

TTM Technologies, Inc. (TTMI) Q3 2024 Earnings Call Transcript

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Q3: 2024-10-30 Earnings Summary

EPS of \$0.41 [beats by \\$0.00](#) | Revenue of \$616.54M (7.68% Y/Y) [beats by \\$12.53M](#)

TTM Technologies, Inc. ([NASDAQ:TTMI](#)) Q3 2024 Earnings Conference Call October 30, 2024 4:30 PM ET

Company Participants

Sameer Desai - IR
Thomas Edman - CEO
Daniel Boehle - CFO

Conference Call Participants

William Stein - Truist Securities
Matthew Sheerin - Stifel, Nicolaus & Co.
Michael Crawford - B. Riley Securities
Chris Grenga - Needham & Co.

Operator

Good afternoon, and thank you for standing by. Welcome to the Third Quarter 2024 TTM Technologies Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded today, Wednesday, October 30, 2024.

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

Sameer Desai

Thank you. 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 the risk factors we provide 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 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've also posted on that 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, Sameer. Good afternoon, and thank you for joining us for our third quarter 2024 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 2024 financial performance and our Q4 2024 guidance. We will then open the call to your questions.

Highlights of the quarter's financial results are summarized on Slide three of the earnings presentation posted on TTM's website. We delivered an excellent quarter, and I would like to thank our employees for their hard work and contributions in support of these results. In the third quarter of 2024, TTM delivered strong operating margin performance due to higher revenues, favorable mix, and outstanding operational execution.

Revenues were above the midpoint of the guided range, representing the third consecutive quarter of year-on-year growth due to demand strength from our aerospace and defense and data center computing end markets, the latter being driven by Generative AI.

The growth in revenues was partially offset by year-over-year declines from our medical, industrial, and instrumentation and automotive end markets. Overall, the company book to bill was 1.20, with the A&D book to bill at 1.26 for the second consecutive quarter. Demand in our aerospace and defense market, which was 46% of revenues for the quarter continues to be strong, and we now have a record program backlog of approximately \$1.49 billion.

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.

As a result of strategic transactions in the aerospace and defense end market through the acquisitions of Anaren and Telephonics, over 50% of our revenues in aerospace and defense are now generated from engineered and integrated electronic products with printed circuit boards contributing less than 50% overall. We have been executing

against this strategy as our aerospace and defense and operations teams have steadily improved operating margins.

Another important element of our differentiation strategy is our investment in a new state-of-the-art highly automated PCB manufacturing facility in Penang, Malaysia to service customers in our commercial end markets. This new facility in Malaysia is supporting customers end markets such as data center computing, networking and medical industrial and instrumentation.

We continue to make progress ramping volume production as we manage through ongoing customer audits and qualifications. We registered revenues in the third quarter and expect our Malaysia facility to gain further revenue momentum in the fourth quarter as we continue our production ramp.

I'd also like to update you on the consolidation of our manufacturing footprint. We previously announced our plan to close three small printed circuit board manufacturing facilities in order to improve total plant utilization, operational performance, customer focus and profitability. During the course of 2023, PCB manufacturing operations in Anaheim and Santa Clara, California and Hong Kong were closed and consolidated into TTM's remaining facilities. We continue to ramp production for the transferred parts at receiving facilities.

We also have plans to consolidate two smaller non-PCB integrated electronics facilities in Elizabeth City, North Carolina and Huntington, New York into existing facilities in order to improve efficiencies. This consolidation will occur over the next three quarters. After these consolidation plans are complete, TTM will operate a total of 22 facilities worldwide.

Finally, I would like to update you on the previous 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 existing Syracuse, New York campus. This new facility will focus on specialized high technology printed circuit board production, providing customers with reduced lead times and a significant increase in domestic capacity for Ultra HDI PCBs in support of increasing national security requirements for high technology PCBs. We have broken ground for the new building and expect initial low-rate production in 2026.

As previously announced, we expect the investment for Phase 1 of the proposed project, including capital for campus wide improvements to be in the range of between \$100 million \$130 million. We will be receiving support from both federal and state sources on the order of approximately \$52 million subject to certain requirements and contingencies, which will serve to offset the initial capital investment and lower operating expenses.

This month, we celebrated the groundbreaking with a beam signing ceremony at the site of the new manufacturing building. TTM executives, the Governor of New York,

other state and local officials and leading defense customers were present at this milestone event.

Now I'd like to review our end market which are referenced on Page four of the earnings presentation on our website. The aerospace and defense end market represented 46% of total third quarter sales, compared to 45% of Q3 2023 sales and 45% of sales in Q2 2024. The solid demand in the defense market is a result of a positive tailwind in previous defense budgets and supplemental funding related to conflicts in Ukraine and the Middle East.

Our strong strategic program alignment and key bookings for ongoing franchise programs. We had a strong bookings quarter with a book to bill ratio of 1.26 for the second consecutive quarter, leading to a record A&D program backlog of approximately \$1.49 billion at the end of the third quarter. During the quarter, we saw significant bookings for SPY-7, MH-60R and the Japan Aerospace Defense Ground Environment programs.

We expect sales in Q4 from this end market to represent about 45% of our total sales. Bookings in the aerospace and defense market ship over a longer period of time than in our commercial markets and provide good visibility into future revenue growth.

Sales in the data center computing end market represented 19% of total sales in the third quarter, compared to 17% in Q3 of 2023 and 21% in the second quarter of 2024. This end market saw 20% year-on-year growth due to strength from our data center customers building products for Generative AI applications. Due to customer timing, we saw some deliveries move from Q3 into Q4. As a result, we expect revenues in this end market to represent 21% of fourth quarter sales.

The medical, industrial, instrumentation end market contributed 14% of our total sales in the third quarter compared to 16% in the year ago quarter and 14% in the second quarter of 2024. The year-over-year decline was generally the result of lower demand and ongoing inventory normalization, particularly in the industrial and medical areas. We saw increased demand from our semiconductor testing customers as Generative AI drove growth in the DRAM market, leading to increased purchases of automated test equipment. For the fourth quarter, we expect the medical, industrial, instrumentation end market to be 14% of revenues.

Automotive sales represented 14% of total sales during the third quarter of 2024 compared to 15% in the year ago quarter and 14% during the second quarter of 2024. The year-over-year decline for automotive was due primarily to continued inventory adjustments and soft demand at several customers. We expect our automotive business to contribute 12% of total sales in Q4 as the automotive end market remains challenged in the near-term.

Networking accounted for 7% of revenue during the third quarter of 2024. This compares to 7% in the third quarter of 2023 and 6% of revenue in the second quarter of 2024. We saw a return to year-on-year growth due to recovering demand from certain

networking customers. In Q4, we expect this end market to be 8% of revenues as this market continues to recover driven by AI related demand and new products.

Next, I'll cover some details from the third quarter. This information is also available on Page five of our earnings presentation. During the quarter, our advanced technology and engineered products, which include HDI, rigid flex, RF subsystems and components and engineered systems accounted for approximately 49% of our revenue. This compares to approximately 47% in the year ago quarter and 45% 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 60% in Q3 compared to 46% in the year ago quarter 64% in Q2. On a year-on-year basis, utilization rates improved as data center demand continues to be strong and other commercial markets started to rebound. Our overall PCB capacity utilization in North America was 35% in Q3 compared to 38% in the year ago quarter and 39% in Q2.

As a reminder, North America utilization figures are not as meaningful as Asia Pacific, because bottlenecks in these high mix, low volume facilities tend to occur in areas outside of plating, which is the core process that we use for calculating utilization rates.

Our top five customers contributed 41% of total sales in the third quarter of 2024 compared to 43% in the third quarter of 2023. We had 1 customer with over 10% of our total sales in the quarter. At the end of Q3, our 90-day backlog, which is subject to cancellations and includes shipments into customer hubs, was \$638.9 million compared to \$606.8 million at the end of the third quarter last year.

And as I mentioned earlier, our aerospace and defense program backlog increased from \$1.35 billion at the end of Q3 last year to a record of \$1.49 billion at the end of Q3 this year. Our overall book to bill ratio was 1.20 for the three months ended September 30.

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

Daniel Boehle

Thanks, Tom, and good afternoon, everyone.

I will review our financial results for the third quarter that were included in the press release distributed today and are summarized on Slide 6 of the earnings presentation posted on our website. For the third quarter, net sales were \$616.5 million compared to \$572.6 million in the third quarter of 2023. The year-over-year increase was due to growth in our data center computing and aerospace and defense end markets, partially offset by declines in our automotive, medical, industrial, and instrumentation end markets.

GAAP operating income for the third quarter of 2024 was \$51 million, as compared to GAAP operating loss for the third quarter of 2023 of \$10.2 million, inclusive of a \$44.1 million goodwill impairment charge related to the RF&S component segment. On a GAAP basis, net income in the third quarter of 2024 was \$14.3 million, or \$0.14 per diluted share. This compares to GAAP net loss for the third quarter of 2023 of \$37.1 million, or a negative \$0.36 per diluted share.

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, stock compensation, gains on the sale of property, and other unusual or infrequent items. We present non-GAAP financial information to enable investors to see the company through the eyes of management and to facilitate comparisons with expectations and prior periods.

Gross margin in the third quarter was 22% and compares to 20.8% in the third quarter of 2023. The year-on-year increase was due to higher sales volume, particularly in this aerospace and defense and data center computed end-market, and improved operational execution. Selling and marketing expense was \$18.9 million in the third quarter, or 3.1% of net sales, versus \$17.9 million, or 3.1% of net sales a year ago. Third quarter G&A expense was \$36.4 million or 5.9% of net sales compared to \$37.7 million or 6.6% of net sales in the same quarter a year ago.

In the third quarter of 2024, research and development was \$7.7 million, or 1.3% of net sales, compared to \$5.9 million, or 1% of net sales in the same quarter last year. Our operating margin in third quarter of 2024 was 11.8%. A 170 basis points increase from 10.1% in the same quarter last year. Interest expense was \$11.3 million in the third quarter of 2024 compared to \$9.6 million in the same quarter last year.

During the third quarter of 2024, there was a \$17.8 million foreign exchange loss below the operating income line, compared to a \$0.9 million foreign exchange gain in the third quarter of 2023. The current year impact was primarily driven by unrealized foreign exchange losses from translation of our China and Malaysia balance sheets from local currency into the U.S. dollar functional currency, which experienced significant devaluation against the local currencies in the current quarter.

Government incentives and interest income totalling \$3.6 million resulted in a net \$14.2 million loss or \$0.12 negative impact to EPS in the current quarter. This compares to a net gain of \$3 million or a \$0.03 positive impact in EPS in the same quarter of last year.

Our effective tax rate was 9.8% in the third quarter, resulting in tax expense of \$4.6 million. This compares to a rate of 12.6% or a tax expense of \$6.5 million in the same quarter last year. Third quarter 2024 net income was \$42.7 million, or \$0.41 per diluted share. This compares to third quarter 2023 net income of \$44.9 million, or \$0.43 per diluted share.

Adjusted EBITDA for the third quarter of 2024 was \$84.4 million, or 13.7% of net sales, compared with third quarter 2023 adjusted EBITDA of \$84.1 million, or 14.7% of net sales. Depreciation for the quarter was \$25.8 million. The net capital spending for the quarter was \$40.9 million. Our cash flow from operations in the third quarter of 2024 was \$65.1 million for 10.6% of net sales. Cash and cash equivalents at the end of the third quarter of 2024 totaled \$469.5 million. Our net debt divided by last 12 months EBITDA was 1.4x, below the low end of our targeted range of 1.5x to 2x.

Now I will turn to our guidance for the fourth quarter. We project net sales for the fourth quarter of 2024 to be in the range of \$610 million to \$650 million, and non-GAAP earnings to be in the range of \$0.44 to \$0.50 for diluted share, which is inclusive of operating costs associated with starting up our Penang facility.

The EPS forecast is based on diluted share count of approximately 104 million shares, which includes the dilutive effect of outstanding stock options and other stock awards. We expect SG&A expense to be about 9.5% of net sales in the fourth quarter, and R&D to be about 1.3% of net sales. We expect interest expense of approximately \$12.1 million and interest income of approximately \$2.5 million. We estimate our effective tax rate will be between 10% and 14%.

Further, we expect to record depreciation of approximately \$26.6 million, amortization of intangibles of approximately \$9.2 million, Stock-based compensation expense of approximately \$8.3 million, and non-cash interest expense of approximately \$0.5 million.

Finally, I'd like to announce that we will be participating in the Stifel Midwest one-on-one Conference in Chicago on November 7, the BofA Leveraged Finance Conference in Boca Raton on December 3, and the UBS Global Industrials and Transportation Conference in Palm Beach on December 4.

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

Question-and-Answer Session

Operator

[Operator Instructions] Our first question will come from William Stein with Truist Securities. Your line is now open, sir.

William Stein

All right, great. Thanks for taking my question. Congrats, on the good quarter and outlook. I first want to ask about this foreign exchange impact and make sure I understand this because, while we are accustomed to dealing with these things episodically with companies, we haven't heard you guys talk about this in a meaningful way, at least not in my -- not in the recent past, not that I remember anyway. Can you remind us, is this the result of a hedge where I really should look at sort of the whole result of the company with this FX impact? Or do I think about this as an unhedged sort

of one-time effect that in a way to get the normalized result I sort of back it out? Can you maybe just explain this for us a little bit?

Daniel Boehle

Yes, it's the latter, Will. Thanks for the question. This is Dan. The -- it's unhedged. It's a non-cash impact from unrealized translation effects on our balance sheet. So we have significant balance sheet balances in both Asia or China and Malaysia. The Malaysian obviously has increased year-over-year because we now have that building up. So and because of the third quarter change in a US. dollar interest rate we just had a significant devaluation of the U.S. dollar versus those currencies. So it'd be the latter to your question.

William Stein

So operationally, it looks like the earnings feed was quite a bit stronger than the sort of nominal non-GAAP number. So I think I get that.

Daniel Boehle

Yes.

William Stein

One -- yes, the other question I wanted to ask about that's been a meaningful issue with the company is your execution in Penang. I recall in the last call there was a push out in the timing to break-even and the influence of this -- the new building and the new -- well, facility really on your P&L. Can you review with us what the effect on the Q3 result was from Penang? Was it as big of a drag as you expected or smaller, bigger? And then how you anticipate that trending over the next several quarters?

Daniel Boehle

Sure, Will. Yes, it's been pretty consistent the last couple of quarters at about 180 basis points drag on our operating margins. So it's been consistent this quarter and last and we expect the same level of drag in the fourth quarter. We'll start seeing significant revenue ramp up in Q1 and Q2 and as we've said previously, we do expect now to reach break-even middle of next year.

William Stein

And that's the note previously, correct? That was what you said last quarter?

Daniel Boehle

Right. That's what we said last quarter.

Thomas Edman

Yes. And that's exactly right, Will. This is Tom. I just wanted to comment to give you a little bit of additional color on how Penang is going. Pretty much as we spoke about it last quarter, we are registering revenues. They're insignificant at this point. Next quarter, we're expecting a buildup in those revenues. And as Dan said, into Q1 and Q2 of next year, we should see a steepening of the revenue climb.

From a qualification standpoint, really no change. We're making progress, steady progress there as we go through audits and qualifications. So and customer interest remains very high in the facility given the opportunity to reinforce or to enforce supply chain resiliency, that interest is still there from the customer base. So really no shift in terms of the characterization of facility from that perspective.

William Stein

Just one more if I can squeeze it in. The 180 bps drag today that then the facility gets to break-even by mid next year. Is -- what you are -- the way we should interpret that, does that mean effectively holding all sequel a year from now margins will be 180 bps higher or does it not quite mean that because it's even at break-even it's still a drag?

Daniel Boehle

No. At break-even that's -- you'd get that 180 back, so that's zero drag. And then but if you look at -- so that's a quarterly headwind that I've been giving you the 180 basis points. So you're still going to have two quarters of that headwind and then the second half of the year you'll get to zero and the third quarter you'll start seeing it get a little bit above that.

We expect mid-single -- mid-teen operating margins in that business ultimately as we get to full ramp. So you'll see somewhere between zero in that number as we ramp up in the second half of the year. So for that, when you look at an annual basis, you're not going to get all of that back. It will be slightly still negative for the full year, next year slight drag. But by -- on a quarterly basis, you'll be back at -- you'll be at zero by the third quarter.

Operator

And our next question comes from Matt Sheerin with Stifel.

Matthew Sheerin

Yes. A question on the strength that you're seeing in the data center and computing segment. Could you remind us what percentage of your revenue there now is from hyperscale customers and or AI related? And in the customer concentration there, like how many like significant customers are there in that segment?

Thomas Edman

So, yes, about 85% of that data center computing end market at this point is related to primarily the hyperscalers and of course the big driver there is Generative AI. So that's significantly up as you know Matt from where we were historically. The balance is primarily in the semiconductor side building boards. From the standpoint of number of customers, we have steadily been improving in terms of the diversity of the customer mix there.

It's still if you start looking at hyperscalers and who's involved in terms of leadership in that market, it's still you're still looking at really a world of four or five major customers. So you're always going to have a relatively high concentration there versus some of our

other end markets, but we are trying to work actively to extend our presence across that base.

Matthew Sheerin

Yes. And Tom, in terms of the visibility that you have, we cover several other suppliers that do see quarter-to-quarter volatility there in terms of orders and you already talked about seeing some push outs into Q4, which is why you raised your guide there. So could you talk about like as you look into next year, do you have firm visibility into the first couple of quarters or more or less than that?

Thomas Edman

Yes. So the visibility for us certainly Q4 as we've guided and then Q1 looks solid as well. Beyond that gets difficult to -- more difficult to forecast. So really at this point, the strength looks like we're in solid shape Q4 and then into Q1 harder to project beyond that. And obviously, the backdrop still looks very good in terms of capital expenditures and Generative AI, in terms of innovation that's occurring in that end market that would drive demand significantly, Matt. But again, in terms of firm demand signals, we're really it goes through Q1.

Matthew Sheerin

And then and just a question regarding the expansion in Syracuse. In terms of the timetable there, will there be any financial impact in terms of margins or anything next year? Or is it really more of a fiscal '26 story in terms of when you're going to start to ramp and that sort of thing?

Daniel Boehle

Yes, that's mostly fiscal 2026. Next year very little P&L impact. And we'll be building the facility next year, but won't really have it online until very late in the year. You'll start seeing a little bit of depreciation. That's really it. We'll be ramp up for that slowly.

Operator

And the next question comes from Michael Crawford with B. Riley Securities.

Michael Crawford

Can you talk about what impact, if any, you had at your advanced technology center in Chippewa Falls where there was a fire in August? I think this was facility you got with your i3 acquisition five years ago?

Thomas Edman

Sure, Mike. Yes. So actually, it was in our Chippewa Falls base facility, which is -- which we've had since 2002, I guess it was. Adjacent or close by that facility, we built our advanced technology center that was not impacted. It was just in our main building for printed circuit board production. It was -- there was really no impact -- material impact at all. We were -- and if there was we would have announced it. The fire occurred I think on a Sunday. We were back in production a day later. So no material impact whatsoever.

Michael Crawford

Okay. Excellent. And then, I'm guessing given that auto remains weak that you didn't have a lot of program lifetime value wins booked in the period. But if you have that number, that'd be appreciated. And then kind of your outlook for when we might expect some revival in that end market vertical?

Thomas Edman

Sure. Yes. So you characterized it well. Market continues to be at this point in a state of flux particularly because of the situation in China, the innovation around EVs there, but the fact that that EV market is largely a China OEM EV market. And so that has certainly impacted the Western World OEM customer base and in turn the Tier 1s.

So as they've looked at new programs to let, they've been reluctant given that turbulence to let significant programs out. And those programs that have been let out or programs that are relatively less interest in terms of technology requirements.

So where we are this last quarter, we won about \$25 million in terms of program value, that is certainly not where we'd like to be. I think year-to-date we're at about \$106 million. It is I think representative of a market that is dealing with a lot of turbulence and a market that personally and, I think, I mentioned this last quarter, this is really the one commercial market where we're not from a TTM expectation standpoint, we're not expecting growth. I think, next year will be a challenging year as well.

If you look beyond that to our other commercial markets, we are seeing really turning the corner even in a market such as networking, which is now being influenced by AI. Good to see that growth, good to see data center continuing to be significant and the instrumentation portion of our medical, industrial, instrumentation end market also really starting to pick up. So again, automotive is the one market where I'm at this point hesitant to say that we will see growth here in the near-term.

Michael Crawford

Maybe just one final question for me further this point. So I believe the program lifetime value wins in the last two years in automotive were \$530 million and then \$623 million so if it's something like \$125 million this year and even next year, still those prior wins ought to be programs that are going into production or do some of those prior wins now maybe go into potentially lower volume production than might have been envisioned at that time?

Thomas Edman

Yes. No, that's a great point. So the wins that we've had in the past few years, I think there is you really have a full spectrum there. There are programs and our focus and where we pick up significant content particularly in the EV space. We're going to see those programs most of those programs go into production, but a couple of things are going on, Mike.

I think one is the ramp schedules less aggressive than they were and the other in some cases the date of production of record has slipped. So certainly, as customers

recalibrate based on what they're seeing out there in terms of potential demand, they are moving those programs around as well. But by far the majority of those programs will go to production. It's just a question of at what scale they -- how quickly they ramp and the timing of that.

Operator

[Operator Instructions] Our next question comes from Jim Ricchiuti with Needham & Company.

Chris Grenga

This is Chris Grenga on for Jim. I guess my first would be, have you observed or do you anticipate any impact from the strikes that are going on in the commercial aerospace industry at the moment?

Thomas Edman

So, great question. Just to start, if you look at our A&D revenue, so looking at a business that's accounting for 46% of total company revenue, only about 5% of that tie to commercial aerospace. And so relatively, if you look at total company revenues less than about 2% of total company. So not a huge exposure there. With that said, our program content tends to be heavier with the 787. The 787 has not been affected. It's built in South Carolina. So that's good news.

What we have seen overall, revenues this last quarter were down about approximately 25% quarter-on-quarter. But if you look year-on-year, it's still up 10% year-on-year and that represents that continued 787 build, as well as in other areas the anticipation, I think that the strike may not go on for too much longer. So we'll see what happens there. But again, that's the extent of our visibility relatively insignificant part of company revenue.

Chris Grenga

And just to clarify the CapEx for the Syracuse expansion, the number -- the figure you cited, the \$100 million to \$130 million range, that's net of the federal and state contributions?

Thomas Edman

No, that does not include that federal \$30 million contribution. So that's pre that contribution.

Operator

I am showing no further questions at this time. I would now like to turn the call back over to Tom Edman for closing remarks.

Thomas Edman

Thank you very much. Just wanted to reiterate a few of the points that we made in the call. First, we delivered strong operating margin performance that was driven by higher

revenues, favorable mix. And I really wanted to highlight the improved and ongoing improvement in operational execution.

Second, we generated a healthy cash flow from operations at \$65.1 million. We also maintained a solid balance sheet with a net debt to EBITDA leverage ratio of 1.4x. Third, we continue to make progress on strategic initiatives such as our new facilities in Penang, and in Syracuse.

And in closing, I would like to thank our employees, first and foremost our customers and our investors for all of your continued support. Thank you very much. Goodbye.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.