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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 1, 2002

Commission File Number: 0-31285

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**TTM TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

**WASHINGTON**

(State or other jurisdiction of  
incorporation or organization)

**91-1033443**

(I.R.S. Employer Identification No.)

**17550 N.E. 67TH COURT, REDMOND, WASHINGTON**  
(Address of principal executive offices)

**98052**  
(zip code)

**(425) 883-7575**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Number of shares of common stock, no par value, of registrant outstanding at April 29, 2002: 39,827,928

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## Item 1. Financial Statements

**TTM TECHNOLOGIES, INC.**  
**Consolidated Balance Sheets**  
**As of April 1, 2002 and December 31, 2001**  
**(unaudited)**  
**(In thousands)**

	April 1, 2002	December 31, 2001
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 41,284	\$ 24,490
Accounts receivable, net of allowance of \$2,400 and \$2,812, respectively	12,138	11,208
Inventories	3,369	3,126
Prepaid expenses and other	193	265
Income taxes receivable	2,446	4,788
Deferred income taxes current	173	94
<b>Total current assets</b>	<b>59,603</b>	<b>43,971</b>
Property, plant and equipment, at cost:		
Land	3,415	3,415
Machinery and equipment	60,670	58,923
Buildings and improvements	15,527	15,213
Furniture and fixtures	492	489
Automobiles	141	141
Construction-in-process	969	2,618
	81,214	80,799
Less accumulated depreciation	(31,734)	(29,893)
<b>Property, plant and equipment, net</b>	<b>49,480</b>	<b>50,906</b>
Other assets:		
Debt issuance costs, net of accumulated amortization of \$62 and \$52, respectively	144	154
Deferred income taxes	18,161	19,219
Goodwill and other intangibles, net	77,920	78,220
Deposits and other	621	606
<b>Total other assets</b>	<b>96,846</b>	<b>98,199</b>
	<b>\$ 205,929</b>	<b>\$ 193,076</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 4,781	\$ 4,500
Accounts payable	5,129	5,861
Accrued salaries, wages and benefits	3,859	4,121
Other accrued expenses	527	390
<b>Total current liabilities</b>	<b>14,296</b>	<b>14,872</b>
Long-term debt, less current maturities	25,875	28,125
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 100,000 shares authorized, 39,828 and 37,642 shares issued and outstanding, respectively	150,169	134,228
Retained earnings	15,801	16,079
Deferred stock-based compensation	(212)	(228)
<b>Total shareholders' equity</b>	<b>165,758</b>	<b>150,079</b>
	<b>\$ 205,929</b>	<b>\$ 193,076</b>

**TTM TECHNOLOGIES, INC.**  
**Consolidated Statements of Operations**  
**(Unaudited)**  
**(In thousands, except per share data)**

	Quarter Ended	
	April 1, 2002	April 2, 2001
Net sales	\$ 23,734	\$ 46,001
Cost of goods sold	21,387	27,705
<b>Gross profit</b>	<b>2,347</b>	<b>18,296</b>
Operating expenses:		
Selling and marketing	1,655	2,464
General and administrative	577	2,076
Amortization of intangibles	300	1,202
<b>Total operating expenses</b>	<b>2,532</b>	<b>5,742</b>
<b>Operating income</b>	<b>(185)</b>	<b>12,554</b>
Other income (expense):		
Interest expense	(267)	(864)
Amortization of debt issuance costs	(10)	(10)
Other, net	53	158
<b>Total other expense, net</b>	<b>(224)</b>	<b>(716)</b>
<b>Income (loss) before income taxes</b>	<b>(409)</b>	<b>11,838</b>
Income tax (provision) benefit	131	(4,276)
<b>Net income (loss)</b>	<b>\$ (278)</b>	<b>\$ 7,562</b>
Earnings per share:		
Basic	\$ (.01)	\$ .20
Diluted	\$ (.01)	\$ .19

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated financial statements.

**Consolidated Statements of Cash Flows**  
**Unaudited**  
**(In thousands)**

	Quarter Ended	
	April 1, 2002	April 2, 2001
Cash flows from operating activities:		
Net income (loss)	\$ (278)	\$ 7,562
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization on property, plant and equipment	2,276	1,956
Net loss (gain) on sale of property, plant and equipment	32	(5)
Amortization of goodwill and other intangible assets	300	1,202
Amortization of deferred stock-based compensation	16	13
Amortization of debt issuance costs	10	10
Deferred income taxes	979	(5)
Changes in operating assets and liabilities:		
Accounts receivable, net	(930)	12,758
Inventories	(243)	760

Prepaid expenses and other	72	(9)
Income taxes receivable	2,517	—
Accounts payable	(732)	(3,472)
Income taxes payable	—	379
Accrued expenses and other	(125)	(1,940)
	<u>3,894</u>	<u>19,209</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(2,543)	(1,858)
Proceeds from sale of property, plant and equipment	12	—
Construction-in-process, equipment and other deposits	1,634	(1,305)
	<u>(897)</u>	<u>(3,163)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(1,969)	(1,687)
Sale of common stock for cash, net of offering costs	15,344	—
Proceeds from exercise of common stock options	422	71
	<u>13,797</u>	<u>(1,616)</u>
Net increase in cash and cash equivalents	16,794	14,430
Cash and cash equivalents at beginning of period	24,490	9,294
Cash and cash equivalents at end of period	<u>\$ 41,284</u>	<u>\$ 23,724</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 225	\$ 843
Cash paid (received) for income taxes	(3,652)	3,900

Supplemental disclosure of noncash investing and financing activities: During 2002 and 2001, the Company recorded \$175 and \$477, respectively, of tax benefit for employee exercises of options.

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated financial statements.

**TTM TECHNOLOGIES, INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**(In thousands, except per share amounts)**

**1. Basis of Presentation**

The accompanying condensed consolidated financial statements have been prepared by TTM Technologies, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments), which in the opinion of management, are necessary to present fairly the financial position, the results of operations and cash flows of the Company for the periods presented. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report to Shareholders on Form 10-K.

The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

**2. Earnings Per Common Share**

The following is a reconciliation of the numerator and denominator used to calculate basic earnings per common share and diluted earnings per common share for the quarter ended April 1, 2002 and April 2, 2001:

	Quarter Ended April 1, 2002			Quarter Ended April 2, 2001		
	Loss	Shares	Per Share	Income	Shares	Per Share
Basic EPS	\$ (278)	38,604	\$ (.01)	\$ 7,562	37,353	\$ .20
Effect of stock options					1,569	
Diluted EPS	\$ (278)	38,604	\$ (.01)	\$ 7,562	38,922	\$ .19

The computation of Diluted EPS does not assume exercise or conversion of securities that would have an antidilutive effect on net income per common share. As of April 1, 2002, there were outstanding options to purchase 1,292 shares of common stock that were not considered in the computation of the Company's loss per share for the quarter ended April 1, 2002.

**3. Common Stock Transactions**

The Company completed a secondary offering in February 2002 in which a total, including the overallotment option, of 7,245 shares of common stock were sold (2,025 were sold by the Company and 5,220 shares were sold by the selling shareholders) at a price of \$8.50 per share. The Company received net proceeds of approximately \$15,344 after the underwriting discounts of \$.446 per share and other secondary offering expenses of approximately \$966, which includes a \$258 financial advisory fee paid to T.C. Management Partners IV, L.L.C. and Brockway Moran & Partners Management, L.P.

During the quarter ended April 1, 2002, the Company issued options to purchase 250 shares of common stock at a weighted-average exercise price of \$10.15 per share.

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During the quarter ended April 1, 2002, employees exercised stock options to purchase 161 shares of common stock at \$2.63 per share for total proceeds of \$422. The Company recorded a tax benefit of \$175 as an increase to common stock for certain nonqualified options that were exercised during the same quarter.

At April 1, 2002, there were outstanding options to purchase 2,657 shares of common stock with a weighted average price of \$5.88.

#### 4. Goodwill and Other Intangible Assets

Effective January 1, 2002, the Company adopted FASB Statement No. 142, "Goodwill and Other Intangible Assets." FASB No. 142 requires that goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. During the first fiscal quarter 2002, the Company performed the required impairment test of goodwill and indefinite-lived assets and determined that no impairment had occurred.

The following is a reconciliation of net income and earnings per share adjusted to show the impact of eliminating goodwill amortization and the related income tax effect as if FASB No. 142 had been in place during the quarter ended April 2, 2001:

	Quarter Ended,	
	April 1, 2002	April 2, 2001
Reported net income (loss)	\$ (278)	\$ 7,562
Add back goodwill amortization		902
Less income tax effect		(325)
Adjusted net income (loss)	\$ (278)	\$ 8,139
Basic earnings per share	\$ (.01)	\$ .20
Goodwill amortization, net of income tax effect		.02
Adjusted basic earnings per share	\$ (.01)	\$ .22
Diluted earnings per share	\$ (.01)	\$ .19
Goodwill amortization, net of income tax effect		.02
Adjusted diluted earnings per share	\$ (.01)	\$ .21

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes and the other financial information included in this Quarterly Report on Form 10-Q. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of specified factors, including those set forth in the section below entitled "Factors That May Affect Future Results" and elsewhere in this Quarterly Report on Form 10-Q.*

### OVERVIEW

We provide time-critical, one-stop manufacturing services for highly complex printed circuit boards. Our customers include original equipment manufacturers of electronic products and their suppliers, or electronic manufacturing services providers. Our time-to-market focused manufacturing services enable our customers to shorten the time required to develop new products and bring them to market.

We support a strong and expanding customer base. We measure customers as those companies that place at least two orders in a 12-month period. As of April 1, 2002, we had approximately 600 customers, compared to approximately 580 customers as of April 2, 2001. We added more than 40 new customers in the first fiscal quarter 2002. Sales to our top 10 customers decreased from 46.0% of our net sales for the first fiscal quarter 2001 to 44.8% of our net sales for the first fiscal quarter 2002.

The following table shows the percentage of our net sales in each of the principal end markets we served for the periods indicated:

End Markets	First Fiscal Quarter	
	2001	2002
Networking	39.5%	31.2%
Industrial/Medical	25.7	28.6
Computer Peripherals	9.4	18.3
High-End Computing	20.2	14.4
Handheld/Cellular	3.2	3.1
Other	2.0	4.4

This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in our annual report on Form 10-K for the fiscal year ended December 31, 2001, filed with the Securities and Exchange Commission.

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## RESULTS OF OPERATIONS

### *First Fiscal Quarter 2002 Compared to the First Fiscal Quarter 2001*

#### Net Sales

Net sales decreased \$22.3 million, or 48.4%, from \$46.0 million for the first fiscal quarter 2001 to \$23.7 million for the first fiscal quarter 2002. This decrease resulted primarily from a decline in the volume of printed circuit boards sold as well as lower pricing levels. Net sales declined due to a significant downturn in the electronics industry and in the end markets served by the company.

#### Cost of Goods Sold

Cost of goods sold decreased \$6.3 million, or 22.7%, from \$27.7 million for the first fiscal quarter 2001 to \$21.4 million for the first fiscal quarter 2002. Lower cost of goods sold resulted from a decline in the number of printed circuit board units sold and a work force reduction, partially offset by higher depreciation expense and start-up expenses associated with technology improvements at our Redmond division. As a percentage of net sales, cost of goods sold increased from 60.2% for the first fiscal quarter 2001 to 90.1% for the first fiscal quarter 2002. Lower pricing, higher depreciation expense, start-up costs associated with technology improvements and an increase in unabsorbed manufacturing overhead resulted in a higher cost of goods sold percentage.

#### Gross Profit

Gross profit decreased \$16.0 million, or 87.4%, from \$18.3 million for the first fiscal quarter 2001 to \$2.3 million for the first fiscal quarter 2002. This decrease in gross profit resulted from a lower volume of printed circuit boards produced as well as lower pricing levels. Our gross profit margin was 9.9% during the first fiscal quarter 2002 compared to 39.8% for the first fiscal quarter 2001. Gross margin decreased due to lower pricing, increased depreciation expense, start-up costs associated with technology improvements at our Redmond division and lower absorption of fixed manufacturing expenses.

#### Operating Expenses

Sales and marketing expenses decreased \$0.8 million from \$2.5 million for the first fiscal quarter 2001 to \$1.7 million for the first fiscal quarter 2002. This decrease resulted from lower sales commissions due to lower net sales, partially offset by an increased percentage of quick-turn sales, which have a higher commission rate in the first fiscal quarter 2002.

General and administrative expenses decreased \$1.5 million from \$2.1 million for the first fiscal quarter 2001 to \$0.6 million for the first fiscal quarter 2002. This decrease resulted from a lower bad debt provision, a lower incentive compensation provision and lower corporate governance expenses. The lower bad debt provision was due to improved aging and quality of accounts receivable in the first fiscal quarter 2002.

Amortization of intangibles consists of amortization of goodwill and other intangible assets from the Power Circuits acquisition, which occurred in July 1999. Amortization of intangibles decreased \$0.9 million from \$1.2 million for the first fiscal quarter 2001 to \$0.3 million for the first fiscal quarter 2002. This decrease resulted from the Company's adoption of FASB Statement No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002. Under the new rules, goodwill and intangible assets deemed to have indefinite lives no longer are amortized. The amortization expense recorded in the first fiscal quarter 2002 was for intangible assets with finite useful lives.

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#### Interest Expense

Interest expense decreased \$0.6 million from \$0.9 million for the first fiscal quarter 2001 to \$0.3 million for the first fiscal quarter 2002. This decrease resulted from a lower interest rate on our term loan as well as a lower balance due to repayment of principal. The expiration of an interest rate swap agreement on December 31, 2001 also contributed to the decline in interest expense.

#### Amortization of Debt Issuance Costs

Amortization of debt issuance costs was \$10,000 for both the first fiscal quarter 2001 and the first fiscal quarter 2002.

#### Other, Net

Interest income and other, net, decreased \$105,000 from income of \$158,000 for the first fiscal quarter 2001 to income of \$53,000 for the first fiscal quarter 2002. This decrease resulted from lower interest earnings on our cash balance as well as a loss recorded on the disposal of fixed assets during the first fiscal quarter 2002.

#### Income Taxes

The provision for income taxes decreased from a provision of \$4.3 million for the first fiscal quarter 2001 to a benefit of \$131,000 for the first fiscal quarter 2002. This income tax benefit resulted from a pretax net loss. Our effective benefit tax rate for the first fiscal quarter 2002 was 32%. We expect to have an effective tax rate of approximately 36% for fiscal 2002.

#### Liquidity and Capital Resources

Our principal sources of liquidity have been cash provided by operations, proceeds from our public offerings and borrowings under debt agreements. Our principal uses of cash have been to finance mergers and acquisitions, meet debt service requirements and finance capital expenditures. We anticipate that these uses will continue to be our principal uses of cash in the future.

Net cash provided by operating activities was \$3.9 million in the first fiscal quarter 2002, compared to \$19.2 million in the first fiscal quarter 2001. The difference between our net loss in the first fiscal quarter 2002 of \$0.3 million and our \$3.9 million operating cash flow was primarily attributable to \$2.6 million of depreciation and amortization expense, a \$2.5 million decrease in income taxes receivable and \$1.0 million of deferred income taxes, partially offset by a \$0.9 million increase in accounts receivable, a \$0.7 million decrease in accounts payable, a \$0.2 million increase in inventories and a \$0.1 million decrease in accrued expenses.

Net cash used in investing activities was \$0.9 million in the first fiscal quarter 2002, compared to \$3.2 million in the first fiscal quarter 2001. The decrease was due to decreased deposits on and purchases of property and equipment during the first fiscal quarter 2002. The Company records cash paid for equipment not yet placed in service in construction-in-process, equipment and other deposits account. When an asset is placed in service, the related amount is transferred from construction-in-process, equipment and other deposits account to property and equipment.

Net cash provided by financing activities was \$13.8 million in the first fiscal quarter 2002, compared to net cash used in financing activities of \$1.6 million in the first fiscal quarter 2001. This increase was due to \$15.4 million of proceeds from a secondary stock offering as well as \$0.4 million of proceeds from stock option exercises during the first fiscal quarter 2002, partially offset by a principal repayment of \$2.0 million on our long-term debt.

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Effective September 29, 2000, we entered into an amended and restated agreement and refinanced all remaining amounts outstanding under our existing senior credit facility. Under the new agreement, we borrowed \$45 million under a term loan. The term loan bears interest ranging from LIBOR plus 1% to 2% or the Alternate Base Rate (as defined in the agreement) plus 0% to 0.5% and is due in quarterly payments of various amounts through September 30, 2005. The new agreement also provides for a revolving loan commitment for up to \$25 million, which bears interest at LIBOR plus 1% to 2% or the Alternate Base rate plus 0% to 0.5% and expires September 29, 2005. As of April 1, 2002, the term loan and the revolving loan had an interest rate of 3.05%. We pay quarterly a commitment fee ranging from 0.30% to 0.45% on the unused revolving commitment amount. The new credit facility contains financial covenants customary for this type of financing, and as of April 1, 2002, we were in compliance with the covenants. As of April 1, 2002, the amount outstanding on our term loan was \$30.7 million.

The following table provides information on future payments under the Company's credit facility and future minimum lease payments under non-cancelable operating leases as of April 1, 2002 (in thousands):

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-Term Debt	\$ 30,656	\$ 4,781	\$ 25,875	\$ —	\$ —
Operating Leases	402	17	52	34	299
<b>Total Contractual Cash Obligations</b>	<b>\$ 31,058</b>	<b>\$ 4,798</b>	<b>\$ 25,927</b>	<b>\$ 34</b>	<b>\$ 299</b>

Based on our current level of operations, we believe that cash generated from operations, available cash and amounts available under our senior credit facility will be adequate to meet the debt service requirements, capital expenditures and working capital needs of our current operations for at least the next 12 months. We may require additional financing if we decide to consummate additional acquisitions. See "Factors That May Affect Future Results."

#### Foreign Currency Exchange Risk

All of our sales are denominated in U.S. dollars, and as a result, we have relatively little exposure to foreign currency exchange risk with respect to sales made.

#### Impact of Inflation

We believe that our results of operations are not dependent upon moderate changes in the inflation rate as we expect that we will be able to pass along component price increases to our customers.

#### Seasonality

We have historically experienced lower sales in our second and third fiscal quarters due to patterns in the capital budgeting and purchasing cycles of our customers and the end markets they serve. In particular, this effect is caused by the seasonality of our high-end computing segment. We expect to mitigate the impact of seasonality through diversification of our customer base.

#### Significant Accounting Policies

Accounting policies where significant judgments and estimates are made include: asset valuation related to bad debts; sales returns and allowances; impairment of long-lived assets, including goodwill and intangible assets; and realizability of deferred tax assets. A description of these estimates and our policies to account for them is included in the notes to our consolidated financial statements in our

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annual report on Form 10-K. Our estimates are based on historical experience as well as relevant facts and circumstances known to us at each reporting date. Actual results may differ from these estimates.

#### Recently Issued Accounting Standards

In June 2001, the FASB issued Statement No. 141, "Business Combinations," and Statement No. 142, "Goodwill and Other Intangible Assets," effective for the fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. We applied the new rules beginning in the first fiscal quarter 2002. As a result, quarterly goodwill amortization of \$902 has ceased effective January 1, 2002. Also during the first fiscal quarter 2002, we performed the first of the required impairment tests of goodwill and indefinite-lived intangible assets and determined no impairment of goodwill.

In August 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations." This standard requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. This standard is effective for fiscal years

beginning after June 15, 2002, with earlier application encouraged. We do not believe the adoption of Statement 143 will have a significant impact on our consolidated financial statements.

In October 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which replaces FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, "Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business," for the disposal of segments of a business. Statement 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. Statement 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of Statement 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001, and, generally, are to be applied prospectively. We adopted Statement 144 on January 1, 2002 and there was no impact.

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### Factors That May Affect Future Results

*An investment in our common stock involves a high degree of risk. You should carefully consider the factors described below, in addition to those discussed elsewhere in this report, in analyzing an investment in our common stock. If any of the events described below occurs, our business, financial condition and results of operations would likely suffer, the trading price of our common stock could fall, and you could lose all or part of the money you paid for our common stock.*

*In addition, the following factors could cause our actual results to differ materially from those projected in our forward-looking statements, whether made in this 10-Q, our annual or quarterly reports to shareholders, future press releases, SEC filings or orally, whether in presentations, responses to questions or otherwise.*

**We are heavily dependent upon the electronics industry, which has suffered a significant downturn in demand resulting in excess manufacturing capacity, increased price competition, higher product inventories, decreased demand for our products and lower sales and gross margins.**

A majority of our revenues are generated from the electronics industry, which is characterized by intense competition, relatively short product life cycles and significant fluctuations in product demand. Furthermore, the industry is subject to economic cycles and recessionary periods and has been negatively impacted by a contraction in the U.S. economy. Moreover, due to the uncertainty in the end markets served by most of our customers, we have a low level of visibility with respect to future financial results. A lasting economic recession, continued excess manufacturing capacity or an additional decline in the electronics industry could further negatively impact our business, results of operations and financial condition. Our net sales declined from \$46.0 million in the first fiscal quarter of 2001 to \$30.7 million in the second fiscal quarter of 2001, \$26.9 million in the third fiscal quarter of 2001, \$25.4 million in the fourth fiscal quarter of 2001 and \$23.7 million in the first fiscal quarter of 2002. A continued decline in our net sales would adversely impact our profitability and results of operations and could require us to record a valuation allowance against our deferred tax assets or recognize an impairment of our intangible assets.

**If we continue to experience excess capacity due to variability in customer demand, our gross margins may fall.**

Due to recent decreases in demand, our facilities have been operating significantly below capacity. When we experience excess capacity, our sales revenues may be insufficient to fully cover our fixed overhead expenses, and our gross margins will fall. In addition, we generally schedule our quick-turn production facilities at less than full capacity to retain our ability to respond to unexpected additional quick-turn orders. However, if these orders are not made, we may forego some production and could experience continued excess capacity.

**We are dependent upon a small number of customers for a large portion of our net sales, and a decline in sales to major customers could harm our results of operations.**

A small number of customers is responsible for a significant portion of our net sales. Solectron, together with its recently acquired subsidiaries, SMART Modular and NEL America, accounted for 10.3% of our net sales in the first fiscal quarter 2002. Our 10 largest customers accounted for 44.8% of our net sales in the first fiscal quarter 2002. Many of our principal customers have decreased the amount of products they purchase from us. If our customers fail to purchase products from us at past levels, it would negatively affect our business, results of operations and financial condition. We expect a significant portion of our net sales will continue to be generated by a small number of customers.

Our customer concentration could increase or decrease depending on future customer requirements, which will depend in large part on market conditions in the electronics industry segments

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in which our customers participate. The loss of one or more major customers or a decline in sales to our major customers could significantly harm our business, results of operations and financial condition and lead to declines in the price of our common stock. In addition, we generate significant accounts receivable in connection with providing services to our customers. If one or more of our significant customers were to become insolvent or were otherwise unable to pay for the services provided by us, our results of operations would be harmed.

**If we are unable to respond to rapid technological change and process development, we may not be able to compete effectively.**

The market for our products is characterized by rapidly changing technology and continual implementation of new production processes. The future success of our business will depend in large part upon our ability to maintain and enhance our technological capabilities, to develop and market products that meet changing customer needs and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. We expect that the investment necessary to maintain our technological position will increase as customers make demands for products and services requiring more advanced technology on a quicker turnaround basis. We may not be able to raise additional funds in order to respond to technological changes as quickly as our competitors.

In addition, the printed circuit board industry could encounter competition from new or revised manufacturing and production technologies that render existing manufacturing and production technology less competitive or obsolete. We may not respond effectively to the technological requirements of the changing market. If we need new technologies and equipment to remain competitive, the development, acquisition and implementation of those technologies and equipment may require us to make significant capital investments.

**Competition in the printed circuit board market is intense, and if we are unable to compete effectively, the demand for our products may be reduced.**



The printed circuit board industry is intensely competitive, highly fragmented and rapidly changing. We expect competition to continue, which could result in price reductions, reduced gross margins and loss of market share. Our principal domestic competitors include: DDi, Merix, the Multek subsidiary of Flextronics, Sanmina-SCI and Tyco. In addition, new and emerging technologies may result in new competitors entering our market.

Many of our competitors and potential competitors have a number of significant advantages over us, including:

- greater financial and manufacturing resources that can be devoted to the development, production and sale of their products;
- more established and broader sales and marketing channels;
- more manufacturing facilities worldwide, some of which are closer in proximity to original equipment manufacturers;
- manufacturing facilities which are located in countries with lower production costs; and
- greater name recognition.

In addition, these competitors may respond more quickly to new or emerging technologies, or may adapt more quickly to changes in customer requirements and may devote greater resources to the development, promotion and sale of their products than we do. We must continually develop improved manufacturing processes to meet our customers' needs for complex products, and our manufacturing process technology is generally not subject to significant proprietary protection. During recessionary periods in the electronics industry, our competitive advantages in the areas of providing quick-turn

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services, an integrated manufacturing solution and responsive customer service may be of reduced importance to our customers who may become more price sensitive. This may force us to compete more on the basis of price and cause our margins to decline. Furthermore, printed circuit board manufacturers are currently experiencing significant overcapacity. Overcapacity, combined with the current weakness in demand for electronic products, has resulted in increased competition and price erosion for printed circuit boards.

**We compete against manufacturers in Asia where production costs are lower. These competitors may gain market share in our market segment for higher technology printed circuit boards, which may have an adverse effect on the pricing of our products.**

We may be at a competitive disadvantage with respect to price for volume production when compared to manufacturers with lower cost facilities in Asia and other locations. We believe price competition from printed circuit board manufacturers in Asia and other locations with lower production costs may play an increasing role in the market for volume production. We do not currently have offshore facilities in lower cost locations, such as Asia. While historically our competitors in these locations have produced less technologically advanced printed circuit boards, they continue to expand their capacity with advanced equipment to produce higher technology printed circuit boards. In addition, fluctuations in foreign currency exchange rates may benefit these offshore competitors. As a result, these competitors may gain market share in the market for higher technology printed circuit boards, which may force us to lower our prices, reducing our gross profit.

**Our results of operations are subject to fluctuations and seasonality, and because many of our operating costs are fixed, even small revenue shortfalls would decrease our gross margins and potentially cause our stock price to decline.**

Our results of operations vary for a variety of reasons, including:

- timing of orders from and shipments to major customers;
- the levels at which we utilize our manufacturing capacity;
- changes in the pricing of our products or those of our competitors;
- changes in our mix of revenues generated from quick-turn versus standard lead time production;
- expenditures or write-offs related to acquisitions; and
- expenses relating to expanding existing manufacturing facilities.

A significant portion of our operating expenses is relatively fixed in nature, and planned expenditures are based in part on anticipated orders. Accordingly, recent revenue shortfalls have decreased our gross margins, and future revenue shortfalls may further decrease our gross margins. In addition, we have experienced sales fluctuations due to patterns in the capital budgeting and purchasing cycles of our customers and the end-markets we serve. In particular, the seasonality of the computer industry impacts the overall printed circuit board industry. These seasonal trends have caused fluctuations in our quarterly operating results in the past and may continue to do so in the future. Results of operations in any period should not be considered indicative of the results to be expected for any future period. In addition, our future quarterly operating results may fluctuate and may not meet the expectations of securities analysts or investors. If this occurs, the price of our common stock would likely decline.

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**Because we sell on a purchase order basis, we are subject to uncertainties and variability in demand by our customers, which could decrease revenues and negatively impact our operating results.**

We sell to customers on a purchase order basis rather than pursuant to long-term contracts, and, consequently, our net sales are subject to short-term variability in demand by our customers. Customers submitting a purchase order may cancel, reduce or delay their order for a variety of reasons. The level and timing of orders placed by our customers vary due to:

- customer attempts to manage inventory;
- changes in customers' manufacturing strategies, such as a decision by a customer to either diversify or consolidate the number of printed circuit board manufacturers used or to manufacture their own products internally; and
- variation in demand for our customers' products.

We have experienced terminations, reductions and delays in our customers' orders. Further terminations, reductions or delays in our customers' orders could negatively impact our business, results of operations and financial condition.

**The increasing prominence of electronic manufacturing services providers in the printed circuit board industry could reduce our gross margins, potential sales and customers.**

In the first fiscal quarter 2002, approximately 28% of our net sales were to electronic manufacturing services providers. Electronic manufacturing services providers supply electronic product assembly services to original equipment manufacturers. The growth of electronic manufacturing services providers and their global sourcing capabilities increase the purchasing power of such providers and could result in increased price competition or the loss of existing original equipment manufacturer customers. In addition, in recent years, some electronic manufacturing services providers, including several of our customers, have acquired the ability to directly manufacture printed circuit boards. If a significant number of our other electronic manufacturing services customers were to acquire the ability to directly manufacture printed circuit boards, our customer base may shrink, and our business and net sales may decline substantially. Moreover, if any of our original equipment manufacturer customers outsource the production of printed circuit boards to these electronic manufacturing services providers, our business, results of operations and financial condition may be negatively impacted.

**Our indebtedness could adversely affect our financial health, and the restrictions imposed by the terms of our debt instruments may severely limit our ability to plan for or respond to changes in our business.**

At April 1, 2002, we had approximately \$30.7 million of indebtedness. In addition, subject to the restrictions under our various debt agreements, we may incur additional indebtedness from time to time to finance acquisitions or capital expenditures or for other purposes.

Our level of debt could have negative consequences. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to repayment of debt, limiting the availability of cash for other purposes;
- increase our vulnerability to adverse general economic conditions by making it more difficult to borrow additional funds to maintain our operations if we suffer revenue shortfalls;
- hinder our flexibility in planning for, or reacting to, changes in our business and industry by preventing us from borrowing money to upgrade our equipment or facilities; and
- limit or impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general corporate purposes.

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**We may expand our business into new products and services and may not be able to compete effectively with other companies who have been in these businesses longer than we have.**

In the future, we may broaden our service offering by providing new products and services. If we do this, we will likely compete with companies that have substantially greater financial and manufacturing resources than we have and who have been providing these services longer than we have. We may not be able to successfully compete on this basis with more established competitors.

**In the past, we have expanded our operations through acquisition, and we may have trouble integrating any future acquisitions in expanding our business.**

We may not be able to meet performance expectations or successfully integrate businesses we acquire in the future on a timely basis without disrupting the quality and reliability of service to our customers or diverting management resources.

To manage the expansion of our operations and any future growth, we will be required to:

- improve existing and implement new operational, financial and management information controls, reporting systems and procedures;
- hire, train and manage additional qualified personnel;
- expand our direct and indirect sales channels; and
- effectively transition our relationships with our customers, suppliers and partners to operations under our TTM brand.

As part of our business strategy, we expect that we will continue to grow by pursuing acquisitions, assets or product lines that complement or expand our existing business. We currently have no commitments or agreements to acquire any business. Our existing credit facility restricts our ability to acquire the assets or business of other companies and will accordingly require us to obtain the consent of our lenders and could require us to pay significant fees in order to consummate such acquisitions. Consequently, we may not be able to identify suitable acquisition candidates or to finance and complete transactions that we choose to pursue.

Our acquisition of companies and businesses and expansion of operations involve risks, including the following:

- the potential inability to identify the company best suited to our company's business plan;
- the potential inability to successfully integrate acquired operations and businesses or to realize anticipated synergies, economics of scale or other expected value;
- difficulties in managing production and coordinating operations at new sites;
- the potential need to restructure, modify or terminate customer relationships of the acquired company; and
- loss of key employees of acquired operations.

In addition, future acquisitions may result in dilutive issuances of equity securities, the incurrence of additional debt, large one-time write-offs and the creation of goodwill or other intangible assets that could result in amortization expense.

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**If we were to increase our amortization of intangible assets as a result of additional acquisitions, our earnings could be negatively impacted. Similarly, if we were to revalue our existing intangible assets downward, our operating results would be harmed.**

As of April 1, 2002, our consolidated balance sheet reflected \$77.9 million of intangible assets, a substantial portion of our total assets at such date. Intangible assets consist of goodwill and other identifiable intangibles relating to our July 1999 acquisition of Power Circuits. Our intangible assets may increase in future periods if we consummate other acquisitions. Amortization or impairment of these additional intangibles would, in turn, have a negative impact on earnings. In addition, we continuously evaluate whether events and circumstances have occurred that indicate the remaining balance of intangible assets may not be recoverable. When factors indicate that assets should be evaluated for possible impairment, we may be required to reduce the carrying value of our intangible assets, which could harm our results during the periods in which such a reduction is recognized.

In connection with our adoption of Statement of Financial Accounting Standards No. 142 in the first quarter of 2002, our impairment testing methodology changed, and we may be required to write down intangible assets in future periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recently Issued Accounting Standards."

**We rely on suppliers for the raw materials used in manufacturing our printed circuit boards, and an increase in industry demand or the presence of a shortage for these raw materials may increase the price of these raw materials and reduce our gross margins.**

To manufacture our printed circuit boards, we use raw materials such as laminated layers of fiberglass, copper foil and chemical solutions which we order from our suppliers. Although we have preferred suppliers for most of our raw materials, the materials we use are generally readily available in the open market and numerous other potential suppliers exist. However, from time to time manufacturers of products that also use these raw materials increase their demand for these materials and, as a result, the prices of these materials increase. During these periods of increased demand, our gross margins decrease as we have to pay more for our raw materials.

**Our manufacturing process depends on the collective industry experience of our employees in our industry. If these employees were to leave us and take this knowledge with them, our manufacturing process may suffer and we may not be able to compete effectively.**

We have no patent or trade secret protection for our manufacturing process, but instead rely on the collective experience of our employees in the manufacturing process to ensure we continuously evaluate and adopt new technologies in our industry. Although we are not dependent on any one employee or a small number of employees, if a significant number of our employees involved in our manufacturing process were to leave our employment and we were not able to replace these people with new employees with comparable experience, our manufacturing process may suffer as we may be unable to keep up with innovations in the industry. As a result, we may not be able to continue to compete effectively.

**We may be exposed to intellectual property infringement claims by third parties which could be costly to defend, could divert management's attention and resources and, if successful, could result in liability.**

We could be subject to legal proceedings and claims for alleged infringement by us of third party proprietary rights, such as patents, from time to time in the ordinary course of business. For example, in the past we were informed that our prior use of a chemical solution in our manufacturing process may have infringed upon the intellectual property rights of the holder of the patent of the chemical solution. Although no legal action has been taken against us, any claims relating to this alleged

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infringement, even if not meritorious, could result in costly litigation and divert management's attention and resources. In addition, if we are unsuccessful in disputing this assertion, we could be required to pay royalties or damages for our past use of the chemical solution. Similarly, we were recently advised that we have been added as a defendant in a patent infringement lawsuit filed in the U.S. District Court for the District of Arizona by Lemelson Medical, Education and Research Foundation, Limited Partnership. The suit alleges that we have infringed certain "machine vision" and other patents owned by the plaintiff and seeks injunctive relief, damages for the alleged infringements and payment of the plaintiff's attorneys' fees. If we do not prevail in any litigation as a result of such allegations, our business may be harmed.

**If the public confuses us with similarly named companies, our business could suffer.**

It is possible that other companies will adopt trade names similar to ours which would impede our ability to build brand identity and possibly lead to customer confusion. Although we have applied for trademark protection of TTM Technologies, we have not yet received this trademark protection. We are aware of another company using "TTM Technologies" as part of its corporate name. This may cause confusion as to the source, quality and dependability of our product which may, in turn, dilute our brand name and harm our reputation.

**Our business may suffer if any of our key senior executives discontinues employment with us or if we are unable to recruit and retain highly skilled engineering and sales staff.**

Our future success depends to a large extent on the services of our key managerial employees, particularly Kenton Alder, our chief executive officer. Although we have entered into employment agreements with Mr. Alder and one other executive officer, we may not be able to retain our executive officers and key personnel or attract additional qualified management in the future. Our business also depends on our continuing ability to recruit, train and retain highly qualified employees, particularly engineering and sales and marketing personnel. The competition for these employees is intense, and the loss of these employees could harm our business. Further, our ability to successfully integrate acquired companies depends in part on our ability to retain key management and existing employees at the time of the acquisition.

**Products we manufacture may contain design or manufacturing defects, which could result in reduced demand for our services and liability claims against us.**

We manufacture products to our customers' specifications, which are highly complex and may contain design or manufacturing errors or failures despite our quality control and quality assurance efforts. Defects in the products we manufacture, whether caused by a design, manufacturing or component failure or error, may result in delayed shipments, customer dissatisfaction, or a reduction or cancellation of purchase orders. If these defects occur either in large quantities or too frequently, our business reputation may be impaired. Since our products are used in products that are integral to our customers' businesses, errors, defects or other performance problems could result in financial or other damages to our customers, for which we may be liable. Although our purchase orders generally contain provisions designed to limit our exposure to product liability claims, existing or future laws or unfavorable judicial decisions could negate these limitation of liability provisions. Product liability litigation against us, even if it were unsuccessful, would be time consuming and costly to defend.

**Our failure to comply with the requirements of environmental laws could result in fines and revocation of permits necessary to our manufacturing processes.**

Our operations are regulated under a number of federal, state and foreign environmental and safety laws and regulations that govern, among other things, the discharge of hazardous materials into the air and water, as well as the handling, storage and disposal of such materials. These laws and

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regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act, as well as analogous state and foreign laws. Compliance with these environmental laws is a major consideration for us because our manufacturing processes use and generate materials classified as hazardous such as ammoniacal etching solutions, copper and nickel. For example, we incur additional expense at our Burlington facility to transport and treat certain of our waste water discharges because of limitations in the local municipal waste treatment facility. In addition, because we use hazardous materials and generate hazardous wastes in our manufacturing processes, we may be subject to potential financial liability for costs associated with the investigation and remediation of our own sites, or sites at which we have arranged for the disposal of hazardous wastes, if such sites become contaminated. Even if we fully comply with applicable environmental laws and are not directly at fault for the contamination, we may still be liable. The wastes we generate include spent ammoniacal etching solutions, solder stripping solutions and hydrochloric acid solution containing palladium; waste water which contains heavy metals, acids, cleaners and conditioners; and filter cake from equipment used for on-site waste treatment. We believe that our operations substantially comply with all applicable environmental laws. However, any material violations of environmental laws by us could subject us to revocation of our effluent discharge permits. Any such revocations could require us to cease or limit production at one or more of our facilities, negatively impacting our business, results of operations and financial condition. Even if we ultimately prevail, environmental lawsuits against us would be time consuming and costly to defend.

Environmental laws could also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violation. We operate in environmentally sensitive locations and we are subject to potentially conflicting and changing regulatory agendas of political, business and environmental groups. Changes or restrictions on discharge limits, emissions levels, material storage, handling or disposal might require a high level of unplanned capital investment and/or relocation. It is possible that environmental compliance costs and penalties from new or existing regulations may harm our business, results of operations and financial condition.

**Our major shareholder has significant influence over our business and could delay, deter or prevent a change of control or other business combination.**

As of April 1, 2002, Circuit Holdings held approximately 39.3% of our outstanding stock. Thayer Capital Partners controls three entities that together own approximately 60.0% of Circuit Holdings and beneficially own approximately 45.8% of our shares. In addition, two of our directors are representatives of Thayer Capital Partners. Although Thayer Capital does not currently own any interests in our direct competitors, the interests of Thayer Capital Partners may not always coincide with our interests or those of our other shareholders, particularly if Thayer Capital decided to sell its controlling interest in us. By virtue of its stock ownership and board representation, Thayer Capital Partners will continue to have a significant influence over all matters submitted to our board and our shareholders, including the election of our directors, and will be able to exercise significant control over our business, policies and affairs. Through its voting power, Thayer Capital Partners could cause us to take actions that we would not consider absent its influence, or could delay, deter or prevent a change of control of our company or other business combination that might otherwise be beneficial to our public shareholders.

In addition, Thayer Capital Partners has historically worked closely with Brockway Moran & Partners, Inc. in managing our company. Brockway Moran & Partners Fund, L.P., owns the remaining 40% of Circuit Holdings. In addition, two of our directors are representatives of Brockway Moran & Partners. Although there is no legal agreement requiring Thayer Capital Partners and Brockway Moran & Partners to vote their shares together or for their representatives on our board to vote together, given their relationship in the past these two entities may continue to work together, in which

case they would control our board and exercise voting control over approximately 47.8% of our shares that are beneficially owned by such entities.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

*Interest Rate Risk.* Our senior credit facility bears interest at floating rates.

The revolving loan bears interest ranging from 1.09% to 2.0% per annum plus the applicable LIBOR or from 0.0% to 0.5% per annum plus the Alternate Base Rate, as defined in the agreement governing the amended and restated credit facility. As of April 1, 2002, the term and revolving term loan had an interest rate of 3.05%. Therefore, a 10% change in interest rates is not expected to materially affect the interest expense to be incurred on this facility during such period.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

From time to time we may become a party to various legal proceedings arising in the ordinary course of our business. We were recently advised that we have been added as a defendant in a patent infringement lawsuit filed in the U.S. District Court for the District of Arizona by Lemelson Medical, Education and Research Foundation, Limited Partnership. The suit alleges that we have infringed certain "machine vision" and other patents owned by the plaintiff and seeks injunctive relief, damages for the alleged infringements and payment of the plaintiff's attorneys' fees. Although the ultimate outcome of this matter is not currently determinable, we believe we have meritorious defenses to these allegations and, based in part on the licensing terms offered by the Lemelson Partnership, do not expect this litigation to materially impact our business, results of operations or financial condition. However, there can be no assurance that the ultimate resolution of this matter will not have a material adverse effect on our results of operations for any quarter. Furthermore, there can be no assurance that we will prevail in any such litigation.

**Item 2. Changes in Securities**

Not Applicable

**Item 3. Defaults Upon Senior Securities**

Not Applicable

**Item 4. Submission of Matters to a Vote of Security Holders**

Not Applicable

**Item 5. Other Information**

Not Applicable

**Item 6. Exhibits and Reports on Form 8-K**

- (a) Exhibits—None
- (b) We did not file any reports on Form 8-K during the three months ended April 1, 2002.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 13, 2002

TTM TECHNOLOGIES, INC.

/s/ KENTON K. ALDER

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Kenton K. Alder  
President and Chief Executive Officer

Dated: May 13, 2002

/s/ STACEY M. PETERSON

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Stacey M. Peterson  
Chief Financial Officer and Secretary

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