to be 6% of revenues as we see continued weakness due to softer market conditions, particularly in telecom and ongoing inventory management by our customers.

Next, I'll cover some details from the third quarter. This information is also available on Page 5 of our earnings presentation. During the quarter, our advanced technology and engineered products business, which includes HDI, rigid-flex, RF subsystems and components and Engineered Systems accounted for approximately 47% of our revenue. This compares to approximately 41% in the year ago quarter and 43% in Q2.

We are continuing to pursue new business opportunities and increase customer design engagement activities that will leverage our advanced technology and engineered products capabilities in new programs and new markets.

PCB capacity utilization in Asia-Pacific was 46% in Q3 compared to 72% in the year-ago quarter and 46% in Q2. Our overall PCB capacity utilization in North America was 38% in Q3 compared to 45% in the year ago quarter and 38% in Q2. The lower year-over-year rate in Asia-Pacific was caused by a decline in production volumes.

While the lower year-over-year rate in North America was due to additional plating capacity added as well as a greater mix of higher technology product that requires less finished plating.

Our top five customers contributed 43% of total sales in the third quarter of 2023 compared to 40% in the second quarter of 2023. We had two customers over 10% of our total sales in the quarter.

At the end of Q3, our 90-day backlog, which is subject to cancellations, was \$606.8 million compared to \$672.9 million at the end of the third quarter last year. Our book-to-bill ratio was 0.91 for the three months ended October 2nd.

As we look into Q4, we are seeing our commercial markets somewhat mixed with year-on-year growth in data center computing, driven by momentum related to artificial intelligence advancements and sequential growth in the automotive market, stabilization in medical, industrial, and instrumentation with continued weakness in networking.

On the A&D side of our business, we continue to make improvements in shipments as we work with supply chain partners to loosen bottlenecks and take advantage of an improving labor market.

I am confident that with the effort of our employees and supply chain partners, we will be able to overcome these challenges as we work our way through the remainder of 2023 and into 2024. In the meantime, I wish to thank our employees for continuing to contribute to TTM and our critical mission of inspiring innovation for our customers.

Now, Dan will review our financial performance for the third quarter. Dan?

Dan Boehle

Thanks Tom and good morning everyone. I will review our financial results for the third quarter that were included in the press release distributed today as well as on Slide 6 of the earnings presentation that is posted on our website.

For the third quarter, net sales were \$572.6 million compared to \$671.1 million in the third quarter of 2022. The year-over-year decrease in revenue was due to declines in our automotive, medical, industrial and experimentation and networking end markets, partially offset by growth in our data center computing end market.

GAAP operating loss for the third quarter of 2023 was \$10.2 million. This compares to operating income of \$49.8 million in the third quarter of 2022. The current year results include a goodwill impairment charge of \$44.1 million related to the RF&S components reportable segment, which was the commercial portion of the Anaren business we acquired in 2018.

Due to weak demand from telecom equipment companies in the wireless infrastructure market, projected revenues and profits have been reduced, resulted in the impairment.

On a GAAP basis, net loss in the third quarter of 2023 was \$37.1 million or \$0.36 per diluted share. This compares to GAAP net income of \$43.5 million or \$0.42 per diluted share in the third quarter of last year.

The remainder of my comments will focus on our non-GAAP financial performance. Our non-GAAP performance excludes M&A-related costs, restructuring costs, certain non-cash expense items such as amortization of intangibles, impairment of goodwill and stock compensation, gains on the sale of property and other unusual or under grid items.

We present non-GAAP financial information to enable investors to see the company through the eyes of management and to facilitate comparison with expectations and prior periods.

Gross margin in the third quarter was 20.8% and compares to 19.7% in the third quarter of 2022. The year-on-year increase was due to a more favorable product mix and improved execution in the North America region, partially offset by lower revenues and less premium in our commercial markets.

Selling and marketing expense was \$17.9 million in the third quarter or 3.1% of net sales versus \$19.1 million or 2.8% of net sales a year ago. Third quarter G&A expense was \$37.7 million or 6.6% of net sales compared to \$38 million or 5.7% of net sales in the same quarter a year ago.

In Q3 2023, research and development was \$5.9 million or 1% of revenues compared to \$7 million, also a 1% in the year ago quarter.

Our operating margin in Q3 was 10.1%. This compares to 10.2% in the same quarter last year. Interest expense was \$9.6 million in the third quarter compared to \$10.4 million in the same quarter last year.

During the quarter, there was a positive \$0.9 million foreign exchange impact below the operating income line. Government incentives and interest income of \$2.2 million resulted in a net \$3.1 million gain or a \$0.03 positive impact to EPS. This compares to a gain of \$10.3 million or an \$0.08 impact on EPS in Q3 last year.

Our effective tax rate was 12.6% in the third quarter, resulted in a tax expense of \$6.5 million. This compares to a rate of 15% or tax expense of \$10.2 million in the prior year. Third quarter net income was \$44.9 million or \$0.43 per diluted share. This compares to third quarter income of \$57.9 million or \$0.56 per diluted share.

Adjusted EBITDA for the third quarter was \$84.1 million or 14.7% of revenue compared with third quarter 2022 adjusted EBITDA of \$102.5 million or 15.3% of revenue. Depreciation for the quarter was \$23.9 million.

Net capital spending for the quarter was \$33.7 million. In Q2, our capital spending was higher than normal due to a \$20 million deposit related to fit-out costs associated with the new building in Penang, which we expected to be refunded in Q3 as part of the overall lease structure for the facility.

However, the lease structure has changed, and that money will not be refunded. We expect to complete the fit-out in Q4 for an additional \$50 million in capital spending.

Cash flow from operations in the third quarter of 2023 was \$58.9 million. We repurchased approximately 1 million shares of common stock to \$14.6 million at an average price of \$14.33 per share.

Cash and cash equivalents at the end of the third quarter of 2023 totaled \$408.3 million. Our net debt divided by last 12 months EBITDA was 1.5 times at the low end of our targeted range of 1.5 to 2 times.

Now, I will turn to our guidance for the fourth quarter. We project total revenue for the fourth quarter of 2023 to be in the range of \$550 million to \$590 million and non-GAAP earnings to be in the range of \$0.34 to \$0.40 per diluted share.

The expected sequential decline in EPS is primarily due to lower gross margins from less favorable product mix and costs associated with the ramp of our Penang facility scheduled for completion at the end of the year.

The EPS forecast is based on a diluted share count of approximately 105 million shares, which includes the dilutive effect of outstanding stock options and other stock awards.

We expect SG&A expense to be about 9.8% of revenue in the fourth quarter and R&D to be about 0.9% of revenue. We expect interest expense of approximately \$11.4 million and interest income of approximately \$2 million. Finally, we estimate our effective tax rate to be between 12% and 17%.

To assist you in developing your financial models, we also offer the following additional information. During the fourth quarter, we expect to record amortization of intangibles of about \$13.8 million, stock-based compensation expense of about \$6.4 million, non-cash interest expense of approximately \$0.5 million, and we estimate depreciation expense will be approximately \$24 million.

Finally, I'd like to announce that we will be participating in the Bank of America Leveraged Finance Conference in Boca Raton on November 28th, the Jefferies Industrials Conference on November 29th in Palm Beach and the Barclays Technology Conference on December 5th in San Francisco.

That concludes our prepared remarks. Now, we'd like to open the line for questions. Operator?

Question-and-Answer Session

Operator

Thank you. At this time, we'll conduct the question-and-answer session.
[Operator Instructions]

Our first question comes from Jim Ricchiuti with Needham & Company. Your line is open.

Jim Ricchiuti

Hi, good morning and congratulations by the end of the quarter. I wanted to talk to you a little bit about the strength you saw in gross margins. You talked about some of the factors that contributed to it in a clearly mix.

The utilization in North America, I wanted to understand that a little more because it looks like the PCB capacity utilization didn't change from Q2, yet you're talking about better efficiencies in North America contributing to the performance. So, maybe you could start there and just give me a little better understanding as it relates to that? Thanks.

Thomas Edman

Sure Jim. Let me -- I'll comment first on the utilization, and then I'll let Dan cover the gross margin. In terms of utilization in North America, we always look at this as, when it comes to North America, not a great indicator because we're really focused on plating capacity in terms of the calculation.

And as we highlighted in the script, and this is a great example of this quarter where we actually, with some of the more advanced products that we were running, we found that plating was not the bottleneck.

We were running into bottlenecks elsewhere in the process. And so, in that case, when we're running high mix, low-volume product, we're running a bit higher ASP, more advanced product, that plating capacity indicator isn't really all that accurate.

So, it was a better quarter, certainly in North America than that utilization number indicates. I also wanted to just highlight that we have added plating capacity, actually, a very efficient plating capacity.

We've added into several of our facilities in North America over the last 18 months or so. We've added that capacity primarily for capability purposes because we were seeing customers move in a direction in terms of quality requirements that demanded an upgrade in our plating capacity also allowed us to incorporate more automation and therefore, lower the labor content in those facilities. Those are the primary reasons for adding plating capacity.

But again, if you look at the total plating capacity calculation, that means we're adding plating capacity and therefore, utilization rates would fall. So, hopefully, that gives you an explanation for utilization, Jim. Over to you, Dan, on gross margin.

Dan Boehle

Thank you, Tom and hi Jim. Primarily, the gross margin improvement sequentially in both North America and Asia-Pacific are driven by labor and production and efficiencies improvement. And in North America, in particular, increased improvement in our supply chain management.

We're still working down the path towards managing the supply chain in the IE area, but we are getting better there. So, that's improved a bit. And then favorable mix in both North America and Asia-Pacific, primarily in Asia-Pacific as well, favorable product mix in Q3 versus Q2.

Thomas Edman

And just as a reminder, when Dan first -- IE, that's the integrated electronics portion of our North America production. So, it's the non-PCD portion of North America production.

Jim Ricchiuti

Got it. And the follow-up question I have, and Tom, you alluded to it, just the unfortunate increased geopolitical crisis. I'm wondering if any, effects are you seeing or hearing from your defense customers in light of what's going on?

Thomas Edman

Yes. So, it usually takes a while, Jim, for that to filter through to us. I think if you look at Ukraine, as an example, took our customers about 12 months to get defense department signals through to their order book and then they did redesigns and started placing orders to us. So, it's 12 to 18 months before we started seeing heightened demand, Javelin being a great example of that.

Certainly, I have seen that heightened demand coming due to the Ukraine conflict. I would expect the same as the government supports Israel, again, I would expect that to take a while 18 months a good indicator in terms of how long it takes for those signals to travel through the chain.

In the meantime, of course, demand signals continue to be very strong from our defense customers. And again, we enjoyed a strong bookings quarter, expecting the same, if not better, in the fourth quarter.

Jim Ricchiuti

Got it. Thanks very much.

Thomas Edman

Thank you.

Operator

Our next question from Mike Crawford with B. Riley Securities. Your line is open.

Mike Crawford

Thank you. Also, in defense, I know that you're breaking out space separately now at 7% of A&D revenue and I know you're chasing commercial space opportunities. There are a lot of commercial space players out there. Are there some are way bigger than others? Are there any of that like SpaceX that is just vertically integrated and you're not pursuing? Are you talking to everyone? Or is anyone more promising than others?

Thomas Edman

Okay Mike, how are you doing? So, on commercial space in particular, there are interesting developments going on there. I would say that we talk to most of the major players in commercial space. Some of those players are intent more on cost reduction than supply chain resiliency.

When that becomes the case, where that's business that we may not pursue when they're looking at quality requirements and/or supply chain resiliency requirements that we can service out of North America or in the future out of Malaysia, that's when there's a decent fit. And so certainly heightened interest there from the customer base in terms of supply chain resiliency.

As you may know, today, Taiwan is the main source of supply, the commercial satellite area. And some of the customers are comfortable with that. Some of the customers are concerned that, that really isn't a long-term supply chain resiliency strategy and are looking at moving some business. So, we're going to continue to try to build the connections overall.

And the last thing I'd highlight, Mike, is we -- and I mentioned this last quarter, we have now two business units within our aerospace and defense business, which is over \$1 billion now. One is focused on RADAR. The other is really focused on C4ISR plus space. And that business really is working on developing that commercial satellite and defense space business. So definitely an area that we're focused on.

Mike Crawford

Okay, thank you. Just one more. You've had this customer engagement side for a long time and it shows time from concept to prototype to pilots and production with AMD being the longest, but aren't you seeing those cycles shorten given the Department of Defense's attempted shift to improve cycle-times and move to more rapid iterative deployments particularly with the Space Force, but other parts of the DoD as well.

Thomas Edman

So, definitely, that's the intent of the DoD to start to shorten. I talked about that 18 months, sometimes 24 months in terms of how long it takes for a given program to work its way through. There is a definitely a heightened sense of urgency coming out of the Pentagon.

I would say, Mike, that, that has yet to really translate into a concrete activity or changes in process. So, certainly, I know our customers are focused on this. The primes are focused on this. They're working with the Department of Defense. I think that would be a really positive development in defense. And certainly, the intent is there.

So, again, that's going to take some decisions, some critical process-related decisions, and we'll see how that all unfolds. But so far, it hasn't happened, but good positive signals that it may in the future.

Mike Crawford

Okay. Thank you very much.

Thomas Edman

Thanks Mike.

Operator

Our next question comes from William Stein with Truist Securities. Your line is open.

William Stein

Great, thanks for taking my question. I'd like to ask for an update on supply chain conditions, in particular, in the aerospace defense part of the business. As I recall, this has created very long lead times for you to deliver? And I wonder if there's been any change in that or any anticipated change in the near future?

Thomas Edman

Yes, thanks Will. So, we've been focused and really for -- particularly since the acquisition of Telephonics, as you move up in terms of complexity. So, if you start at the printed circuit board foundational level, that's not where the major constraints are. It really is concentrated in that integrated electronics area that Dan highlighted. That's about 50% of our defense business. So, that's where we're focused on.

Assembly is relatively complex but when you move to a full system build, that's when it really gets complex. We have been focused on incremental quarter-by-quarter improvements. We made some critical decisions soon after the acquisition in terms of larger orders with our supply base to get their attention on critical bottleneck areas.

I'm glad to say that those parts are now arriving. So, think about that lead-time. So, we're looking at essentially a year that it took to get a number of those bottlenecked parts and start to see them showing up on our docks. But they are showing up now. That's great.

So, the decisions that we made then starting to pay off now. We're going to continue to work on that incremental quarterly improvement, but we do still see supply chain constraints on that side of the business and better than it was, partly because of decisions we made partly because the climate has improved a bit, our suppliers have been able to ramp a bit, labor availability has improved, allowing them to do that.

But we still have those constraints, Will. And I think they'll carry out, as I've said, through the end of this year into early next year, we'll continue to see those constraints, but making progress. That's the key.

William Stein

I do have a follow-up, if I can. I'd like to ask about the new facility that you're building in Syracuse. Is that intended to address incremental demand in the future? Or will this be more a matter of shifting and consolidating where you build into a new, more efficient factory?

Thomas Edman

So, two-part answer, Will. Number one, absolutely, this is new program requirements. These are future requirements for obvious reasons, I can't go into great detail. But what I can tell you is, as in our commercial world where customers are driving towards miniaturization.

So, trying to get more components onto a smaller space, smaller footprint. That's critical, carrying faster and faster signal speeds, critical. Then material changes to handle the thermal management required to carry those speeds and is also critical. So, all of those facets are feeding into program demand. This is future program demand and while I say that future ramped demand.

So, the second part of that question is we are building some ultra HDI boards today in our existing footprint. It is rather inefficient and the yields are not optimized. So, relatively small volumes today, thank goodness, because as you know, some of this demand could overwhelm a given small facility.

So, the facility that we are going to build in Syracuse will be purpose-built to build ultra HDI printed circuit boards in an efficient process that deals with the bottleneck areas that we struggle with today. So that's how we're looking at this developing. That will free up a bit of the capacity in some of our smaller facilities today that are struggling to build these boards, successfully building them, but not as efficiently as we will be able to in the future.

William Stein

Thank you.

Thomas Edman

Thank you, Will.

Operator

[Operator Instructions]

Our next question comes from Chan Park with Stifel. Your line is open.

Chan Park

Good morning and thanks for taking the question. I just had one on your data center business. You saw some nice upside in the quarter. So, could you talk a little bit about how you differentiate versus some of the Asian peers or competitors you guys compete against?

And if I'm doing the math correctly, your Q4 guide implies a sequential decline. So, could you talk about the sustainability of some of these AI ramps into 2024 and the visibility you're getting from some of your customers?

Thomas Edman

Sure. Yes. So, differentiation in terms of competition, what we focus on -- and this is true of several of our commercial areas is really differentiating through our field application engineering support for those customers.

So, if they're early in their design phase, supporting that design and then doing the proper design for manufacturer for those customers responsibly in a way that allows us to do the prototyping and that prototyping developing into commercial production and ramp in our facilities.

Fortunately, that's gone well with the latest generative AI and a product. And that product, generally, right now, we're seeing about 50% of our data center computing demand coming from that generative AI area.

You're correct that sequentially, we're looking at being slightly down in the fourth quarter in data center. But year-on-year, still strong double-digit improvement and what's happening there.

So, a few things. On the positive side, we're seeing a little bit of a better spread from a customer standpoint. So that's good to see and what we expected to see and that's starting to happen here as we are moving into the fourth quarter.

In the meantime, our customers are dealing with tight supplies, particularly of chips as we understand it. They're seeing very strong demand, but a little bit of tight supplies in certain areas that are supporting a slight decline in demand and then an anticipated pick up again through the course of next year. So, I would view that as a short-term situation.

Also, just as a reminder, we really saw a fantastic growth this last quarter. We were up 55% sequentially in data center. So, those were orders to fill requirements, early-stage requirements and into ramp for our customers, though it's also quite natural that there'd be a little bit of a slowing down there in demand that we've got the inventory in place as the customers now take that inventory into their product. So, that's really what we're seeing in data center.

Chan Park

Thanks very much.

Operator

Thank you. That concludes the question-and-answer session. At this time, I would like to turn it back to Tom Edman for closing remarks.

Thomas Edman

Okay sure. I do want to cover one area usually asked a question about, which is automotive, to let you all know that we did have a strong bookings quarter in terms of programs in automotive. We booked a lifetime program value of approximately \$125 million. That compares to the second quarter of last year when -- sorry, second quarter of this year, when we booked \$95 million.

And year-to-date, we have now booked from a program booking standpoint, a lifetime value of \$564 million. All of last year, we booked a value of \$530 million. So, really strong success there. Those programs, of course, feed into production of record. Generally, the following year to 18 months after we've registered the booking. And then those programs are spread out over multiple years. But good to see that kind of momentum.

And then finally, I just wanted to thank everyone for joining us, reiterate a few of the critical points. Number one, we delivered non-GAAP EPS well above our guided range. That was due to improved execution in North America and revenues were in line with our guided range.

Second, strong cash flow from operations at 10.3% of revenue that enabled us to repurchase stock and maintain our solid balance sheet. Third, we announced our intent, as you saw, to build a new advanced printed circuit board facility in North America in Syracuse, adjacent to our existing Syracuse facility to serve our aerospace and defense customers. Really excited to be able to announce that greenfield effort for our defense customers feeding future demand.

So, really a tremendous quarter. Again, I'd like to thank our employees, our supply base as well our customers, and of course, all of you for your support. Thank you very much.

Operator

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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