Transcript of

Materion Corporation

Materion Third Quarter 2024 Earnings Conference Call

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Participants

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Kevin Holder - CL King

David Storms - Stonegate

Presentation

Operator

Welcome to the Materion Third Quarter 2024 Earnings Conference Call. [Operator Instructions]. I will now turn the conference over to your host, Mr. Kyle Kelleher, Director, Investor Relations and Corporate FP&A. Sir, the floor is yours.

Kyle Kelleher - Director, Investor Relations and Corporate FP&A, Materion Corporation

Good morning, and thank you for joining us on our third quarter 2024 earnings conference call. This is Kyle Kelleher, Director, Investor Relations and Corporate FP&A. Before we begin our remarks this morning, I would like to point out that we have posted materials on the company's website that we will reference as part of today's review of the quarterly results. You can also access the materials through the download feature on the earnings call webcast link.

With me today is Jugal Vijayvargiya, President and Chief Executive Officer, and Shelly Chadwick, Vice President and Chief Financial Officer. Our format for today's conference call is as follows. Jugal will provide opening comments on the quarter. Following Jugal, Shelly will review the detailed financial results for the quarter, in addition to discussing expectations for the remainder of 2024. We will then open up the call for questions.

Let me remind investors that any forward looking statements made in the presentation, including those in the outlook section and during the question and answer portion, are based on current expectations. The Company's actual performance may materially differ from that contemplated by the forward looking statements as a result of a variety of factors. Those factors are listed in the earnings press release we issued this morning. Additionally comments regarding earnings before interest, taxes, depreciation, depletion and amortization, net income and earnings per share reflect the adjusted GAAP numbers shown in attachments 4 through 8 in this morning's press release. The adjustments are made in the prior year period for comparative purposes and remove special items, non-cash charges and certain discrete income tax adjustments.

And now I'll turn over the call to Jugal for his comments.

Jugal Vijayvargiya - President & CEO, Materion Corporation

Thanks Kyle and welcome everyone. It's nice to be with you today to discuss our third quarter results and provide an update on our outlook for the remainder of the year. Sales for the quarter were down slightly with the expected inventory corrections in Clad Strip as well as general market softness across several of our end markets, while we continue to see strength in space and defense.

Despite these market headwinds, our team has been laser focused on delivering strong performance. For the quarter, we achieved record EBITDA margins of 21.5%. In fact, for four of the last six quarters, our team has delivered north of 20% EBITDA margins, which has been our overall margin target. While the markets have been soft over the last several quarters, we have focused on aligning our portfolio to global mega trends, optimizing our footprint and improving the cost structure of the company.

Let me highlight some details around each of these areas. Although the semiconductor recovery is materializing slower than we anticipated, this was the second quarter in a row that we saw year-over-year growth in overall semi sales. With higher demand for logic and memory applications driving this volume increase, we have been able to capitalize on related opportunities with our broad portfolio of semiconductor products and solutions. We're pleased to announce that Materion has entered into an agreement to serve as the technology partner for a major global supplier of semiconductor processing equipment. We will support this customer in its development of a new deposition material that will pave the way for a wide range of next generation consumer and automotive electronic devices.

Strength in the emerging space market and steady year-over-year growth in defense is more than offsetting the impact of continued softness in airplane builds, leading to the 14th consecutive quarter of growth in overall demand for the aerospace and defense market. We continued our momentum this quarter with new business wins in defense, including the selection of our SupremEX lightweight composite material for use on the prototype for the US Army's future tilt rotor broader long-range aircraft. This win is just another example of how Materion products are uniquely suited for next generation applications.

In space, one of our newest high-performance products, the AyontEX alloy, was selected for a new telescope mirror that will be tested by NASA in its pyrogenic test facility. This opportunity allows us to continue to build on our legacy of innovation, leading to advances in space discovery, while demonstrating the full potential of some of our most advanced materials. Just as we're adding to our portfolio in support of mega trends, we are taking steps to eliminate underperforming non-core businesses.

Today, we're announcing the sale of a facility in Albuquerque, New Mexico, that produces coatings for architectural glass, mainly used in commercial construction. We've taken a number of additional steps to optimize our footprint over the last year with a focus on driving scale and efficiency. We closed a facility in Suzhou, China, consolidating production into other facilities in both Asia and North America. We are also in the midst of right sizing two additional facilities in Asia, which should be completed by early next year, and we will be closing a facility in Albuquerque, New Mexico, in conjunction with the business sale I mentioned earlier. Many of these actions are focused on improving the performance of our Electronic Materials business.

As a result, this business is now delivering approximately 20% EBITDA margins, representing close to 400 basis points improvement so far this year on lower volume. Regarding our cost structure, we have been taking a series of decisive actions to streamline our organization and position us for greater efficiency. Over the last year, we have reduced 150 positions through targeted reductions and optimizing back office operations while controlling discretionary spending. At the same time, we remain focused on investing for the future. Our R&D spend this year is at an all-time high as we focus on partnering with our customers to deliver next generation products and solutions. Even through periods of market softness, we have remained focused on investing for the future, further aligning the business to high growth opportunities supported by global mega trends. Across our plants, we are improving yields and profitability through process and technical innovations and continuous improvement initiatives.

Turning to Precision Optics, we're in the early stages of driving a meaningful transformation in that business, and have appointed a new President, Jason Moore, to lead the efforts. While this business has experienced some speed bumps over the past couple of years, we believe the long term fundamentals remain strong. As a reminder, we provide the world's most extensive offering of precision optical components, thin film coatings and assemblies, enabling a number of different technologies and applications in many of the markets we serve. Jason is quickly working with this team to review the overall cost structure and footprint to ensure we're maximizing the value of this important business and prioritizing the many growth opportunities the business is developing. The number of careful and deliberate actions we're executing have allowed us to deliver record performance and are setting the stage for even stronger performance in the future.

I'm proud of our team's unwavering focus on delivering for our customers, while also taking the necessary steps to manage cost and improve performance. As we look ahead to the rest of the year, we expect to deliver sequential improvement in sales and profitability despite the soft end market conditions, we will continue our discipline focus and deliver a solid 2024, further cementing the strong foundation we've built to accelerate results as markets recover.

Now let me turn the call over to Shelly to cover more details on the financials.

Shelly Chadwick - VP & CFO, Materion Corporation

Thanks Jugal and good morning everyone. During my comments, I will reference the slides posted on our website this morning, starting on slide 10. In the third quarter, value added sales, which exclude the impact of pass through precious metal costs, were 263.8 million, down 2% from prior year. This decrease was driven by general market softness combined with lower precision Clad Strip sales. Continued strength in space and defense and some improvement in semiconductor partially offset the decrease. When looking at earnings per share, we delivered third quarter adjusted earnings of $1.41 down 7% from prior year,

Moving to slide 11, adjusted EBITDA in the quarter was $56.7 million, or 21.5% of value added sales up 2% with 100 basis points of margin expansion from the prior year. We remain pleased with the margin performance, delivering margins above our midterm target of 20% for yet another quarter. This year-over-year increase was driven by continued cost management and operational performance offsetting lower volume and some weaker price mix.

Moving to slide 12, let me now review third quarter performance by business segment. Starting with Performance Materials, value added sales were $163.6 million down 3% as compared to prior year. This year-over-year decrease was driven by industrial and automotive market softness combined with lower precision Clad Strip sales, partially offset by strength in space and defense. EBITDA, excluding special items, was $46.5 million or 28.4% of value added sales, flat compared to the prior year, with 90 basis points of year-over-year margin expansion. Strong operational performance and cost management helped offset the volume decline and unfavorable price mix.

EBITDA margin also improved 350 basis points on a sequential basis. Moving to the Q4 outlook, we expect incremental sales improvement driven by some seasonality, combined with continued strength in space and defense and a step up in beryllium nickel demand as the commercial construction inventory correction starts to subside.

Next, turning to Electronic Materials on slide 13, value added sales were $77.8 million, a 3% increase year on year, driven by improving semiconductor sales. EBITDA, excluding special items, was $15.6 million, or 20.1% of value added sales in the quarter up 290 basis points versus the prior year and the second quarter in a row with EBITDA margins north of 20%. This increase was driven by higher volume, strong operational performance and cost management. As we look to the fourth quarter, we expect semiconductor sales to be roughly flat sequentially as customer inventory levels have been slow to come down.

Turning to Precision Optics segment on slide 14, value added sales were $22.4 million down 14% compared to the prior year. This decrease was driven largely by defense order timing and general market weakness across automotive and industrial. EBITDA excluding special items, was $0.5 million or 2.2% of value added sales. The decrease year over year was driven by lower volume and unfavorable price mix, partially offset by cost management.

Looking out to the fourth quarter, we expect the top line to be comparable to Q3 as markets remain challenged. Despite comparable sales, we expect a slight margin pick up through continued cost management efforts. Moving now to cash debt and liquidity on slide 15, we ended the quarter with a net debt position of approximately $477 million and approximately $127 million of available capacity on the company's existing credit facility. Our leverage at 2.2 times remains just below the midpoint of our target range. Cash flow remains an important focus, and we expect to generate strong cash flow in the fourth quarter with leverage at approximately two times by year end.

Lastly, let me transition to slide 16 and address the full year outlook for the company. While end market conditions remain soft, we expect to deliver a stronger top and bottom line in the fourth quarter, with higher volumes and the continued benefit of our cost, portfolio and footprint actions. As a result, we expect to deliver a full year 2024 adjusted earnings in the range of $5.20 to $5.40 per share.

This concludes our prepared remarks. We will now open the line for questions.

Operator

[Operator Instructions]. Our first question is coming from Mike Harrison with Seaport Research Partners. Your line is live.

Q: I was hoping that we could start out maybe talking about some of the portfolio optimization actions that you referenced in your remarks there. Can you talk a little bit about the timing and maybe the potential savings that would be associated with the actions that you referenced in Albuquerque and the three sites in Asia.

Jugal Vijayvargiya - President & CEO, Materion Corporation

Yeah, let me just talk a little bit about the portfolio and then, and then have Shelly talk about the savings and the timing. So by this business, as we indicated, you know, it's our large area targets that we make for architecture glass, so commercial construction primarily, that's the business that we've had. We've had it for a while and in the Albuquerque facility, you know, as we've looked our priorities going forward and look at alignment to our company, we decided this is not something that makes sense for us on a go-forward basis. Obviously it does for somebody else and so we decided to take action. We did the closing here last week, so the business has been transitioned. It's one facility that goes with the business, and then there's a second facility nearby that is a related facility that we've decided to close. It just allows our Electronic Materials business to be much more focused on true electronic materials that are used in the semiconductor space and other spaces that they participate in, such as automotive and some other areas. So that's what the portfolio action is. It's about $10 million of sales for us on an annual basis, and it is a business that, you know, was not a profitable business for us. So with that, Shelly, comment on the timing of the savings.

Shelly Chadwick - VP & CFO, Materion Corporation

Yes, as we think about the savings, you know, going forward, really, if you think about 10 million of sales at little to, you know, negative profitability that will go away. So you'll see a slight lift in the Electronic Materials margins from that. You know, that's really how I would think about modeling it.

Q: And the other actions that you mentioned in Asia, the facility closure and consolidations?

Jugal Vijayvargiya - President & CEO, Materion Corporation

Yes. So if you look at the if you look at the facilities, you know, in Asia, the Suzhou facility that we mentioned was something that we've actually done over the last 12 months. So this is something that's been completed. It has been, you know, these are actions that we've in general, by the way that we've talked about that we've done over the last year or so, as we have had this market softness, you know, we've really focused on making sure that we make the company and overall, a stronger company. And so that has been completed, whereas the other two actions are underway, so partially completed. Some actions will be finished here in Q4 and then remaining, I would say, in the Q1 time frame. So that's roughly the actions for those optimizing the two additional facilities.

Q: All right, that's very helpful. I think we've been trying to figure out how much of the cost action for you've been taking are more structural or permanent in nature, versus how much is temporary. So that's very helpful.

Shelly Chadwick - VP & CFO, Materion Corporation

Mike, if you, if you want me to give a little more color on that I can, because I know that, you know, a question on everybody's mind is really, okay, you're talking a lot about cost reduction. We're seeing these great margins with, you know, lower volumes. What should we expect as things pick up, you know? And if we look at kind of the cost takeout, I would say it's in the $15 million to $20 million range of what's already been done. I would say more than half of that is permanent and then we're getting a little extra lift from incentive comp that, you know, we would look for that to come back. So really, it's, you know, it's the $15 million to 20 million plus call it five or six incentive comp is what you're seeing in the in the P&L today, a little better than half will stick.

Q: All right, very helpful. A couple other questions that I had one is we've seen some recent headlines saying that the U.S. military is facing a shortage of missiles. I know you guys don't like to talk specifically about where your advanced material solutions are used, particularly in defense applications, but I'm just curious, could a higher missile production be a positive for your defense business as we start to get into next year.

Jugal Vijayvargiya - President & CEO, Materion Corporation

Well, defense as a market for us, as you know, Mike, has been a stronger market than in other years. You know, we indicated, for example, in our last call that our bookings for defense for the first half of the year were roughly at the same level as the entire year last year. So I think in general, defense business has been picking up its result of the number of things that are going on in the world right now, all the geopolitical issues that we're all well aware of. We also are having, I would say, more push for defense business outside the U.S., in the countries that we are permitted to work in. So there's opportunities, and then we're capturing some of those opportunities as well. So in general, I would say that our defense business is at a much higher pace this year. Now when it comes to, I think, you know, quarterly, as you know, Q4 tends to be a higher quarter in general, in defense. But if you take the seasonality out, I would say defense has been a growing business for us, and some of the things that you just mentioned could be contributing factors for that.

Q: All right. And then last question for me, I was just curious on the Precision Clad Strip customer and their rollout plans. Are your expectations that they're still going to be destocking in Q4 and we should still expect some kind of year over year weakness within that Precision Clad Strip business, or have the rollout plans changed, just any precision you can provide on, I guess the timing of improvement in that business would be helpful,

Jugal Vijayvargiya - President & CEO, Materion Corporation

Right. So, you know, we had indicated that we would have a slowdown of that business here in the back half of this year, which you know, we are having. It's in line with what we have discussed. We continue to have discussions with them about next year. I would say that their inventory correction, that they have shared with us, I would expect that to continue and roll over into the new year. But at the same time, would say that we continue to have discussions with them on how long that rollover may be and how much more time it'll take them to continue to work through that. But we will still have good sales and we have good sales in Q3, good sales I would expect in Q4 just not to the same levels that we had over the past several quarters.

Operator

Our next question is coming from Daniel Moore with CJS Securities.

Q: Maybe no crystal ball, obviously, but just what are you hearing from your customers in semi regarding outlook as we think about '25 kind of first half versus second half, and when it sounds like flattish for Q4 but it's been starting to grow a little. One might mean, when you know, are they thinking about a potential turn or positive inflection to maybe more meaningful growth back half '25 more like '26 just, you know, what are your discussions telling you?

Jugal Vijayvargiya - President & CEO, Materion Corporation

Yes, as you know Dan, forecasting semiconductor market has been extremely challenging for not only us, but I think, for the general market, probably over the last four to six quarters. You know, initial thoughts were that the recovery would have already happened, and we would be nearly approaching some of the peak levels that we had back in the '22 timeframe but that's not what has transpired at all. The high computing segment has improved, but the rest of the segments have just not improved at all. Wafer shipments, one of the main large customers in the chip industry indicated that wafer shipments are still down 16% from peak levels, which is a key component of what impacts our sales.

And so it's just been a very, very difficult market, and very difficult to forecast, frankly, as it just continues to push out. We have seen little bit of a life led by the logic side, the high band memory side, which is all part of high performance computing here in the last couple of quarters. We would expect that to continue to, I think, have incremental growth over the next few quarters, but the rest of the chip segment, I think will continue to be, we'll continue to see, I think, flattish to slight improvement here in the next couple of quarters and then perhaps in the back half of ‘25 you know, we're starting to see more of an increase, but at the same time, I would tell you, this is a market now that we really are monitoring almost week by week, month by month, you know, quarter by quarter, just because the last four to six quarters have not materialized to what the markets, you know, have indicated, and experts have indicated, customers have indicated. So it's just almost kind of monthly monitoring is what I think we are doing on this market.

Q: Nope, completely understood. It's helpful. And then following up on the prior question on Clad Strip, just remind us, you know, are there any milestones coming up that might give you a little bit more visibility into when phase 2, beyond the current inventory management, once we get through the next two quarters, when might phase 2 start to ramp in terms of incremental production and revenue, and what are we waiting for? What's the customer sort of waiting for that might give us a little bit more visibility as we look out, you know, 12-24 months.

<u>Jugal Vijayvargiya - President & CEO, Materion Corporation</u>

Yes as you know, the customer you know, has continued to roll this product out globally. They're having good success in all the countries that they have been launching. And so I think, I'm sure you're able to read on that in terms of the rollout that they have done. One large market that they would like to enter is the U.S. They have applied and they're working through the FDA. It could be that they are getting an approval towards the end of ’25, it could be that it goes into ‘26 I mean, hard for us to know exactly when that approval is, but I would imagine that when that happens, that would open up another very large market for them, which should then have additional demand for this product. So, you know, combination of the continued global growth that they have, combined with, I think the approval and roll out of this on the U.S. side, should lead to growth over the next two to three years.

Q: Helpful and then appreciate the color on the architectural glass, and obviously we continue to improve the margin structure as well as the growth outlook of the overall portfolio over time. Are there any other businesses that might consider non-core or explore strategic alternatives, or, you know, at least where we sit today?

<u>Jugal Vijayvargiya - President & CEO, Materion Corporation</u>

Yeah, and we continue to look at our portfolio, and in general we've indicated that we are very happy with our portfolio. We like the markets that we're participating in. We like the mega trends that our portfolio is aligned to. There's always opportunity of here and there, that we have some and we took the opportunity here on this large area targets business. Certainly, we'll continue to study our portfolio and if there are any other minor changes, we will continue to execute on.

<u>Operator</u>

Our next question is coming from Phil Gibbs with KeyBanc Capital Markets.

Q: So I'm just trying to think about some of the things that you announced today in terms of rationalization or consolidation. You have a number of things you're doing within the portfolio in North America and in Asia, and you said yourself to target longer term improvement in electronic materials. So, you know, at a high level, what's the trade off in terms of top line, you may lose or margin or profit improvement, and what's the calculus behind some of these moves in terms of what you gain, and in what you may lose, leaving some of these geographies or products?

Jugal Vijayvargiya - President & CEO, Materion Corporation

Yes. So, Phil, great question. I can tell you that on the top line side, it's very, very simple. The really, the only impact is the larger area targets business that we are divesting, and that's the roughly $10 million that we indicated. Our goal is to continue to support our customers, really at the same level, but in fact, even grow with the improved footprint on a more cost-optimized footprint, as we drive efficiencies as we drive new business. So I think in general, I want to leave you with a message that these changes that we are making on the footprint side and the portfolio side are not really leading to top line reductions, other than as I said, the divestiture part that that we've indicated. We've made sure that as we make these consolidations and as we make these changes, that we're working with our customers very closely. We're making sure that our products are getting qualified from the new facility that we are supplying them to. So these are actions that we are doing to drive improvements across the company and make our company a stronger company as the markets recover, not a top line concern.

Q: And then, as it relates to the divestiture that you mentioned in, I believe it was New Mexico, are you expected to get any proceeds from that sale?

Shelly Chadwick - VP & CFO, Materion Corporation

Yes, so we'll receive, you know, a material amount, I would say. It's not a price that we've disclosed, but they are paying for some of the assets and working capital. And we'll work through that calculation here over the next quarter and report out on that in our acquisition footnote for the K. But it's, you know, enough to give us a little bit cash flow and really unload a business that unfortunately was not profitable.

Q: Thank you. And then believe in your slide deck you had made the comment that oil and gas started to pick up in the third quarter. It's been kind of a slow slide down there for probably the last year and a half. As recounts have adjusted. Do you think we've passed the point of bottom and we can get some easier comparisons as we head into 2025 for that business?

Jugal Vijayvargiya - President & CEO, Materion Corporation

Yes when I look at the rig counts back a couple years ago, it seemed like the rig counts were all throughout the year more in the 900s range. You know, last year it seemed like that they tend to be in the 800s, mid-800s even towards higher 800s. This year there seemed to be a lot more sevens, you know, when you look at the rig count. I mean, the latest number is below 800 or right around 800 I mean, for rig count. So I would like to think Phil that we are perhaps at a point where the rig counts are towards a low point. It's hard to gauge, you know, kind of how things may play out in '25 but I would like to think that we're approaching the bottom, and would have better comps going into going into '25

Q: Thank you. And then lastly, for me, you mentioned beryllium nickel starting to pick up as the commercial construction destocking subsides. I mean, I know that was a pretty material impact for you all through the first several months of the year. You clearly have enough visibility at this point to say that it's going to improve in the fourth quarter relative to the third. Is your backlog or customer indications telling you that that is going to persist into 2025 and what are those high-level conversations and things that you're tracking? Thanks.

Jugal Vijayvargiya - President & CEO, Materion Corporation

Yes, that's been a really tough business comp for us this year. As you know, not only is that business has been a good business over the last few years, it's also a positive mix business for us, and the first half of this year, I mean, we're practically at zero. I mean, very close to zero, I think in terms of our sales in that area, with a little bit of a lift here in Q3 and then, yes, there is a higher lift that's forecasted now for Q4. I would say our initial indications are that the inventory issue is getting better, and therefore there should be improved sales going into '25, but I'd like to see the Q4 play out and I think I'd like to have a little bit more data that to be able to call on that, and so I think we'll be better prepared to comment on that at the beginning of the year but I think the initial indications are favorable.

Operator

Our next question is coming from David Silver with CL King

Q: This is Kevin Holder on for David this morning, I want to first focus on the current expansion projects that you have underway in your electronic materials business, given the how demand has varied across your end markets this year, has there been a change in your thinking on timing of completion for the new in and Milwaukee facility expansions? Thank you.

Jugal Vijayvargiya - President & CEO, Materion Corporation

Yes. So we have, you know, a number of different we have a number of different projects that we're working on for the electronic materials to ensure that we've got the right level of capacity that we're putting in for the next three to five year growth that we see in this market, as well as I think, we continue to work on these projects that will drive more efficiency and more cost competitive products to our customers. So there is the Milwaukee project, which is, I think, proceeding very well. It's a big contributor to our growth in the ALD, or atomic layer deposition space. We expect that business to continue to do well over the next three to five years. We have a large project that we're doing in our Newton facility, where we have a second annealing furnace that we're putting in place that is on track and proceeding. And then we have a number of smaller projects, you know, that we're involved in as well at our sites and all those we are staying with those projects. We're not slowing down because we want to make sure that we have the right capacity and the right efficiencies in place as the markets recover and we can support the growth that is projected for the next three to five years.

Q: Great. Thank you. That's very helpful. I guess I want to next touch on your underlying margin targets and given that you have achieved your 20% adjusted EBITDA margin goal on an accelerated timetable, how should we be thinking about what an updated 2025, adjusted EBITDA margin target might be heading into next year?

Jugal Vijayvargiya - President & CEO, Materion Corporation

Yes, I mean, we're pleased with, I think, the progress that we've made on delivering our margin profile, but we've said all along that we want to make sure that we can do that on a consistent basis. I think in our remarks, we indicated that it's the last four out of six quarters that we have done that on. I wish that I would have said six out of six, and then I think we would have perhaps been having a different discussion. So I'm going to continue -- we're going to continue to manage the business and continue to deliver, and continue to look for consistent delivery of that north of 20% EBITDA margin. And then I think that'll allow us to have, perhaps, you know, other discussions in the future.

Q: Great, thank you. And then maybe one last one, you continue to grow your space business, can you maybe discuss your success to date and broadening your customer base in your private versus your government customers? And then, what does Materion need to do to maintain or strengthen its market share in the space business?

Jugal Vijayvargiya - President & CEO, Materion Corporation

Yes, space has been a very important growth market for us in the last 12 to 24 months. You know, we've traditionally been more on the government side. We have been, I would say, you know, really the provider of key critical materials, led by our beryllium portfolio, into the into the government space activities. Commercial space has emerged as a really, really good growth area for us, for a number of our different products, whether it's our ToughMet products or other products that we supply to them and have added on to government. We have also been working outside the U.S. and Europe and Asia on various space related activities, on both government sponsored programs as well as commercial space. So we're going to continue to do that. I think we've got a good pipeline of new programs that we're working on, as well as, of course, the existing portfolio that we have and as we look at this area as being one of the mega trend type of areas, so we will continue to focus on this.

Operator

Our next question is coming from David Storms with Stonegate.

Q: I just want to circle back on some of the cost reduction conversations that you had earlier in the call. Shelly, I know you mentioned that there's been about $15 MILLION to $20 million worth of cost ratios already done. Just curious if there's any internal targets that you're willing to share with us, or maybe how we should think about the runway that's left here for more sizable cost takeouts?

Shelly Chadwick - VP & CFO, Materion Corporation

Yes, thanks for the question. So I think that the way we look at that is that all the actions we've taken have been very thoughtful and deliberate. So it really hasn't been let's go into a big program, take a big bite. It's more one step at a time, kind of evaluating different pieces of our business, different parts of our cost structure, and taking those actions and kind of digesting that before we move on. So to say that there is or isn't more left. It's not an easy answer. We like how we're running today. We like the results that that's putting up, and we are going to continue to look at our cost structure for opportunities, and also at the same time, obviously, be investing for growth. So it is a thoughtful balance and something that we think we're taking a pragmatic approach to.

Q: Understood. Thank you. And then just turning to end markets in your consumer electronics, I know you've talked a lot about precision clad and kind of some of the destocking stuff there. Are you seeing anything outside of precision clad that gives you optimism that consumer electronics might have a bit of a turnaround?

Jugal Vijayvargiya - President & CEO, Materion Corporation

Yes, I would say at this time, I think just the number of things that are going on, whether it's the typical handheld devices or even household appliances and other consumer applications, I think it just continues to be a bit of a choppy market for us, and so nothing meaningful that I would indicate outside of the precision side.

Q: Understood. Thank you. And then just one more here, I know you're not giving guidance for 2025 yet, as we're looking into 2025 as analyst, is there anything from a seasonal standpoint that you can think of off the top of your head, that would make 2025 look unusual.

Jugal Vijayvargiya - President & CEO, Materion Corporation

Well, I mean I think Q4 as we know, typically tends to be a strong quarter, you know, for defense and therefore the overall quarter tends to be stronger and then Q1 tends to be a little bit weaker, one from a defense side, but then also semi and consumer electronic side because there's typically build ups happen in Q3-Q4 time frame, and then a bit of a slow-down in Q1. So I think I would say general seasonality, that our business experiences every year is what I would indicate, nothing abnormal to our general seasonality.

Operator

Thank you. As we have no further questions in the queue at this time, I would like to hand it back over to Mr. Kelleher for any closing remarks.

Kyle Kelleher - Director, Investor Relations and Corporate FP&A, Materion Corporation

Thank you. This concludes our third quarter 2024 earnings call. Recorded playback of this call will be available on the company's website, materion.com. I'd like to thank you for participating on this call and your interest in Materion. I'll be available for any follow up questions. My number is 216-383-4931. Thank you again.

Operator

Thank you, ladies and gentlemen. This does conclude today's conference, and you may disconnect your lines at this time and we thank you for your participation.