UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

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

For the quarterly period ended October 2, 2023

Or

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

For the transition period from ____________ to____________

Commission File Number: 000-31285

TTM TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**91-1033443**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

200 East Sandpointe, Suite 400, Santa Ana, California 92707
(Address of principal executive offices)

(714) 327-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	TTMI	Nasdaq Global Select Market

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of November 2, 2023, there were outstanding 102,244,622 shares of the registrant's Common Stock, $0.001 par value.

TTM TECHNOLOGIES, INC.
Form 10-Q
For the Quarter Ended October 2, 2023
TABLE OF CONTENTS

	Page
PART I: FINANCIAL INFORMATION	3
Item 1. Financial Statements (unaudited)	3
Consolidated Condensed Balance Sheets as of October 2, 2023 and January 2, 2023	3
Consolidated Condensed Statements of Operations for the quarter and three quarters ended October 2, 2023 and October 3, 2022	4
Consolidated Condensed Statements of Comprehensive (Loss) Income for the quarter and three quarters ended October 2, 2023 and October 3, 2022	5
Consolidated Condensed Statements of Stockholders' Equity for the three quarters ended October 2, 2023 and October 3, 2022	6
Consolidated Condensed Statements of Cash Flows for the three quarters ended October 2, 2023 and October 3, 2022	8
Notes to Consolidated Condensed Financial Statements	9
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3. Quantitative and Qualitative Disclosures About Market Risk	32
Item 4. Controls and Procedures	34
PART II: OTHER INFORMATION	35
Item 1. Legal Proceedings	35
Item 1A. Risk Factors	35
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	51
Item 3. Defaults Upon Senior Securities	51
Item 4. Mine Safety Disclosures	51
Item 5. Other Information	51
Item 6. Exhibits	52
SIGNATURES	53

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements (unaudited)***

TTM TECHNOLOGIES, INC.

Consolidated Condensed Balance Sheets
As of October 2, 2023 and January 2, 2023

	As of	
	October 2, 2023	January 2, 2023
	(Unaudited) (In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 408,331	$ 402,749
Accounts receivable, net	390,902	473,225
Contract assets	304,279	335,788
Inventories	206,176	170,639
Receivable from sale of Shanghai E-MS (SH E-MS) property	6,554	69,240
Prepaid expenses and other current assets	36,994	41,415
Total current assets	1,353,236	1,493,056
Property, plant and equipment, net	808,371	724,204
Operating lease right-of-use assets	89,290	18,862
Goodwill	702,735	760,437
Definite-lived intangibles, net	250,476	288,037
Deposits and other non-current assets	62,394	39,008
Total assets	$ 3,266,502	$ 3,323,604
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt, including current portion of long-term debt	$ 2,625	$ 50,000
Accounts payable	336,070	361,788
Contract liabilities	102,236	103,981
Accrued salaries, wages and benefits	94,053	115,524
Other current liabilities	153,302	130,032
Total current liabilities	688,286	761,325
Long-term debt, net of discount and issuance costs	864,824	879,407
Operating lease liabilities	82,103	12,249
Other long-term liabilities	130,175	135,044
Total long-term liabilities	1,077,102	1,026,700
Commitments and contingencies (Note 14)		
Equity:		
Common stock, $0.001 par value; 300,000 shares authorized; 111,250 and 109,598 shares issued as of October 2, 2023 and January 2, 2023, respectively; 102,860 and 102,228 shares outstanding as of October 2, 2023 and January 2, 2023, respectively	111	110
Treasury stock – common stock at cost; 8,390 and 7,370 shares as of October 2, 2023 and January 2, 2023, respectively	(113,276)	(98,659)
Additional paid-in capital	874,804	858,077
Retained earnings	764,785	800,841
Accumulated other comprehensive loss	(25,310)	(24,790)
Total stockholders' equity	1,501,114	1,535,579
Total liabilities and stockholders' equity	$ 3,266,502	$ 3,323,604

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

Consolidated Condensed Statements of Operations
For the Quarter and Three Quarters Ended October 2, 2023 and October 3, 2022

	Quarter Ended		Three Quarters Ended	
	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
	(Unaudited) (In thousands, except per share data)			
Net sales	$ 572,582	$ 671,080	$ 1,663,528	$ 1,877,890
Cost of goods sold	459,312	542,513	1,365,628	1,541,327
Gross profit	113,270	128,567	297,900	336,563
Operating expenses:				
Selling and marketing	18,763	19,824	58,245	55,653
General and administrative	38,916	40,743	111,829	121,863
Research and development	6,173	7,322	19,682	18,110
Amortization of definite-lived intangibles	11,429	10,273	37,245	26,822
Impairment of goodwill	44,100	—	44,100	—
Restructuring charges	4,091	627	19,061	1,267
Total operating expenses	123,472	78,789	290,162	223,715
Operating (loss) income	(10,202)	49,778	7,738	112,848
Other (expense) income:				
Interest expense	(10,101)	(10,939)	(34,751)	(33,011)
Loss on extinguishment of debt	—	—	(1,154)	—
Gain on sale of subsidiary	—	—	1,270	—
Other, net	3,044	10,324	9,310	19,932
Total other expense, net	(7,057)	(615)	(25,325)	(13,079)
(Loss) income before income taxes	(17,259)	49,163	(17,587)	99,769
Income tax provision	(19,807)	(5,635)	(18,469)	(11,203)
Net (loss) income	$ (37,066)	$ 43,528	$ (36,056)	$ 88,566
(Loss) earnings per share:				
Basic (loss) earnings per share	$ (0.36)	$ 0.43	$ (0.35)	$ 0.87
Diluted (loss) earnings per share	$ (0.36)	$ 0.42	$ (0.35)	$ 0.85

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

Consolidated Condensed Statements of Comprehensive (Loss) Income
For the Quarter and Three Quarters Ended October 2, 2023 and October 3, 2022

	Quarter Ended		Three Quarters Ended	
	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
	(Unaudited) (In thousands)			
Net (loss) income	$ (37,066)	$ 43,528	$ (36,056)	$ 88,566
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(52)	(614)	(485)	(2,350)
Derecognition of foreign currency translation adjustments due to sale of subsidiary	—	—	(6,627)	—
Net unrealized gain (loss) on cash flow hedges:				
Unrealized gain on effective cash flow hedges during the period, net	3,010	—	8,150	24
Amounts realized in the statement of operations, net	(837)	5	(1,558)	3,092
Net	2,173	5	6,592	3,116
Other comprehensive income (loss), net of tax	2,121	(609)	(520)	766
Comprehensive (loss) income, net of tax	$ (34,945)	$ 42,919	$ (36,576)	$ 89,332

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

Consolidated Condensed Statements of Stockholders' Equity
For the Three Quarters Ended October 2, 2023

	Common Stock		Treasury Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	(Loss) Income	Equity
	(Unaudited) (In thousands)							
Balance, January 2, 2023	109,598	$ 110	(7,370)	$ (98,659)	$ 858,077	$ 800,841	$ (24,790)	$ 1,535,579
Net loss	—	—	—	—	—	(5,814)	—	(5,814)
Other comprehensive loss	—	—	—	—	—	—	(7,271)	(7,271)
Issuance of common stock for performance-based restricted stock units	337	—	—	—	—	—	—	—
Issuance of common stock for restricted stock units	21	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	5,240	—	—	5,240
Balance, April 3, 2023	109,956	$ 110	(7,370)	$ (98,659)	$ 863,317	$ 795,027	$ (32,061)	$ 1,527,734
Net income	—	—	—	—	—	6,824	—	6,824
Other comprehensive income	—	—	—	—	—	—	4,630	4,630
Issuance of common stock for restricted stock units	1,284	1	—	—	(1)	—	—	—
Stock-based compensation	—	—	—	—	5,121	—	—	5,121
Balance, July 3, 2023	111,240	$ 111	(7,370)	$ (98,659)	$ 868,437	$ 801,851	$ (27,431)	$ 1,544,309
Net loss	—	—	—	—	—	(37,066)	—	(37,066)
Other comprehensive income	—	—	—	—	—	—	2,121	2,121
Issuance of common stock for restricted stock units	10	—	—	—	—	—	—	—
Repurchases of common stock	—	—	(1,020)	(14,617)	—	—	—	(14,617)
Stock-based compensation	—	—	—	—	6,367	—	—	6,367
Balance, October 2, 2023	111,250	$ 111	(8,390)	$ (113,276)	$ 874,804	$ 764,785	$ (25,310)	$ 1,501,114

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

Consolidated Condensed Statements of Stockholders' Equity
For the Three Quarters Ended October 3, 2022

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
	(Unaudited) (In thousands)							
Balance, January 3, 2022	108,194	$ 108	(4,661)	$ (63,807)	$ 840,113	$ 706,258	$ (27,255)	$ 1,455,417
Net income	—	—	—	—	—	17,246	—	17,246
Other comprehensive income	—	—	—	—	—	—	2,151	2,151
Issuance of common stock for performance-based restricted stock units	182	—	—	—	—	—	—	—
Issuance of common stock for restricted stock units	7	—	—	—	—	—	—	—
Repurchases of common stock	—	—	(2,373)	(30,232)	—	—	—	(30,232)
Fair value of warrants reclassified to warrant liabilities	—	—	—	—	(987)	—	—	(987)
Issuance of common stock from warrant exercises	—	—	38	572	(572)	—	—	—
Stock-based compensation	—	—	—	—	4,234	—	—	4,234
Balance, April 4, 2022	108,383	$ 108	(6,996)	$ (93,467)	$ 842,788	$ 723,504	$ (25,104)	$ 1,447,829
Net income	—	—	—	—	—	27,792	—	27,792
Other comprehensive loss	—	—	—	—	—	—	(776)	(776)
Issuance of common stock for restricted stock units	1,172	1	—	—	(1)	—	—	—
Repurchases of common stock	—	—	(374)	(5,192)	—	—	—	(5,192)
Stock-based compensation	—	—	—	—	4,427	—	—	4,427
Balance, July 4, 2022	109,555	$ 109	(7,370)	$ (98,659)	$ 847,214	$ 751,296	$ (25,880)	$ 1,474,080
Net income	—	—	—	—	—	43,528	—	43,528
Other comprehensive loss	—	—	—	—	—	—	(609)	(609)
Issuance of common stock for restricted stock units	21	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	5,470	—	—	5,470
Balance, October 3, 2022	109,576	$ 109	(7,370)	$ (98,659)	$ 852,684	$ 794,824	$ (26,489)	$ 1,522,469

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

Consolidated Condensed Statements of Cash Flows
For the Three Quarters Ended October 2, 2023 and October 3, 2022

	Three Quarters Ended	
	October 2, 2023	October 3, 2022
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net (loss) income	$ (36,056)	$ 88,566
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	74,060	67,306
Amortization of definite-lived intangible assets	47,811	30,973
Amortization of debt discount and issuance costs	1,726	1,608
Loss on extinguishment of debt	1,154	—
Deferred income taxes	1,177	(7,158)
Stock-based compensation	16,728	14,131
Gain on sale of subsidiary	(1,270)	—
Impairment of goodwill	44,100	—
Other	(633)	(5,194)
Changes in operating assets and liabilities:		
Accounts receivable, net	72,591	(40,605)
Contract assets	30,360	(8,642)
Inventories	(38,493)	(16,903)
Prepaid expenses and other current assets	81	(31,638)
Accounts payable	(26,788)	24,337
Contract liabilities	(1,745)	27,842
Accrued salaries, wages and benefits	(20,955)	22,738
Other current liabilities	(24,034)	27,953
Net cash provided by operating activities	139,814	195,314
Cash flows from investing activities:		
Acquisition of Gritel Holding Co., Inc. and ISC Farmingdale Corp.	—	(298,339)
Proceeds from sale of SH E-MS property	61,769	—
Purchase of property, plant and equipment and other assets	(114,167)	(76,245)
Proceeds from sale of property, plant and equipment and other assets	384	150
Proceeds from sale of subsidiary, net of cash disposed	6,039	—
Other	(101)	(245)
Net cash used in investing activities	(46,076)	(374,679)
Cash flows from financing activities:		
Repayment of long-term debt borrowings	(291,572)	—
Proceeds from long-term debt borrowing	234,818	—
Repurchases of common stock	(14,617)	(35,424)
Refund of customer deposits	(7,500)	—
Payment of debt issuance costs	(5,487)	—
Payment of original issue discount	(3,500)	—
Proceeds from borrowings of revolving loan	—	50,000
Repayment of revolving loan	—	(50,000)
Customer deposits	—	15,000
Cash used to settle warrants	—	(887)
Net cash used in financing activities	(87,858)	(21,311)
Effect of foreign currency exchange rates on cash and cash equivalents	(298)	(1,377)
Net increase (decrease) in cash and cash equivalents	5,582	(202,053)
Cash and cash equivalents at beginning of period	402,749	537,678
Cash and cash equivalents at end of period	$ 408,331	$ 335,625
Supplemental cash flow information:		
Cash paid, net for interest	$ 42,688	$ 38,405
Cash paid, net for income taxes	27,830	3,031
Supplemental disclosure of noncash investing and financing activities:		
Cashless extinguishment of debt for issuance of new long-term debt borrowing	$ 115,182	$ —
Property, plant and equipment recorded in accounts payable and other current liabilities	89,056	37,555
Issuance of common stock for warrant settlement	—	589

See accompanying notes to consolidated condensed financial statements.

(1) Nature of Operations and Basis of Presentation

TTM Technologies, Inc. (the Company or TTM) is a leading global manufacturer of technology solutions including mission systems, radio frequency (RF) components/RF microwave/microelectronic assemblies, quick-turn and technologically advanced printed circuit boards (PCB). The Company provides time-to-market and volume production of advanced technology products and offers a one-stop design, engineering, and manufacturing solution to customers. This one-stop design, engineering, and manufacturing solution allows the Company to align technology developments with the diverse needs of the Company's customers and to enable them to reduce the time required to develop new products and bring them to market.

The Company serves a diversified customer base in various markets throughout the world, including aerospace and defense, data center computing, automotive, medical, industrial and instrumentation related products, and networking. The Company's customers include original equipment manufacturers (OEMs), electronic manufacturing services (EMS) providers, original design manufacturers (ODMs), distributors and government agencies.

The accompanying consolidated condensed financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's most recent Annual Report on Form 10-K. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's consolidated condensed financial statements and accompanying notes. Due, in part, to the coronavirus (COVID-19) and its variants, the conflict between Russia and Ukraine, and the current conflict in Israel and the Gaza Strip, the global economy and financial markets have been volatile. In addition, the global economy and financial markets have experienced on-going disruptions in global supply chains, labor shortages, high inflation, and a potential recession. The Company has considered information available to it as of the date of issuance of these financial statements and is not aware of any specific events or circumstances that would require an update to its estimates or judgments, or a revision to the carrying value of its assets or liabilities. The actual results the Company experienced may differ materially and adversely from its estimates. The Company uses a 52/53 week fiscal calendar with the fourth quarter ending on the Monday nearest December 31.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net income.

Recently Adopted and Issued Accounting Standards

Recently Adopted Accounting Standards

In September 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2022-04, *Liabilities - Supplier Finance Programs (Topic 450-50): Disclosure of Supplier Finance Program Obligations*, that requires entities that use supplier finance programs in connection with the purchase of goods and services to disclose the key terms of the programs and information about obligations outstanding at the end of the reporting period, including a rollforward of those obligations. The guidance does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. The amendments are effective for all entities for fiscal years beginning after December 15, 2022 on a retrospective basis, including interim periods within those fiscal years, except for the requirement to disclose rollforward information, which is effective prospectively for fiscal years beginning after December 15, 2023. The Company adopted ASU 2022-04 as of April 3, 2023. The Company has agreements with financial institutions to facilitate the payments to certain suppliers. Under the terms of the agreements, the Company confirms the validity of each supplier invoice to the respective financial institution upon receipt. The supplier receives payment from the financial institution, and the Company pays the financial institution based on the terms negotiated, which generally range from 160 days to 360 days. Liabilities associated with these agreements are recorded in accounts payable on the consolidated condensed balance sheets and amounted to $15,945 and $6,653 as of October 2, 2023 and January 2, 2023, respectively.

In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, which deferred the sunset date of Topic 848 to December 31, 2024, after which entities will no longer be permitted to apply the optional expedients and exceptions in Topic 848. On March 23, 2023, the Company entered into a four-year pay-fixed, receive floating (1-month CME Term Secured Overnight Financing Rate (SOFR)), interest rate swap arrangement with a notional amount of $250,000 for the period beginning April 1, 2023 and ending on April 1, 2027. Under the terms of the interest rate swap, the Company pays a fixed rate of 3.49% against a portion of its Term SOFR-based debt and receives a floating 1-month CME Term SOFR during

the swap period. The Company elected optional expedients provided in Topic 848 which allow the designation of the interest rate swap as a cash flow hedge.

(2) Acquisition of Gritel and ISC Farmingdale Corp.

On June 27, 2022, the Company completed its acquisition of all of the issued and outstanding capital stock of Gritel Holding Co., Inc. (Gritel) and ISC Farmingdale Corp. for a total consideration of $298,339 in cash. At the time of acquisition, Telephonics Corporation was wholly-owned by Gritel, and as a result of the acquisition, became an indirect, wholly-owned subsidiary of the Company (collectively with ISC Farmingdale Corp., Telephonics).

For the quarter and three quarters ended October 2, 2023, legal, accounting, and other professional service costs associated with the acquisition of $90 and $598, respectively, have been expensed and recorded as general and administrative expense in the consolidated condensed statements of operations. For the quarter and three quarters ended October 3, 2022, bank fees and legal, accounting, and other professional service costs associated with the acquisition of $270 and $10,978, respectively, were expensed and recorded as general and administrative expense in the consolidated condensed statements of operations.

Purchase Price Allocation

The purchase price was allocated to tangible and intangible assets acquired, and liabilities assumed based on the fair value at the date of the acquisition, June 27, 2022. The excess of the purchase price over the fair value of net assets acquired was allocated to goodwill. The fair values were based on management's analysis, including work performed by third-party valuation specialists. The Company finalized the allocation of the purchase price during the second quarter of 2023.

The fair values assigned are based on reasonable methods applicable to the nature of the assets acquired and liabilities assumed. The following summarizes the final assigned fair values of net assets acquired:

	(In thousands)
Accounts receivable	$ 51,140
Contract assets	26,460
Inventories	38,616
Prepaid expenses and other current assets	5,605
Property, plant and equipment	69,253
Operating lease right-of-use assets	497
Goodwill	112,326
Identifiable intangible assets	101,000
Non-current deferred tax assets	913
Deposits and other non-current assets	3,129
Accounts payable	(16,026)
Contract liabilities	(65,262)
Accrued salaries, wages and benefits	(10,616)
Other current liabilities	(12,751)
Operating lease liabilities	(336)
Other long-term liabilities	(5,609)
Total	$ 298,339

Identifiable Intangible Assets

Acquired identifiable intangible assets include customer relationships, technology, backlog, and trade names. The fair value of the identifiable intangible assets was determined using various valuation methods including relief from royalty and excess earnings to determine the present value of expected future cash flows for each identifiable intangible asset based on discount rates. The expected cash flows were estimated using available historical data adjusted based on a market participant perspective. The Company used risk adjusted discount rates between 7.0% and 8.0% to discount the expected future cash flows.

The Company finalized the acquired identifiable intangible asset valuation during the second quarter of 2023. The Company recorded amortization expense of $20,064 related to the acquired identifiable intangible assets during the three quarters ended October 2, 2023 (of which $5,627 corresponded to the year ended January 2, 2023 due to the change in amortization period). For the three quarters ended October 2, 2023, $7,375 of amortization expense is included in cost of goods sold (of which $2,950 corresponded to the year ended January 2, 2023).

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. The Company believes that the acquisition of Telephonics will strengthen the Company's differentiated position in the Aerospace and Defense market. The Company believes that these factors support the amount of goodwill recognized as a result of the purchase price paid for Telephonics, in relation to other acquired tangible and intangible assets. The goodwill acquired in the acquisition is not deductible for income tax purposes.

Results of Operations

Included in the consolidated condensed statements of operations are net sales of $159,950 and $68,255, excluding intercompany sales, for the three quarters ended October 2, 2023 and October 3, 2022, respectively. Included in the consolidated condensed statements of operations are pre-tax income of $15,883 and $6,997, excluding amortization of intangibles, for the three quarters ended October 2, 2023 and October 3, 2022, respectively.

Pro forma Financial Information

The unaudited pro forma financial information below gives effect to this acquisition as if it had occurred at the beginning of fiscal 2022, or January 4, 2022. The pro forma financial information presented includes the effects of adjustments related to the amortization of acquired identifiable intangible assets, decrease in inventory markup, depreciation of acquired fixed assets, and other non-recurring transactions costs directly associated with the acquisition such as legal, accounting and banking fees.

The pro forma financial information as presented below is for informational purposes only and is not necessarily indicative of the actual results that would have been achieved had the acquisition occurred at the beginning of the earliest period presented, or the results that may be achieved in future periods.

	Quarter Ended		Three Quarters Ended	
	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
	(In thousands, except per share amounts)			
Net sales	$ 572,582	$ 671,080	$ 1,663,528	$ 1,984,958
Net (loss) income	(37,066)	41,254	(30,626)	88,905
Basic (loss) earnings per share	$ (0.36)	$ 0.40	$ (0.30)	$ 0.87
Diluted (loss) earnings per share	$ (0.36)	$ 0.40	$ (0.30)	$ 0.86

(3) Leases

The Company leases some of its manufacturing and assembly plants, sales offices and equipment under non-cancellable operating leases and finance leases that expire at various dates through 2043. The majority of the Company's lease arrangements are comprised of fixed payments and certain leases consist of variable payments based on equipment usage. These variable payments are not included in the measurement of the right-of-use (ROU) asset or lease liability due to uncertainty of the payment amount and are recorded as lease expense in the period incurred. Certain leases contain renewal provisions at the Company's option. Most of the leases require the Company to pay for certain other costs such as property taxes and maintenance. Certain leases also contain rent escalation clauses (step rents) that require additional rental amounts in the later years of the term. Rent expense for leases with step rents is recognized on a straight-line basis over the minimum lease term. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease expense were as follows:

	Quarter Ended		Three Quarters Ended	
	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
	(In thousands)			
Operating lease cost	$ 1,754	$ 2,080	$ 5,562	$ 5,756
Variable lease cost	179	383	674	837
Short-term lease cost	170	199	445	513
Finance lease costs:				
Amortization of right-of-use assets	344	344	1,031	1,031
Interest on lease liabilities	94	98	281	295

Supplemental cash flow information related to leases was as follows:

	Three Quarters Ended	
	October 2, 2023	October 3, 2022
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 5,632	$ 5,796
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	77,840	5,196

Supplemental balance sheet information related to leases was as follows:

		As of	
	Balance Sheet Location	October 2, 2023	January 2, 2023
		(In thousands)	
Assets:			
Operating leases	Operating lease right-of-use assets	$ 89,290	$ 18,862
Finance leases	Property, plant and equipment, net	12,354	13,384
Total lease assets		$ 101,644	$ 32,246
Liabilities:			
Current:			
Operating leases	Other current liabilities	$ 7,846	$ 7,368
Finance leases	Other current liabilities	778	736
Long-term:			
Operating leases	Operating lease liabilities	82,103	12,249
Finance leases	Other long-term liabilities	12,993	13,579
Total lease liabilities		$ 103,720	$ 33,932

	As of	
	October 2, 2023	January 2, 2023
Weighted average remaining lease term (years):		
Operating leases	13.1	3.3
Finance leases	12.9	13.6
Weighted average discount rate:		
Operating leases	6.11 %	3.09 %
Finance leases	2.69 %	2.69 %

Maturities of lease liabilities were as follows:

	Operating Leases [(1)]	Finance Leases
	(In thousands)	
Less than one year	$ 12,978	$ 1,136
1 - 2 years	11,403	1,133
2 - 3 years	9,038	1,175
3 - 4 years	8,203	1,184
4 - 5 years	7,844	1,228
Thereafter	87,535	10,538
Total lease payments	137,001	16,394
Less imputed interest	(47,052)	(2,623)
Total	$ 89,949	$ 13,771

(1) Excludes $851 of legally binding minimum lease payments for leases signed but not yet commenced.

(4) Revenues

As of October 2, 2023, the aggregate amount of the transaction price allocated to remaining performance obligations for long-term contracts was $353,941. The Company expects to recognize revenue on approximately 56% of the remaining performance obligations for the Company's long-term contracts over the next twelve months with the remaining amount expected to be recognized thereafter.

For contracts in which anticipated total costs exceed the total expected revenue, an estimated loss is recognized in the period when identifiable. A provision for the entire amount of the estimated loss is recorded on a cumulative basis. The estimated remaining costs to complete for loss contracts as of October 2, 2023 and January 2, 2023 were $19,202 and $21,632, respectively.

Revenue recognized for the three quarters ended October 2, 2023 from amounts recorded as contract liabilities as of January 2, 2023 was $33,939.

Revenue from products and services transferred to customers over time and at a point in time accounted for 96% and 4%, respectively, of the Company's revenue for the quarter and three quarters ended October 2, 2023, and 98% and 2%, respectively, of the Company's revenue for the quarter and three quarters ended October 3, 2022.

The following tables represent a disaggregation of revenue by principal end markets with the reportable segments:

	Quarter Ended October 2, 2023			Quarter Ended October 3, 2022 (1)		
	PCB	RF&S Components	Total	PCB	RF&S Components	Total
End Markets	(In thousands)					
Aerospace and Defense	$ 255,618	$ —	$ 255,618	$ 254,285	$ —	$ 254,285
Automotive	86,803	—	86,803	100,811	—	100,811
Data Center Computing	99,584	—	99,584	95,830	13	95,843
Medical/Industrial/Instrumentation	89,818	895	90,713	128,444	1,239	129,683
Networking	31,853	8,011	39,864	78,181	12,494	90,675
Other	—	—	—	(376)	159	(217)
Total	$ 563,676	$ 8,906	$ 572,582	$ 657,175	$ 13,905	$ 671,080

	Three Quarters Ended October 2, 2023			Three Quarters Ended October 3, 2022 (1)		
	PCB	RF&S Components	Total	PCB	RF&S Components	Total
End Markets	(In thousands)					
Aerospace and Defense	$ 742,194	$ —	$ 742,194	$ 616,141	$ —	$ 616,141
Automotive	272,644	—	272,644	327,825	—	327,825
Data Center Computing	221,759	51	221,810	293,802	33	293,835
Medical/Industrial/Instrumentation	279,565	2,557	282,122	379,867	5,023	384,890
Networking	118,156	26,602	144,758	211,590	41,360	252,950
Other	—	—	—	3,449	(1,200)	2,249
Total	$ 1,634,318	$ 29,210	$ 1,663,528	$ 1,832,674	$ 45,216	$ 1,877,890

(1) Amended for Telephonics integration.

(5) Composition of Certain Consolidated Condensed Financial Statement Captions

	As of	
	October 2, 2023	January 2, 2023
	(In thousands)	
Inventories:		
Raw materials	$ 161,870	$ 145,561
Work-in-process	40,378	20,114
Finished goods	3,928	4,964
	$ 206,176	$ 170,639
Property, plant and equipment, net:		
Land and land use rights	$ 76,811	$ 76,811
Buildings and improvements	448,756	443,353
Machinery and equipment	986,615	989,935
Furniture and fixtures and other	10,155	11,327
Construction-in-progress	141,135	27,774
	1,663,472	1,549,200
Less: Accumulated depreciation	(855,101)	(824,996)
	$ 808,371	$ 724,204
Other current liabilities:		
Accrued capital expenditures	$ 48,181	$ —
Income taxes payable	16,944	28,057
Sales return and allowances	12,216	12,319
Accrued facility operating costs	9,516	9,081
Operating leases	7,846	7,368
Warranty	7,929	8,045
Housing fund	7,410	7,440
Restructuring	5,738	2,513
Accrued professional fees	2,805	5,123
Interest	1,902	9,336
Derivative liabilities	1,040	1,622
Other	31,775	39,128
	$ 153,302	$ 130,032
Other long-term liabilities:		
Deferred income taxes	$ 59,130	$ 54,268
Customer deposits	31,250	38,750
Finance leases	12,993	13,579
Defined benefit pension plan liability	2,475	2,471
Other	24,327	25,976
	$ 130,175	$ 135,044

On December 22, 2022, land, building, and relevant ancillary assets related to the Company’s former Shanghai E-MS (SH E-MS) manufacturing facility were expropriated by the Chinese government for a compensation fee of Renminbi (RMB) 477.6 million generating a gain on the sale of $51,804. The Company has received 90% of the proceeds as of October 2, 2023 and expects to receive the remaining 10% of the proceeds before December 30, 2023. As of October 2, 2023 and January 2, 2023, the receivable from sale of SH E-MS property was $6,554 and $69,240, respectively.

(6) Goodwill

As of October 2, 2023 and January 2, 2023, goodwill by reportable segment was as follows:

	PCB	RF&S Components	Total
		(In thousands)	
Balance as of January 2, 2023			
Goodwill	$ 823,837	$ 177,200	$ 1,001,037
Accumulated impairment losses	(171,400)	(69,200)	(240,600)
	652,437	108,000	760,437
Impairment loss during the three quarters ended October 2, 2023	—	(44,100)	(44,100)
Goodwill adjustment during the three quarters ended October 2, 2023	(10,787)	—	(10,787)
Derecognition of goodwill due to sale of subsidiary	(2,815)	—	(2,815)
Balance as of October 2, 2023			
Goodwill	810,235	177,200	987,435
Accumulated impairment losses	(171,400)	(113,300)	(284,700)
	$ 638,835	$ 63,900	$ 702,735

The Company evaluates its goodwill on an annual basis during its fourth fiscal quarter and at other times when events or changes in circumstances – such as significant adverse changes in the business climate or operating results or changes in management strategy, coupled with a decline in the market price of its stock and market capitalization – indicate that there may be a potential impairment. The Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount or performs a quantitative impairment test.

During the third quarter of 2023, the Company experienced lower than anticipated results, lower forecasted sales in future years, and a continued decline in sales in the RF and Specialty Components (RF&S Components) reporting unit. The Company considered these factors to be indicators of potential impairment requiring the Company to test the related goodwill for impairment. As of October 2, 2023, the Company completed a quantitative goodwill impairment analysis related to its RF&S Components reporting unit by comparing the fair value of the reporting unit with its carrying amount. In making this assessment, management relies on a number of factors, including expected future operating results, business plans, economic projections, anticipated future cash flows, business trends and declines in the Company’s market capitalization. The Company determined the fair value of the reporting unit by using both a discounted cash flow (DCF) and a market approach. Under the market approach, the Company used revenue and earnings multiples based on comparable industry multiples to estimate the fair value of the reporting unit. If the carrying amount of a reporting unit exceeds the reporting unit’s fair value, the amount by which the carrying value exceeds the fair value is recognized as an impairment loss.

Under the DCF approach, the Company estimated the future cash flows, as well as selected a risk-adjusted discount rate to measure the present value of the anticipated cash flows. When determining future cash flow estimates, the Company considered historical results adjusted to reflect current and anticipated future operating conditions. The Company estimated cash flows for the reporting unit over a discrete period and a terminal period (considering expected long-term growth rates and trends).

Based on its analysis, the Company determined that the fair value of the RF&S Components reporting unit was less than its carrying value and recorded a non-cash goodwill impairment charge of $44,100 during the quarter ended October 2, 2023. If the Company's future cash flow projections and other fair value assumptions for its reporting unit change, the Company’s goodwill may be subject to potential additional impairment charges in subsequent quarters. Estimating the fair value of the reporting unit requires the Company to make assumptions and estimates in such areas as future economic conditions, industry-specific conditions, product pricing, and necessary capital expenditures. The use of different assumptions or estimates for future cash flows, discount rates, or terminal growth rates could produce substantially different estimates of the fair value of the reporting unit.

In addition, the Company decreased goodwill by $10,787 during the three quarters ended October 2, 2023 due to an adjustment to the estimate of fair value for identifiable intangible assets and deferred taxes. Goodwill recognized as a result of the acquisition of Telephonics was finalized during the second quarter of 2023. See Note 2, *Acquisition of Gritel and ISC Farmingdale Corp.*, for further information.

(7) Definite-lived Intangibles

As of October 2, 2023 and January 2, 2023, the components of definite-lived intangibles were as follows:

	Gross Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period
		(In thousands)		(In years)
October 2, 2023				
Customer relationships	$ 416,230	$ (213,274)	$ 202,956	11.2
Technology	66,650	(24,942)	41,708	8.2
Backlog	13,000	(8,125)	4,875	2.0
Trade names	2,500	(1,563)	937	2.0
	$ 498,380	$ (247,904)	$ 250,476	
January 2, 2023				
Customer relationships	$ 366,071	$ (187,560)	$ 178,511	11.3
Technology	47,650	(24,876)	22,774	9.5
Acquired intangibles from acquisition				
Customer relationships	82,500	(3,173)	79,327	13.0
Trade names	8,250	(825)	7,425	5.0
	$ 504,471	$ (216,434)	$ 288,037	

The Company has acquired customer relationships, technology, backlog and trade names as a result of the Telephonics acquisition. See Note 2, *Acquisition of Gritel and ISC Farmingdale Corp.*, for further information.

Definite-lived intangibles are amortized using the straight-line method of amortization over the useful life. Amortization expense was $13,764 and $11,657 for the quarters ended October 2, 2023 and October 3, 2022, respectively, and $47,811 and $30,973 for the three quarters ended October 2, 2023 and October 3, 2022, respectively. For the quarter and three quarters ended October 2, 2023, $2,335 and $10,566, respectively, of amortization expense is included in cost of goods sold. For the quarter and three quarters ended October 3, 2022, $1,384 and $4,151, respectively, of amortization expense is included in cost of goods sold.

Estimated aggregate amortization for definite-lived intangible assets for the next five years and thereafter is as follows:

	(In thousands)
Remaining 2023	$ 13,766
2024	44,892
2025	36,897
2026	36,897
2027	34,543
Thereafter	83,481
	$ 250,476

(8) Long-term Debt and Letters of Credit

The following table summarizes the long-term debt of the Company as of October 2, 2023 and January 2, 2023:

	Interest Rate as of October 2, 2023	Principal Outstanding as of October 2, 2023	Interest Rate as of January 2, 2023	Principal Outstanding as of January 2, 2023
	(In thousands, except interest rates)			
Senior Notes due March 2029	4.00 %	$ 500,000	4.00 %	$ 500,000
Term Loan due May 2030	8.07	349,125	—	—
Asia ABL Revolving Loan due June 2028	6.62	30,000	5.79	30,000
Term Loan due September 2024	—	—	6.89	405,879
		879,125		935,879
Less: Long-term debt unamortized debt issuance costs		(8,312)		(6,080)
Long-term debt unamortized discount		(3,364)		(392)
		867,449		929,407
Less: current maturities		(2,625)		(50,000)
Long-term debt, less current maturities		$ 864,824		$ 879,407

Term Loan Facility

On May 30, 2023, pursuant to an Amended & Restated Term Loan Credit Agreement by and among the Company, JPMorgan Chase Bank, N.A., as Administrative Agent, and the several lenders from time to time parties thereto (Term Loan Credit Agreement), the Company closed its $350,000 senior secured Term Loan due 2030 (Term Loan Facility). This Term Loan Facility had an outstanding balance of $349,125 as of October 2, 2023, of which $2,625 is included in short-term debt and $346,500 is included in long-term debt. The Term Loan Facility was issued with a 1.0% original issue discount and bears interest at a floating rate of 1-month CME Term SOFR plus an applicable margin of 2.75%. There is no provision, other than an event of default, for the interest margin to increase. The Company is required to make quarterly principal repayments in an aggregate annual amount equal to 1% of the initial aggregate principal amount of the Term Loan Facility. Such principal repayment is payable quarterly on January 1, April 1, July 1, and October 1 and ending with the last such day to occur prior to May 30, 2030. The remaining principal under the Term Loan Facility is scheduled to mature on May 30, 2030. In addition, the Term Loan Credit Agreement permits the Company to add one or more senior secured incremental term loan facilities to the Term Loan Facility subject to the satisfaction of certain conditions.

The Company used $234,818 under the Term Loan Facility and $115,182 of cashless rollover from continuing lenders, together with cash on hand, to refinance the full amount of indebtedness outstanding under the Company's previous Term Loan Facility that was due to mature in 2024, as well as to pay related fees and expenses.

The obligations under the Term Loan Facility are unconditionally guaranteed by each Subsidiary Guarantor of the Company, subject to certain exceptions (Guarantors). The Term Loan Facility is secured by (i) a perfected first priority security interest in substantially all of the assets of the Company and the Guarantors (other than the U.S. ABL Priority Collateral (as defined below)), including all of the total outstanding voting capital stock held by the Company and the Guarantors (subject to a limitation of 65% on pledges of such capital stock of certain foreign subsidiaries and domestic holding companies of foreign subsidiaries) and (ii) a perfected second priority interest in all of the U.S. ABL Priority Collateral. The Term Loan Facility is structurally senior to the Company's Senior Notes due 2029.

Asset-Based Lending Agreements

The Company amended and restated its U.S. Asset-Based Lending Credit Agreement (U.S. ABL) on May 30, 2023 and its Asia Asset-Based Lending Credit Agreement (Asia ABL) on June 14, 2023. Both agreements were amended for the benchmark interest rate and margins and maturity was extended to May 2028 and June 2028 for the U.S. ABL and the Asia ABL, respectively.

The U.S. ABL is comprised of a revolving credit facility for up to $150,000 and a sublimit for letter of credit for up to $50,000, provided that at no time may amounts outstanding under the agreement exceed in the aggregate $150,000 or the applicable borrowing base, which is the sum of (i) a percentage of the principal amount of "Eligible Accounts", plus (ii) a percentage of the net orderly liquidation value of (x) "Eligible Inventory", minus (y) "Inventory Reserves" applicable thereto, minus (iii) "Reserves", each as defined in the U.S. ABL agreement.

Borrowings under the U.S. ABL bear interest at a floating rate of Term SOFR plus a margin ranging from 1.25% to 1.50%. The applicable margin can vary based on the remaining availability of the facility, from 1.25% to 1.50% for Term SOFR-based loans and from 0.25% to 0.50% for JPMorgan Chase Bank's prime rate-based loans. Other than availability and an event of default, there are no other provisions for the interest margin to increase. The Company is also required to pay certain fees in connection with the U.S. ABL

agreement, including unused commitment fees based on the average daily unused portion of the U.S. ABL facility, equal to 0.25% on an annual basis.

The U.S. ABL is scheduled to mature on May 30, 2028. The Guarantors have also fully guaranteed the full and timely payment of all obligations in respect of the U.S. ABL. Loans made under the U.S. ABL are secured by a perfected first priority security interest in certain deposit accounts, cash and cash equivalents, accounts receivable and certain U.S. inventory (U.S. ABL Priority Collateral) as well as by a perfected second priority interest in all of the collateral securing the Term Loan Facility.

The Asia ABL is comprised of a revolving credit facility for up to $150,000 and a sublimit for letter of credit for up to $100,000, provided that at no time may amounts outstanding under the agreement exceed in aggregate $150,000 or the applicable borrowing base, which is a percentage of the principal amount of Eligible Accounts, as defined in the Asia ABL agreement.

Borrowings under the Asia ABL bear interest at a floating rate of Term SOFR plus 1.30%. There is no provision, other than an event of default, for the interest margin to increase. The Company is also required to pay certain fees in connection with the Asia ABL agreement, including unused commitment fees based on the average daily unused portion of the Asia ABL facility, equal to 0.25% on an annual basis.

The Asia ABL is scheduled to mature on June 13, 2028. Loans made under the Asia ABL are secured by a portion of the Company’s Asia Pacific cash and receivables and are structurally senior to the Company’s domestic obligations, including the Senior Notes due 2029.

As of October 2, 2023, letters of credit in the amount of $6,191 were outstanding under the U.S. ABL and $21,961 were outstanding under the Asia ABL with various maturities through November 2024. Available borrowing capacity under the U.S. ABL and the Asia ABL was $143,809 and $98,039, respectively, which considers letters of credit outstanding as of October 2, 2023.

Debt Covenants

Borrowings under the Senior Notes due 2029 and Term Loan Facility are subject to certain affirmative and negative covenants, including limitations on indebtedness, corporate transactions, investments, dispositions, and restricted payments.

Under the occurrence of certain events, the U.S. Asset-Based Lending Credit Agreement (U.S. ABL) and Asia Asset-Based Lending Credit Agreement (Asia ABL) (collectively, the ABL Revolving Loans), are subject to various financial covenants, including leverage and fixed charge coverage ratios.

Debt Issuance and Debt Discount

As of October 2, 2023 and January 2, 2023, remaining unamortized debt issuance costs and debt discount for the Senior Notes due 2029 and Term Loan Facility are as follows:

	As of October 2, 2023			As of January 2, 2023		
	Debt Issuance Costs	Debt Discount	Effective Interest Rate	Debt Issuance Costs	Debt Discount	Effective Interest Rate
	(In thousands, except interest rates)					
Senior Notes due March 2029	$ 4,260	$ —	4.18 %	$ 4,779	$ —	4.18 %
Term Loan due May 2030	4,052	3,364	8.26	—	—	—
Term Loan due September 2024	—	—	—	1,301	392	4.66
	$ 8,312	$ 3,364		$ 6,080	$ 392	

The above debt issuance costs and debt discount are recorded as a reduction of the debt and are amortized into interest expense using an effective interest rate over the duration of the debt.

The remaining unamortized debt issuance costs for the ABL Revolving Loans of $1,695 and $792 as of October 2, 2023 and January 2, 2023, respectively, are included in other non-current assets and are amortized to interest expense over the duration of the ABL Revolving Loans using the straight-line method of amortization.

As of October 2, 2023, the remaining weighted average amortization period for all unamortized debt issuance costs and debt discount was 6.0 years.

Loss on Extinguishment of Debt

During the three quarters ended October 2, 2023, the Company recognized loss on extinguishment of debt of $1,154, primarily associated with the write-off of the remaining unamortized debt issuance costs and debt discount as a result of the repayment of the remaining outstanding balance of the Term Loan Facility that was due to mature September 2024.

(9) Income Taxes

The Company's effective tax rate is impacted by the mix of foreign and U.S. income, tax rates in China and Hong Kong, the U.S. federal income tax rate, apportioned state income tax rates, the generation of credits and deductions available to the Company as well as changes in valuation allowances and certain non-deductible items. No tax benefit was recorded on the losses incurred in certain foreign jurisdictions as a result of corresponding increases in the valuation allowances in these jurisdictions.

During the quarter and three quarters ended October 2, 2023, the Company's effective tax rate was impacted by a net discrete benefit of $1,286. This is primarily related to the finalization of the Company's U.S. and Hong Kong corporate income tax returns, which included adjustments to various income and expense components.

The Company has various foreign subsidiaries formed or acquired to conduct or support its business outside the U.S. The Company expects its earnings attributable to most foreign subsidiaries may be repatriated back to the U.S. and so a deferred tax liability has been recorded for foreign withholding taxes and the estimated federal/state tax impact on any repatriation. For those other companies with earnings currently being reinvested outside of the U.S., no deferred tax liability on undistributed earnings has been recorded.

(10) Segment Information

The reportable segments shown below are the Company's segments for which separate financial information is available and upon which operating results are evaluated by the chief operating decision maker to assess performance and to allocate resources.

The Company, including the chief operating decision maker, evaluates segment performance based on reportable segment income, which is operating income before amortization of intangibles. Interest expense and interest income are not presented by segment since they are not included in the measure of segment profitability reviewed by the chief operating decision maker. All inter-segment transactions have been eliminated.

	Quarter Ended		Three Quarters Ended	
	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
	(In thousands)			
Net Sales:				
PCB [1]	$ 563,676	$ 657,175	$ 1,634,318	$ 1,832,674
RF&S Components	8,906	13,905	29,210	45,216
Total net sales	$ 572,582	$ 671,080	$ 1,663,528	$ 1,877,890
Operating Segment (Loss) Income:				
PCB [1]	$ 82,868	$ 89,868	$ 192,981	$ 238,316
RF&S Components	(41,441)	5,984	(36,071)	18,412
Corporate and Other [1]	(37,865)	(34,417)	(101,361)	(112,907)
Total operating segment income	3,562	61,435	55,549	143,821
Amortization of definite-lived intangibles [2]	(13,764)	(11,657)	(47,811)	(30,973)
Total operating (loss) income	(10,202)	49,778	7,738	112,848
Total other expense, net	(7,057)	(615)	(25,325)	(13,079)
(Loss) income before income taxes	$ (17,259)	$ 49,163	$ (17,587)	$ 99,769

	As of	
	October 2, 2023	January 2, 2023
	(In thousands)	
Segment Assets:		
PCB	$ 2,016,088	$ 1,890,723
RF&S Components	145,364	202,619
Corporate and Other	1,105,050	1,230,262
Total assets	$ 3,266,502	$ 3,323,604

(1) Amended for Telephonics integration.
(2) Amortization of definite-lived intangibles relates to the PCB and RF&S Components reportable segments. For the quarter and three quarters ended October 2, 2023, $2,335 and $10,566, respectively, of amortization expense is included in cost of goods sold. For the quarter and three quarters ended October 3, 2022, $1,384 and $4,151, respectively, of amortization expense is included in cost of goods sold.

During the quarter and three quarters ended October 2, 2023, the Company recorded a non-cash goodwill impairment charge of $44,100 related to its RF&S Components reportable segment.

The Corporate and Other category primarily includes operating expenses that are not included in the segment operating performance measures. Corporate and Other consists primarily of corporate governance functions such as finance, accounting, information technology and human resources personnel, as well as global sales and marketing personnel, research and development costs, and acquisition and integration costs associated with acquisitions and divestitures.

The Company markets and sells its products in approximately 60 countries. Other than in the United States, the Company does not conduct business in any country in which its net sales in that country exceed 10% of the Company's total net sales. Net sales are as follows:

	Quarter Ended		Three Quarters Ended	
	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
	(In thousands)			
Net Sales:				
United States	$ 319,105	$ 343,696	$ 949,668	$ 882,577
China [1]	35,376	88,280	127,653	273,068
Other	218,101	239,104	586,207	722,245
Total net sales	$ 572,582	$ 671,080	$ 1,663,528	$ 1,877,890

(1) Includes Hong Kong

Net sales are attributed to countries by country invoiced.

(11) Accumulated Other Comprehensive Loss

The following provides a summary of the components of accumulated other comprehensive loss, net of tax, as of October 2, 2023 and January 2, 2023:

	Foreign Currency Translation	Pension Obligation	Gains (Losses) on Cash Flow Hedges	Total
	(In thousands)			
Ending balance as of January 2, 2023	$ (25,984)	$ 1,279	$ (85)	$ (24,790)
Other comprehensive (loss) income before reclassifications	(7,112)	—	8,150	1,038
Amounts reclassified from accumulated other comprehensive loss	—	—	(1,558)	(1,558)
Other comprehensive (loss) income	(7,112)	—	6,592	(520)
Ending balance as of October 2, 2023	$ (33,096)	$ 1,279	$ 6,507	$ (25,310)

(12) Significant Customers and Concentration of Credit Risk

Financial instruments that are potentially subject to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable.

The Company had cash and cash equivalents held by its foreign subsidiaries of $198,286 and $161,708 as of October 2, 2023 and January 2, 2023, respectively. The Company maintains its cash and cash equivalents with major financial institutions and such balances exceed Federal Deposit Insurance Corporation insurance limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.

In the normal course of business, the Company extends credit to its customers. Some customers to whom the Company extends credit are located outside the United States. The Company performs on-going credit evaluations of customers, does not require collateral, and considers the credit risk profile of the entity from which the receivable is due in further evaluating collection risk. There were no customers that accounted for 10% or more of accounts receivable as of October 2, 2023. As of January 2, 2023, there was one customer that accounted for 11% of the Company's accounts receivable.

The Company's customers include both OEMs and EMS companies. The Company's OEM customers often direct a significant portion of their purchases through EMS companies. While the Company's customers include both OEM and EMS providers, the Company measures customer concentration based on OEM companies, as they are the ultimate end customers.

For the quarter ended October 2, 2023, two customers collectively accounted for approximately 23% of the Company's net sales. There were no customers that accounted for 10% or more of net sales for the quarter ended October 3, 2022. For the three quarters ended October 2, 2023 and October 3, 2022, one customer accounted for approximately 13% and 10% of the Company's net sales, respectively.

(13) Fair Value Measures

The Company measures at fair value its financial and non-financial assets by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability.

The carrying amount and estimated fair value of the Company’s financial instruments as of October 2, 2023 and January 2, 2023 were as follows:

	As of October 2, 2023		As of January 2, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Derivative assets, current	$ 4,434	$ 4,434	$ —	$ —
Derivative assets, non-current	4,279	4,279	—	—
Derivative liabilities, current	1,040	1,040	1,622	1,622
Senior Notes due March 2029	495,740	415,865	495,221	430,165
Term Loan due May 2030	341,709	349,781	—	—
Term Loan due September 2024	—	—	404,186	405,628
ABL Revolving Loans	30,000	30,000	30,000	30,000

The fair value of the derivative instruments was determined using pricing models developed based on the 1-month CME Term SOFR swap rate, foreign currency exchange rates, and other observable market data, including quoted market prices, as appropriate using Level 2 inputs. The values were adjusted to reflect non-performance risk of both the counterparty and the Company, as necessary.

The fair value of the long-term debt was estimated based on quoted market prices or discounting the debt over its life using current market rates for similar debt as of October 2, 2023 and January 2, 2023, which are considered Level 2 inputs.

As of October 2, 2023 and January 2, 2023, the Company’s other financial instruments included cash and cash equivalents, accounts receivable, contract assets, accounts payable, and contract liabilities. The carrying amount of these instruments approximates fair value.

The majority of the Company’s non-financial assets and liabilities, which include goodwill, intangible assets, inventories, and property, plant and equipment, are not required to be carried at fair value on a recurring basis. However, if certain triggering events occur (or are tested at least annually in the case of goodwill) such that a non-financial instrument is required to be evaluated for impairment, based upon a comparison of the non-financial instrument’s fair value to its carrying value, an impairment is recorded to reduce the carrying value to the fair value, if the carrying value exceeds the fair value.

As of October 2, 2023, the Company’s goodwill balance related to its RF&S Components reporting unit of $63,900 was measured at fair value on a nonrecurring basis. The Company recorded a non-cash goodwill impairment charge of $44,100 related to its RF&S Components reporting unit during the quarter and three quarters ended October 2, 2023. The fair value of goodwill was determined using both a DCF and a market approach, which are considered Level 3 inputs.

(14) Commitments and Contingencies

Legal Matters

The Company is subject to various legal matters, which it considers normal for its business activities. While the Company currently believes that the amount of any reasonably possible loss for known matters would not be material to the Company’s financial condition, the outcome of these actions is inherently difficult to predict. In the event of an adverse outcome, the ultimate potential loss could have a material adverse effect on the Company’s financial condition or results of operations in a particular period. The Company has accrued amounts for its loss contingencies which are probable and estimable as of October 2, 2023 and January 2, 2023 and included as a component of other current liabilities. However, these amounts are not material to the consolidated condensed financial statements of the Company.

Offset Agreements

The Company has and may continue to enter into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to obtaining orders for products and services from customers in foreign countries. These agreements are intended to promote investment in the applicable country, and the Company’s obligations under these agreements may be satisfied through activities that do not require the Company to use cash, including transferring technology or providing manufacturing and other consulting support. The obligations under these agreements may also be satisfied through the use of cash for activities such as purchasing supplies from in-country vendors, setting up support centers, research and development investments, acquisitions, and building or leasing facilities for in-country operations. The amount of the offset requirement is determined by contract value awarded

and negotiated percentages with customers. As of October 2, 2023, the Company had outstanding offset agreements of approximately $27,963, some of which extend through 2028. Offset programs usually extend over several years and in some cases provide for penalties in the event the Company fails to perform in accordance with contract requirements. Historically, the Company has not paid any such penalties, and as of October 2, 2023, no such penalties have been paid.

(15) (Loss) Earnings Per Share

The following is a reconciliation of the numerator and denominator used to calculate basic earnings per share and diluted earnings per share for the quarter and three quarters ended October 2, 2023 and October 3, 2022:

	Quarter Ended		Three Quarters Ended	
	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
	(In thousands, except per share amounts)			
Net (loss) income	$ (37,066)	$ 43,528	$ (36,056)	$ 88,566
Basic weighted average shares	103,510	102,196	102,873	102,016
Dilutive effect of performance-based restricted stock units, restricted stock units and stock options	—	1,524	—	1,720
Dilutive effect of outstanding warrants	—	—	—	2
Diluted shares	103,510	103,720	102,873	103,738
(Loss) earnings per share:				
Basic	$ (0.36)	$ 0.43	$ (0.35)	$ 0.87
Diluted	$ (0.36)	$ 0.42	$ (0.35)	$ 0.85

For the quarter and three quarters ended October 2, 2023, potential shares of common stock, consisting of stock options to purchase approximately 60 shares of common stock at exercise prices ranging from $11.83 to $16.60 per share and 697 performance-based restricted stock units (PRUs) were not included in the computation of diluted earnings per share because the Company incurred a net loss and as a result, the impact would be anti-dilutive. For the quarter and three quarters ended October 2, 2023, potential shares of common stock, consisting of 3,533 and 3,204 restricted stock units (RSUs), respectively were not included in the computation of diluted earnings per share because the Company incurred a net loss and as a result, the impact would be anti-dilutive.

PRUs, RSUs, and stock options to purchase 41 and 690 shares of common stock for the quarter and three quarters ended October 3, 2022, respectively, were not included in the computation of diluted earnings per share. The PRUs were not included in the computation of diluted earnings per share because the performance conditions had not been met at October 3, 2022, and for RSUs and stock options, the options' exercise prices or the total expected proceeds under the treasury stock method was greater than the average market price of common stock during the applicable quarter and three quarters and, as a result, the impact would be anti-dilutive.

(16) Stock-Based Compensation

Stock-based compensation expense is recognized in the accompanying consolidated condensed statements of operations as follows:

	Quarter Ended		Three Quarters Ended	
	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
	(In thousands)			
Cost of goods sold	$ 2,212	$ 1,699	$ 5,371	$ 4,147
Selling and marketing	888	762	2,327	2,032
General and administrative	2,958	2,685	8,197	7,134
Research and development	309	324	833	818
Stock-based compensation expense recognized	$ 6,367	$ 5,470	$ 16,728	$ 14,131

Summary of Unrecognized Compensation Costs

The following is a summary of total unrecognized compensation costs as of October 2, 2023:

	Unrecognized Stock-Based Compensation Cost	Remaining Weighted Average Recognition Period
	(In thousands)	(In years)
RSU awards	$ 41,382	1.6
PRU awards	2,919	1.6
	$ 44,301	

(17) Restructuring Charges

On February 8, 2023, the Company announced a consolidation plan, which includes closing three of its manufacturing facilities and consolidating the operations of those facilities into other Company facilities. The three manufacturing facilities are PCB operations located in Anaheim and Santa Clara, California, and Hong Kong. As of October 2, 2023, the Company has ceased operations at the Hong Kong and Anaheim manufacturing facilities. The Company expects the Santa Clara facility to cease operations by the end of 2023. The Company expects to record between $22,000 and $28,000 in separation, accelerated depreciation and disposal costs related to this restructuring during 2023. Approximately 80% of these costs are expected to be in the form of cash expenditures and the rest in the form of non-cash charges. As of October 2, 2023, the Company has incurred approximately $15,525 of restructuring charges and $3,374 of accelerated depreciation expense since the February 8, 2023 announcement.

In addition to this consolidation plan, the Company recognized employee separation, contract termination and other costs during the quarter and three quarters ended October 2, 2023 and October 3, 2022 in connection with other global realignment restructuring efforts. Contract termination and other costs primarily represented plant closure costs.

The below table summarizes such restructuring costs by reportable segment for the quarter and three quarters ended October 2, 2023 and October 3, 2022:

	Quarter Ended October 2, 2023			Three Quarters Ended October 2, 2023		
	Employee Separation/ Severance	Contract Termination and Other Costs	Total	Employee Separation/ Severance	Contract Termination and Other Costs	Total
	(In thousands)					
Reportable Segment:						
PCB	$ 1,924	$ 2,167	$ 4,091	$ 13,066	$ 5,352	$ 18,418
RF&S Components	—	—	—	14	—	14
Corporate and Other	—	—	—	305	324	629
	$ 1,924	$ 2,167	$ 4,091	$ 13,385	$ 5,676	$ 19,061

	Quarter Ended October 3, 2022			Three Quarters Ended October 3, 2022		
	Employee Separation/ Severance	Contract Termination and Other Costs	Total	Employee Separation/ Severance	Contract Termination and Other Costs	Total
	(In thousands)					
Reportable Segment: [(1)]						
PCB	$ —	$ 506	$ 506	$ —	$ 849	$ 849
Corporate and Other	—	121	121	31	387	418
	$ —	$ 627	$ 627	$ 31	$ 1,236	$ 1,267

(1) There were no restructuring costs incurred for RF&S Components reportable segment during the quarter and three quarters ended October 3, 2022.

Accrued restructuring costs are included as a component of other current liabilities in the consolidated condensed balance sheet. The below table shows the utilization of the accrued restructuring costs during the three quarters ended October 2, 2023:

	Employee Separation/ Severance	Contract Termination and Other Costs	Total
	(In thousands)		
Accrued as of January 2, 2023	$ 2,510	$ 3	$ 2,513
Charged to expense	13,385	5,676	19,061
Amount paid, net of government contributions eligible for offsetting	(10,980)	(4,856)	(15,836)
Accrued as of October 2, 2023	$ 4,915	$ 823	$ 5,738

(18) Share Repurchase Program

On May 3, 2023, the Company's Board of Directors authorized and approved a share repurchase program (the “2023 Repurchase Program”), under which the Company may repurchase up to $100,000 in value of the Company’s outstanding shares of common stock from time to time through May 3, 2025. The Company may repurchase shares through open market purchases, privately-negotiated transactions, or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended (Exchange Act), which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. In addition, the Company expects to adopt one or more trading plans in accordance with Rule 10b5-1 of the Exchange Act to facilitate certain purchases that may be effected under the share repurchase program. The timing, manner, price and amount of any repurchases will be determined at the Company’s discretion, and the share repurchase program may be suspended, terminated or modified at any time for any reason. The repurchase program does not obligate the Company to acquire any specific number of shares.

During the quarter and three quarters ended October 2, 2023, the Company repurchased 1,020 shares of common stock for a total cost of approximately $14,617 (including commissions). As of October 2, 2023, the remaining amount in value available to be repurchased under the 2023 Repurchase Program was approximately $85,383.

(19) Financial Instruments

Derivatives

Interest Rate Swaps

The Company’s business is exposed to risk resulting from fluctuations in interest rates on certain SOFR-based variable rate debt. Increases in interest rates increase interest expenses relating to the outstanding variable rate borrowings and increase the cost of debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of the debt obligations.

On March 23, 2023, the Company entered into a four-year pay-fixed, receive floating (1-month CME Term SOFR), interest rate swap arrangement with a notional amount of $250,000 for the period beginning April 1, 2023 and ending on April 1, 2027. Under the terms of the interest rate swap, the Company pays a fixed rate of 3.49% against a portion of its Term SOFR-based debt and receives a floating 1-month CME Term SOFR during the swap period.

At inception, the Company designated the interest rate swap as a cash flow hedge and the fair value of the interest rate swap was zero. As of October 2, 2023, the fair value of the interest rate swap was recorded as an asset, of which $4,434 is included as a component of prepaid expenses and other current assets and $4,279 is included as a component of deposits and other non-current assets. The change in the fair value of the interest rate swap is recorded as a component of accumulated other comprehensive loss, net of tax in the Company's consolidated condensed balance sheets. No ineffectiveness was recognized for the quarter and three quarters ended October 2, 2023. The interest rate swap decreased interest expense by $1,116 and $2,084 for the quarter and three quarters ended October 2, 2023, respectively.

Foreign Exchange Contracts

The Company’s foreign subsidiaries may at times purchase forward exchange contracts to manage their foreign currency risks in relation to certain purchases of machinery denominated in foreign currencies other than the Company’s functional currencies. The notional amount of the foreign exchange contracts was $1,925 (Euro (EUR) 1.8 million) and $1,625 (EUR 1.4 million) as of October 2, 2023 and January 2, 2023, respectively. The Company has designated certain of these foreign exchange contracts as cash flow hedges.

Commodity Price Risk Management

The Company uses various raw materials in the manufacturing of PCBs. Copper clad laminates (CCLs), a key raw material for the manufacture of PCBs, are made from epoxy resin, glass cloth and copper foil. The Company only buys a small amount of copper directly. However, copper is a major driver of laminate cost. The Company enters into commodity contracts to hedge copper as a proxy for hedging laminate. As of October 2, 2023, the Company has commodity contracts with a notional quantity of (i) 0.7 metric tonnes for the period beginning October 1, 2023 and ending on December 31, 2023, (ii) 0.7 metric tonnes for the period beginning January 1, 2024 and ending on March 31, 2024, (iii) 0.6 metric tonnes for the period beginning April 1, 2024 and ending on June 30, 2024, and (iv) 0.6 metric tonnes for the period beginning July 1, 2024 and ending on September 30, 2024. As of October 2, 2023, the fair value of the commodity contracts was recorded as a liability in the amount of $997 and included as a component of other current liabilities. The changes in the fair value of these commodity contracts are recorded in cost of goods sold in the consolidated condensed statements of operations. The commodity contracts increased cost of goods sold by $997 and $1,152 for the quarter and three quarters ended October 2, 2023, respectively. The commodity contracts increased cost of goods sold by $1,204 and $5,011 for the quarter and three quarters ended October 3, 2022, respectively. These commodity contracts are not designated as accounting hedges.

The fair values of derivative instruments in the consolidated condensed balance sheets are as follows:

	Balance Sheet Location	Asset/(Liability) Fair Value October 2, 2023	Asset/(Liability) Fair Value January 2, 2023
		(In thousands)	
Cash flow derivative instruments designated as hedges:			
Interest rate swap	Prepaid expenses and other current assets	$ 4,434	$ —
Interest rate swap	Deposits and other non-current assets	4,279	—
Foreign exchange contracts	Other current liabilities	(43)	(133)
Cash flow derivative instruments not designated as hedges:			
Commodity contracts	Other current liabilities	(997)	(1,489)

The following table provides information about the amounts recorded in accumulated other comprehensive loss related to derivatives designated as cash flow hedges, as well as the amounts recorded in each caption in the consolidated condensed statements of operations when derivative amounts are reclassified out of accumulated other comprehensive loss for the quarter and three quarters ended October 2, 2023 and October 3, 2022:

	Financial Statement Caption	Quarter Ended October 2, 2023		Quarter Ended October 3, 2022	
		Gain Recognized in Other Comprehensive Loss	Amounts Reclassified into Income	Gain Recognized in Other Comprehensive Income	Amounts Reclassified into Income
		(In thousands)			
Cash flow hedge:					
Interest rate swap	Interest expense	$ 3,988	$ (1,116)	$ —	$ —

	Financial Statement Caption	Three Quarters Ended October 2, 2023		Three Quarters Ended October 3, 2022	
		Gain Recognized in Other Comprehensive Loss	Amounts Reclassified into Income	Gain Recognized in Other Comprehensive Income	Amounts Reclassified into Income
		(In thousands)			
Cash flow hedge:					
Interest rate swap	Interest expense	$ 10,797	$ (2,084)	190	$ (4,105)

The following table provides a summary of the activity associated with the designated cash flow hedges reflected in accumulated other comprehensive loss for the three quarters ended October 2, 2023 and October 3, 2022:

	Three Quarters Ended October 2, 2023	Three Quarters Ended October 3, 2022
	(In thousands)	
Beginning balance, net of tax	$ (85)	$ (3,223)
Changes in fair value gain (loss), net of tax	8,150	24
Reclassification to earnings	(1,558)	3,092
Ending balance, net of tax	$ 6,507	$ (107)

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

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements regarding future events or our future financial and operational performance. Forward-looking statements include statements regarding markets for our products; trends in net sales, gross profits and estimated expense levels; liquidity and anticipated cash needs and availability; and any statement that contains the words "anticipate," "believe," "plan," "forecast," "foresee," "estimate," "project," "expect," "seek," "target," "intend," "goal" and other similar expressions. The forward-looking statements included in this report reflect our current expectations and beliefs, and we do not undertake publicly to update or revise these statements, even if experience or future changes make it clear that any projected results expressed in this report or future quarterly reports to stockholders, press releases or company statements will not be realized. In addition, the inclusion of any statement in this report does not constitute an admission by us that the events or circumstances described in such statement are material. Furthermore, we wish to caution and advise readers that these statements are based on assumptions that may not materialize and may involve risks and uncertainties, many of which are beyond our control, that could cause actual events or performance to differ materially from those contained or implied in these forward-looking statements. These risks and uncertainties include the business and economic risks described in Item 1A "Risk Factors" of Part II below and elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated condensed financial statements and the related notes and the other financial information included in this Quarterly Report on Form 10-Q, as well as the "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 January 2, 2023, filed with the SEC.

COMPANY OVERVIEW

We are a leading global manufacturer of technology solutions including mission systems, radio frequency (RF) components/RF microwave/microelectronic assemblies, quick-turn and technologically advanced printed circuit boards (PCB). We focus on providing time-to-market and volume production of advanced technology products and offer a one-stop design, engineering, and manufacturing solution to our customers. This one-stop design, engineering, and manufacturing solution allows us to align technology development with the diverse needs of our customers and to enable them to reduce the time required to develop new products and bring them to market. We serve a diversified customer base consisting of approximately 1,500 customers in various markets throughout the world, including aerospace and defense, data center computing, automotive, medical, industrial and instrumentation, and networking. Our customers include original equipment manufacturers (OEMs), electronic manufacturing services (EMS) providers, original design manufacturers (ODMs), distributors and government agencies.

RECENT DEVELOPMENTS

On November 1, 2023, we announced that we have selected New York State as the location for a new greenfield high-tech manufacturing facility. The planned investment aligns with New York State's continued emphasis as a premier technology hub for U.S. electronics and the recent selection of Buffalo-Rochester-Syracuse (BRS) for the Federal Tech Hub designation. The project reflects our support for cultivating an even stronger microelectronics ecosystem in New York and across the U.S. Aerospace & Defense industrial base. It is expected that the proposed facility will bring disruptive capability for the domestic high-volume production of ultra-high-density interconnect (HDI) PCBs in support of national security requirements. It is expected to be the highest-technology PCB manufacturing site in North America, providing customers with reduced lead times and a significant increase in domestic capacity for ultra-HDI PCBs. In addition, this facility will be our most sustainable site in North America. We are in the advanced stages of project planning, having identified the 24-acre property adjacent to our existing facility in Syracuse for the campus expansion and the site for the new facility. We have completed initial building designs and site layout, and are now applying for the required permitting. The increase in campus size will also allow for additional capacity expansion already being considered for future phases of development. Groundbreaking is anticipated in the first half of 2024, with the project's final scale, scope, and timeline subject to finalizing funding with various stakeholders. Phase one of the proposed project, including capital for campus-wide improvements is estimated to be $100.0 million to $130.0 million, and is anticipated to run through 2026. Our planned capital investment commitments will be determined after finalizing terms with various stakeholders.

On February 8, 2023, we announced our plan to close PCB manufacturing operations in Anaheim and Santa Clara, California, and Hong Kong and to consolidate the business from these sites into our remaining facilities. The plant closures are expected to improve both facility and talent utilization across our footprint resulting in improved profitability. We expect to record between $22.0 million and $28.0 million in separation, accelerated depreciation and disposal costs related to this restructuring during 2023. Approximately 80% of these costs are expected to be in the form of cash expenditures and the rest in the form of non-cash charges. As of October 2, 2023, we have substantially closed the Hong Kong and Anaheim manufacturing facilities. We expect the Santa Clara facility to be substantially closed by the end of 2023.

On December 22, 2022, our land, building, and relevant ancillary assets related to our former Shanghai E-MS (SH E-MS) manufacturing facility was expropriated by the Chinese government for a compensation fee of Renminbi (RMB) 477.6 million resulting in a gain on the sale of $51.8 million. We have received 90% of the proceeds as of October 2, 2023 and expect to receive the remaining

10% of the proceeds before December 30, 2023. As of October 2, 2023 and January 2, 2023, the receivable from sale of the SH E-MS property was $6.6 million and $69.2 million, respectively.

FINANCIAL OVERVIEW

While our customers include both OEMs and EMS providers, we measure customers based on OEM companies, as they are the ultimate end customers. Sales to our ten largest customers collectively accounted for 53% and 50% of our net sales for the quarter and three quarters ended October 2, 2023, respectively. Sales to our ten largest customers collectively accounted for 45% and 43% of our net sales for the quarter and three quarters ended October 3, 2022, respectively. We sell to OEMs both directly and indirectly through EMS providers.

While demand in the Aerospace and Defense end market remains strong, bookings in our commercial end markets have stabilized at a low level given continued customer inventory reductions and weaker end market demand. This resulted in a decline to revenues during the quarter ended October 2, 2023 when compared to the same quarter last year.

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

	Quarter Ended				Three Quarters Ended			
End Markets [(1)]	**October 2, 2023**		**October 3, 2022**		**October 2, 2023**		**October 3, 2022**	
Aerospace and Defense	45	%	38	%	45	%	33	%
Automotive	15		15		16		17	
Data Center Computing	17		14		13		16	
Medical/Industrial/Instrumentation	16		19		17		21	
Networking	7		14		9		13	
Total	100	%	100	%	100	%	100	%

(1) Sales to EMS companies are classified by the end markets of their OEM customers.

We derive revenues primarily from the sale of PCBs, engineered systems using customer-supplied engineering and design plans as well as our long-term contracts related to the design and manufacture of highly sophisticated intelligence, surveillance and communications solutions, and RF and microwave/microelectronics components, assemblies, and subsystems. Orders for products generally correspond to the production schedules of our customers and are supported with firm purchase orders. Our customers have continuous control of the work in progress and finished goods throughout the PCB and engineered systems manufacturing process, as these are built to customer specifications with no alternative use, and there is an enforceable right of payment for work performed to date. As a result, we recognize revenue progressively over time based on the extent of progress towards completion of the performance obligation. We recognize revenue based on a cost method as it best depicts the transfer of control to the customer which takes place as we incur costs. Revenues are recorded proportionally as costs are incurred.

We also manufacture certain components, assemblies, subsystems, and completed systems which service our RF and Specialty Components (RF&S Components) customers and certain aerospace and defense customers. We recognize revenue at a point in time upon transfer of control of the products to our customer. Point in time recognition was determined as our customers do not simultaneously receive or consume the benefits provided by our performance and the asset being manufactured has alternative uses to us.

Net sales consist of gross sales less an allowance for returns, which typically have been approximately 2% of gross sales. We provide our customers a limited right of return for defective PCBs including components, subsystems, and assemblies. We record an estimate for sales returns and allowances at the time of sale based on historical results and anticipated returns.

Cost of goods sold consists of materials, labor, outside services, and overhead expenses incurred in the manufacture and testing of our products. Shipping and handling fees and related freight costs and supplies associated with shipping products are also included as a component of cost of goods sold. Many factors affect our gross margin, including capacity utilization, product mix, production volume, supply chain issues, and yield.

Selling and marketing expenses consist primarily of salaries, labor related benefits, and commissions paid to our internal sales force, independent sales representatives, and our sales support staff, as well as costs associated with marketing materials and trade shows.

General and administrative costs primarily include the salaries for executive, finance, accounting, information technology, and human resources personnel, as well as expenses for accounting and legal assistance, incentive compensation expense, and gains or losses on the sale or disposal of property, plant, and equipment.

Research and development expenses consist primarily of salaries and labor related benefits paid to our research and development staff, as well as material costs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated condensed financial statements included in this report have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses, and related disclosure of contingent assets and liabilities.

See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in our Annual Report on Form 10-K for the fiscal year ended January 2, 2023 for further discussion of critical accounting policies and estimates. There were no material changes to our critical accounting policies and estimates since January 2, 2023, except for the estimates used in the quantitative goodwill impairment analysis performed as of October 2, 2023. See Part I, Item 1, Note 6, *Goodwill*, of the Notes to Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q for further information.

RESULTS OF OPERATIONS

The following table sets forth the relationship of various items to net sales in our consolidated condensed statements of operations, for the periods indicated:

	Quarter Ended		Three Quarters Ended	
	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	80.2	80.8	82.1	82.1
Gross profit	19.8	19.2	17.9	17.9
Operating expenses:				
Selling and marketing	3.3	3.0	3.5	2.9
General and administrative	6.8	6.1	6.7	6.5
Research and development	1.1	1.1	1.2	1.0
Amortization of definite-lived intangibles	2.0	1.5	2.2	1.4
Impairment of goodwill	7.7	—	2.7	—
Restructuring charges	0.7	0.1	1.1	0.1
Total operating expenses	21.6	11.8	17.4	11.9
Operating (loss) income	(1.8)	7.4	0.5	6.0
Other (expense) income:				
Interest expense	(1.8)	(1.6)	(2.1)	(1.8)
Loss on extinguishment of debt	—	—	(0.1)	—
Gain on sale of subsidiary	—	—	0.1	—
Other, net	0.5	1.5	0.6	1.1
Total other expense, net	(1.3)	(0.1)	(1.5)	(0.7)
(Loss) income before income taxes	(3.1)	7.3	(1.0)	5.3
Income tax provision	(3.5)	(0.8)	(1.1)	(0.6)
Net (loss) income	(6.6) %	6.5 %	(2.1) %	4.7 %

The following discussion and analysis is for the quarter and the three quarters ended October 2, 2023, compared to the same periods ended October 3, 2022, unless otherwise stated.

Net Sales

Total net sales decreased $98.5 million, or 14.7%, to $572.6 million for the third quarter of 2023 from $671.1 million for the third quarter of 2022. The decrease in total net sales primarily resulted from a decrease in net sales for the PCB reportable segment of $93.5 million, or 14.2%, to $563.7 million for the third quarter of 2023 from $657.2 million for the third quarter of 2022. The primary driver of this decrease was demand weakness in our Networking, Medical, Industrial and Instrumentation, and Automotive end markets, partially offset by growth in our Data Center Computing and Aerospace and Defense end markets. In addition, the Shanghai Backplane Assembly entity, which we sold in the first quarter of 2023, contributed $16.2 million in sales to the PCB reportable segment in the third quarter of 2022. Net sales for the RF&S Components reportable segment decreased $5.0 million, or 36.0%, to $8.9 million for the third quarter of 2023 from $13.9 million for the third quarter of 2022, which was primarily due to lower demand in our Networking end market.

Total net sales decreased $214.4 million, or 11.4%, to $1,663.5 million for the first three quarters of 2023 from $1,877.9 million for the first three quarters of 2022. This decrease in total net sales primarily resulted from a decrease in net sales for the PCB reportable segment of $198.4 million, or 10.8%, to $1,634.3 million for the first three quarters of 2023 from $1,832.7 million for the first three quarters of 2022. The primary driver of this decrease was demand weakness in our commercial end markets and decrease in sales of $23.9 million from the Shanghai Backplane Assembly entity we sold in the first quarter of 2023, partially offset by the inclusion of

results of Telephonics commencing with its acquisition in June 2022 as well as organic growth in our Aerospace and Defense end market. Additionally, there was a decrease in net sales for the RF&S Components reportable segment of $16.0 million, or 35.4%, to $29.2 million for the first three quarters of 2023 from $45.2 million for the first three quarters of 2022 primarily due to lower demand in our Networking end market.

Gross Margin

Overall gross margin increased to 19.8% for the third quarter of 2023 from 19.2% for the third quarter of 2022. Gross margin for the PCB reportable segment increased to 21.1% for the third quarter of 2023 from 19.1% for the third quarter of 2022. This increase was primarily due to improved execution in our North America region. Gross margin for the RF&S Components reportable segment decreased to 56.4% for the third quarter of 2023 from 63.5% for the third quarter of 2022, primarily due to lower sales.

Overall gross margin was 17.9% for both the first three quarters of 2023 and the first three quarters of 2022. Gross margin for the PCB reportable segment increased to 18.8% for the first three quarters of 2023 from 17.9% for the first three quarters of 2022 due to improved execution in our North America region. Gross margin for the RF&S Components reportable segment decreased to 54.3% for the first three quarters of 2023 from 61.3% for the first three quarters of 2022, primarily due to lower sales.

Capacity utilization is a key driver for us, which is measured by actual production as a percentage of capacity. This measure is particularly important in our high-volume facilities in Asia, as a significant portion of our operating costs are fixed in nature. Capacity utilization for the third quarter of 2023 in our Asia and North America PCB facilities was 46% and 38%, respectively, compared to 72% and 45%, respectively, for the third quarter of 2022. Capacity utilization for the first three quarters of 2023 in our Asia and North America PCB facilities was 48% and 39%, respectively, compared to 77% and 46%, respectively, for the first three quarters of 2022. The decrease in capacity utilization in our Asia PCB facilities was caused by a decline in production volumes due to demand weakness in our commercial end markets while the decrease in our North America PCB facilities was due to the additional plating capacity added as well as a greater mix of higher technology product that requires less finish plating.

Selling and Marketing Expenses

Selling and marketing expenses decreased $1.0 million to $18.8 million for the third quarter of 2023 from $19.8 million for the third quarter of 2022. The decrease in selling and marketing expenses was primarily due to a decrease in commission expense. However, because of lower net sales, selling and marketing expenses as a percentage of net sales increased to 3.3% for the third quarter of 2023 from 3.0% for the third quarter of 2022.

Selling and marketing expenses increased $2.6 million to $58.2 million for the first three quarters of 2023 from $55.6 million for the first three quarters of 2022. As a percentage of net sales, selling and marketing expenses were 3.5% for the first three quarters of 2023, as compared to 2.9% for the first three quarters of 2022. The increase in selling and marketing expenses for the first three quarters of 2023 was primarily due to $4.2 million of selling and marketing expenses incurred in the first two quarters of 2023 by Telephonics post acquisition and an increase in labor and travel costs, partially offset by a $2.7 million decrease in commission expense.

General and Administrative Expenses

General and administrative expenses decreased $1.8 million to $38.9 million, or 6.8% of net sales, for the third quarter of 2023 from $40.7 million, or 6.1% of net sales, for the third quarter of 2022. The decrease in the amount of general and administrative expenses was primarily due to $1.9 million of reduced acquisition and integration costs, while the increase on a percentage basis resulted from lower net sales.

General and administrative expenses decreased $10.1 million to $111.8 million, or 6.7% of net sales, for the first three quarters of 2023 from $121.9 million, or 6.5% of net sales, for the first three quarters of 2022. The decrease in the amount of general and administrative expenses primarily resulted from $12.8 million of reduced acquisition and integration costs mainly related to the acquisition of Telephonics on June 27, 2022, partially offset by $3.6 million of general and administrative expenses incurred in the first two quarters of 2023 by Telephonics post acquisition.

Research and Development Expenses

Research and development expenses decreased $1.1 million to $6.2 million, or 1.1% of net sales, for the third quarter of 2023 from $7.3 million, or 1.1% of net sales, for the third quarter of 2022. The decrease in the expense amount was primarily due to a decrease in labor costs and supplies spending, while the percentage of net sales was flat as a result of lower net sales.

Research and development expenses increased $1.6 million to $19.7 million, or 1.2% of net sales, for the first three quarters of 2023 from $18.1 million, or 1.0% of net sales, for the first three quarters of 2022. The increase in expense was primarily due to $3.2 million of research and development expense incurred in the first two quarters of 2023 by Telephonics post acquisition, partially offset by a decrease in labor costs and supplies spending.

Impairment of Goodwill

During the third quarter of 2023, we performed an interim evaluation of goodwill in connection with the preparation and review of our Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q, as we believed there were impairment triggering events and circumstances that warranted an evaluation. The circumstances included lower than anticipated results, lower forecasted sales in future years, and a continued decline in sales in the RF&S Components reporting unit. As a result, we recorded a non-cash goodwill impairment charge in the amount of $44.1 million in the third quarter of 2023.

Total Other Expense, Net

Total other expense, net increased $6.5 million to $7.1 million for the third quarter of 2023, primarily due to foreign currency losses resulting from the strengthening RMB in the third quarter of 2023 compared to the third quarter of 2022, partially offset by an increase in interest income of $1.8 million. We utilize the RMB at our China facilities for employee-related expenses, RMB denominated purchases, and other costs of running our operations in China.

Total other expense, net increased $12.2 million to $25.3 million for the first three quarters of 2023, primarily due to foreign currency losses resulting from the strengthening RMB in the first three quarters of 2023 compared to the first three quarters of 2022, a loss on extinguishment of debt of $1.3 million, and an increase in interest expense of $1.7 million due to higher interest rates, partially offset by an increase in interest income of $3.9 million.

Income Taxes

Income tax expense increased $14.2 million to $19.8 million for the third quarter of 2023 from $5.6 million for the third quarter of 2022. The increase in income tax expense was primarily due to a change in the valuation allowance on U.S. deferred tax assets in the third quarter of 2023 which was absent in the third quarter of 2022.

Income tax expense increased $7.3 million to $18.5 million for the first three quarters of 2023 from $11.2 million for the first three quarters of 2022. The increase in income tax expense for the first three quarters of 2023 was primarily due to a change in the valuation allowance on U.S. deferred tax assets in the first three quarters of 2023 which was absent in the first three quarters of 2022.

Our effective tax rate is primarily impacted by the mix of foreign and U.S. income, tax rates in China and Hong Kong, the U.S. federal income tax rate, apportioned state income tax rates, the generation of credits and deductions available to the Company as well as changes in valuation allowances and certain non-deductible items. We had a net deferred income tax liability of approximately $56.8 million and $8.9 million as of October 2, 2023 and October 3, 2022, respectively. The increase in the deferred income tax liability was primarily due to the recording of a full valuation allowance for the U.S. in the last quarter of 2022.

Liquidity and Capital Resources

Our principal sources of liquidity have been cash provided by operations, the issuance of debt, and borrowings under our revolving credit facility. Our principal uses of cash have been to finance capital expenditures, finance acquisitions, fund working capital requirements, to repay debt obligations, and to repurchase common stock. We anticipate that financing capital expenditures, financing acquisitions, funding working capital requirements, servicing debt, and repurchasing common stock will be the principal demands on our cash in the future.

Cash flow provided by operating activities during the first three quarters of 2023 was $139.8 million as compared to cash flow provided by operating activities of $195.3 million in the same period in 2022. The decrease in cash flow was primarily due to the $124.6 million decrease in net income.

Net cash used in investing activities was approximately $46.1 million for the first three quarters of 2023, primarily reflecting the use of $114.2 million for purchases of property, plant and equipment and other assets, partially offset by the receipt of $61.8 million of proceeds from the sale of property associated with our Shanghai E-MS subsidiary and $6.0 million of proceeds from the sale of our Shanghai Backplane Assembly subsidiary, net of cash disposed. Net cash used in investing activities was approximately $374.7 million for the first three quarters of 2022, primarily reflecting the use of $298.3 million for the acquisition of Telephonics and $76.2 million for purchases of property, plant and equipment and other assets.

Net cash used in financing activities during the first three quarters of 2023 was $87.9 million, reflecting repayment of long-term debt borrowings of $291.5 million, repurchases of common stock of $14.6 million, refund of customer deposits of $7.5 million, payment of debt issuance costs of $5.5 million and payment of original issue discount of $3.5 million, partially offset by the receipt of proceeds from long-term debt borrowing of $234.8 million. Net cash used in financing activities during the first three quarters of 2022 was $21.3 million, primarily reflecting repurchases of common stock of $35.4 million, cash used to settle warrants of $0.9 million, less customer deposits of $15.0 million.

As of October 2, 2023, we had cash and cash equivalents of approximately $408.3 million, of which approximately $198.3 million was held by our foreign subsidiaries, primarily in Hong Kong. Should we choose to remit cash to the United States from our foreign locations, we may incur tax obligations which would reduce the amount of cash ultimately available to the United States. However, we believe there would be no material tax consequences not previously accrued for the repatriation of this cash.

Our total 2023 capital expenditures are expected to be in the range of $200.0 million to $220.0 million, of which approximately $115.0 million relate to our construction of our new plant in Penang, Malaysia.

Long-term Debt and Letters of Credit

As of October 2, 2023, we had $867.4 million of outstanding debt, net of discount and debt issuance costs, composed of $495.7 million of Senior Notes due March 2029, $341.7 million of a Term Loan due May 2030, and $30.0 million under the Asia ABL.

Pursuant to the terms of the Term Loan Facility and Senior Notes due 2029, we are subject to certain affirmative and negative covenants, including limitations on indebtedness, corporate transactions, investments, dispositions, and restricted payments. Under the U.S. ABL and Asia ABL (collectively, the ABL Revolving Loans), we are also subject to various financial covenants, including leverage and fixed charge coverage ratios. As of October 2, 2023, we were in compliance with the covenants under the Term Loan Facility, Senior Notes due 2029 and ABL Revolving Loans.

Based on our current level of operations, we believe that cash generated from operations, cash on hand and cash from the issuance of term and revolving debt will be adequate to meet our currently anticipated capital expenditure, debt service, and working capital needs for the next twelve months. Additional information regarding our indebtedness, including information about the credit available under our debt facilities, interest rates and other key terms of our outstanding indebtedness, is included in Part I, Item 1, Note 8, *Long-term Debt and Letters of Credit*, of the Notes to Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q.

Contractual Obligations and Commitments

As part of our on-going operations, we enter into contractual arrangements that obligate us to make future cash payments. These obligations impact our liquidity and capital resource needs. Our estimated future obligations consist of long-term debt obligations, interest on debt obligations, purchase obligations, and leases as of October 2, 2023. As of the date of this report, there were no material changes outside the ordinary course of business since January 2, 2023 to our contractual obligations and commitments and the related cash requirements, except for our interest on debt obligations. Our aggregate interest on debt obligations as of October 2, 2023 amounted to $302.0 million, which are expected to be settled as follows: $50.4 million within 1 year, $100.0 million within 1-3 years, $98.8 million within 4-5 years, and $52.8 million after 5 years. For debt obligations based on variable rates, interest rates used are as of October 2, 2023.

Offset Agreements

Following the acquisition of Telephonics on June 27, 2022, we have and may continue to enter into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to obtaining orders for our products and services from customers in foreign countries. These agreements are intended to promote investment in the applicable country, and our obligations under these agreements may be satisfied through activities that do not require us to use cash, including transferring technology or providing manufacturing and other consulting support. The obligations under these agreements may also be satisfied through the use of cash for such activities as purchasing supplies from in-country vendors, setting up support centers, research and development investments, acquisitions, and building or leasing facilities for in-country operations. The amount of the offset requirement is determined by contract value awarded and negotiated percentages with customers. As of October 2, 2023, we had outstanding offset agreements of approximately $28.0 million, some of which extend through 2028. Offset programs usually extend over several years and in some cases provide for penalties in the event we fail to perform in accordance with contract requirements. Historically, we have not paid any such penalties, and as of October 2, 2023, no such penalties have been paid.

Seasonality

We tend to experience modest seasonal softness in the first and third quarters due to holidays and vacation periods in China and North America, respectively, which limit production leading to stronger revenue levels in the second and fourth quarters.

Recently Issued Accounting Standards

For a description of recently adopted and issued accounting standards, including the respective dates of adoption and the expected effects on our results of operations and financial condition, see Part I, Item 1, Note 1, *Nature of Operations and Basis of Presentation*, of the Notes to Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q.

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

In the normal course of business operations, we are exposed to risks associated with fluctuations in interest rates, foreign currency exchange rates, and commodity prices. We address these risks through controlled risk management that includes the use of derivative financial instruments to economically hedge or reduce these exposures. We do not enter into derivative financial instruments for trading or speculative purposes.

We have not experienced any losses to date on any derivative financial instruments due to counterparty credit risk.

To ensure the adequacy and effectiveness of our foreign exchange and commodity price hedge positions, we continually monitor our foreign exchange forward positions and commodity hedge price positions, both on a stand-alone basis and in conjunction with their underlying foreign currency and commodity price exposures, from an accounting and economic perspective. However, given the inherent limitations of forecasting and the anticipatory nature of the exposures intended to be hedged, we cannot be assured that such programs will offset more than a portion of the adverse financial impact resulting from unfavorable movements in either foreign exchange rates or commodity prices. In addition, the timing of the accounting for recognition of gains and losses related to mark-to-market instruments for any given period may not coincide with the timing of gains and losses related to the underlying economic exposures and, therefore, may adversely affect our consolidated operating results and financial position.

Interest Rate Risks

Our business is exposed to risk resulting from fluctuations in interest rates. Our interest expense is more sensitive to fluctuations in the general level of Term Secured Overnight Financing Rate (SOFR) interest rates than to changes in rates in other markets. Increases in interest rates would increase interest expense relating to our outstanding variable rate borrowings and increase the cost of debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of our debt obligations.

On March 23, 2023, we entered into a four-year pay-fixed, receive floating (1-month CME Term SOFR), interest rate swap arrangement with a notional amount of $250.0 million for the period beginning April 1, 2023 and ending on April 1, 2027. Under the terms of the interest rate swap, we pay a fixed rate of 3.49% against the first interest payments of a portion of our Term SOFR-based debt and receive floating 1-month CME Term SOFR during the swap period. At inception, we designated the interest rate swap as a cash flow hedge and the fair value of the interest rate swap was zero. As of October 2, 2023, the fair value of the interest rate swap was recorded as an asset, of which $4.4 million is included as a component of prepaid expenses and other current assets and $4.3 million is included as a component of deposits and other non-current assets. No ineffectiveness was recognized for the quarter and three quarters ended October 2, 2023. During the quarter and three quarters ended October 2, 2023, the interest rate swap decreased interest expense by $1.1 million and $2.1 million, respectively.

See *Liquidity and Capital Resources* and *Long-term Debt and Letters of Credit* appearing in Part I, Item 2 of this Quarterly Report on Form 10-Q for further discussion of our financing facilities and capital structure. As of October 2, 2023, approximately 85.3% of our total debt was based on fixed rates. Based on our borrowings as of October 2, 2023, an assumed 100 basis point change in variable rates would cause our annual interest cost to change by $1.3 million.

Foreign Currency Exchange Rate Risks

In the normal course of business, we are exposed to risks associated with fluctuations in foreign currency exchange rates related to transactions that are denominated in currencies other than our functional currencies, as well as the effects of translating amounts denominated in a foreign currency to the U.S. Dollar as a normal part of our financial reporting process. Most of our foreign operations have the U.S. Dollar as their functional currency, however, one of our China facilities utilizes the Renminbi (RMB), which results in recognition of translation adjustments included as a component of other comprehensive income (loss). Our foreign exchange exposure results primarily from employee-related and other costs of running our operations in foreign countries, foreign currency denominated purchases and translation of balance sheet accounts denominated in foreign currencies. We do not engage in hedging to manage this foreign currency risk, except for certain equipment purchases. However, we may consider the use of derivatives in the future. Our primary foreign exchange exposure is to the RMB. In general, our Chinese customers pay us in RMB, which partially mitigates this foreign currency exchange risk.

Our foreign subsidiaries may at times enter into forward exchange contracts to manage foreign currency risks in relation to certain purchases of machinery denominated in foreign currencies other than our functional currencies. The notional amount of the foreign exchange contracts was approximately $1.9 million (Euro (EUR) 1.8 million) and $1.6 million (EUR 1.4 million) as of October 2, 2023 and January 2, 2023, respectively.

Commodity Price Risks

We are exposed to certain commodity risks associated with prices for various raw materials, particularly copper, which may negatively affect our profitability. Copper clad laminates (CCLs), a key raw material for the manufacture of PCBs, are made from epoxy resin, glass cloth, and copper foil. We only buy a small amount of copper directly. However, copper is a major driver of laminate cost. We are hedging copper as a proxy for hedging laminate. As of October 2, 2023, we had commodity contracts with a notional quantity of (i) 700 metric tonnes for the period beginning October 1, 2023 and ending on December 31, 2023, (ii) 675 metric tonnes for the period beginning January 1, 2024 and ending on March 31, 2024, (iii) 600 metric tonnes for the period beginning April 1, 2024 and ending on June 30, 2024, and (iv) 600 metric tonnes for the period beginning July 1, 2024 and ending on September 30, 2024. As of October 2, 2023, the fair value of the commodity contracts was recorded as a liability in the amount of $1.0 million and included as a component of other current liabilities. We will continue to evaluate our commodity risks and may utilize commodity forward purchase contracts more in the future.

Debt Instruments

The table below presents the fiscal calendar maturities of our debt instruments through 2027 and thereafter as of October 2, 2023:

	As of October 2, 2023								
	Remaining 2023	2024	2025	2026	2027	Thereafter	Total	Fair Value	Weighted Average Interest Rate
	(In thousands)								
US$ Variable Rate [1]	$ 875	$ 2,625	$ 3,500	$ 3,500	$ 4,375	$ 364,250	$ 379,125	$ 379,781	7.96%
US$ Fixed Rate	—	—	—	—	—	500,000	500,000	415,865	4.00%
Total	$ 875	$ 2,625	$ 3,500	$ 3,500	$ 4,375	$ 864,250	$ 879,125	$ 795,646	

(1) Interest rate swap effectively fixed $250,000 of variable rate debt.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, as amended (Exchange Act), as of the end of the period covered by this Quarterly Report. Based on this evaluation, our CEO and CFO have concluded that, as of October 2, 2023 such disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

We continue to expand our implementation of an enterprise resource planning (ERP) system on a worldwide basis, which is expected to improve the efficiency of the financial reporting and related transaction processes. During the quarter ended October 2, 2023, we completed the implementation at certain locations and as a result, we made changes to our processes and procedures which, in turn, resulted in changes to our internal control over financial reporting, including the implementation of additional controls. We are in the process of rolling out the ERP system to our remaining locations to standardize the ERP system.

There were no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended October 2, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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. There can be no assurance that we will prevail in any such litigation. We believe that the amount of any reasonably possible or probable loss for known matters would not be material to our financial statements; however, the outcome of these actions is inherently difficult to predict. In the event of an adverse outcome, the ultimate potential loss could have a material adverse effect on our financial condition, results of operations, or cash flows in a particular period.

Item 1A. *Risk Factors*

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. The risk factors described below are not the only ones we face. Risks and uncertainties not known to us currently, or that may appear immaterial, also may have a material adverse effect on our business, financial condition, and results of operations.

In addition, the following risk factors and uncertainties could cause our actual results to differ materially from those projected in our forward-looking statements, whether made in this report or the other documents we file with the SEC, or our annual or quarterly reports to stockholders, future press releases, or orally, whether in presentations, responses to questions, or otherwise.

Risks Related to our Business

Global economic and market uncertainty may adversely impact our business and operating results.

Uncertain global economic conditions have in the past and may in the future adversely impact our business. The current uncertainty in the worldwide economic environment together with other unfavorable changes in economic conditions, such as higher inflation and interest rate increases currently being experienced or implemented by most developed economies, as well as any recession, may negatively impact consumer confidence and spending, ultimately causing our customers to postpone purchases and may ultimately impact our profitability. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets. We could experience period-to-period fluctuations in operating results due to general industry or economic conditions and volatile or uncertain economic conditions can adversely impact our sales and profitability and make it difficult for us to accurately forecast and plan our future business activities. Furthermore, inflationary pressure and increases in interest rates may negatively impact revenue, earnings and demand for our products. During challenging economic times, our current or potential future customers may experience cash flow problems and as a result may modify, delay or cancel plans to purchase our products. Additionally, if our customers are not successful in generating sufficient revenue or are unable to secure financing, they may not be able to pay, or may delay payment of, accounts receivable that they owe us. Any inability of our current or potential future customers to pay us for our products may adversely affect our earnings and cash flow. Moreover, our key suppliers may reduce their output or become insolvent, thereby adversely impacting our ability to manufacture our products.

We serve customers and have manufacturing facilities throughout the world and are subject to risks caused by local and global pandemics and other similar risks, which could materially adversely affect our business, financial condition, and results of operations.

Local and global pandemics or other disasters or public health concerns in regions of the world where we have operations or source material or sell products could result in the disruption of our business. Specifically, these pandemics, disasters and health concerns can result in increased travel restrictions and extended shutdowns of certain businesses in the regions in which we operate, as well as social, economic, or labor instability. Disruptions in our product shipments or impacts on our manufacturing in affected regions over a prolonged period could have a material adverse impact on our business and our financial results.

In particular, multiple facets of our business may be negatively impacted by the fear of exposure to or actual effects of disease outbreaks, epidemics, pandemics and similar widespread public health concerns. These impacts include but are not limited to:

- failure of third parties on which we rely, including, without limitation, our suppliers, commercial banks, and other external business partners, to meet their obligations to us, caused by significant disruptions in their ability to do so or their own financial or operational difficulties;
- supply chain risks such as disruptions of supply chains, excess demand on suppliers, and scrutiny or embargoing of goods produced in infected areas;
- reduced workforces and labor shortages at all levels of our organization, which may be caused by, but not limited to, the temporary inability of the workforce to work due to illness, lockdowns, quarantine, or government mandates and incentives;
- temporary business closures due to reduced workforces or government mandates;
- reduced demand for our products and services caused by, but not limited to, the effect of quarantine or other travel restrictions or financial hardship on our workforce or the businesses in the industries we service; or

- restrictions to our business as a result of federal or state laws, regulations, orders or other governmental or regulatory actions, if adopted.

Any of the foregoing factors, or other cascading effects that are not currently foreseeable, could materially increase our costs, negatively impact our sales, or damage the Company's financial condition, results of operations, cash flows and its liquidity position, possibly to a significant degree. The duration of any such impacts cannot be predicted.

We have pursued and intend to continue to pursue potential divestitures of assets and acquisitions of other businesses and may encounter risks associated with these activities, which could harm our business and operating results. If we are unable to manage our growth effectively, our business, financial condition, and results of operations could be materially adversely affected.

As part of our business strategy, we expect that we will continue to implement and align our strategy by pursuing potential divestitures of assets, such as our sale of Shanghai Backplane Assembly, and acquisitions of businesses, technologies, assets, or product lines that complement or expand our business, such as our acquisition of Gritel Holding Co., Inc. (Gritel) and ISC Farmingdale Corp. in June 2022. Telephonics Corporation is now a wholly-owned subsidiary of TTM by way of our acquisition of Gritel, the Telephonics direct parent company. Risks related to such activities and transactions may include:

- the potential inability to successfully integrate acquired operations and businesses or to realize anticipated synergies, economies of scale, or other expected value;
- diversion of management's attention from normal daily operations of our existing business to focus on integration of the newly acquired business;
- unforeseen expenses associated with the integration of the newly acquired business or assets;
- difficulties in managing production and coordinating operations at new sites;
- the potential loss of key employees of acquired or divested operations;
- the potential inability to retain existing customers of acquired companies when we desire to do so;
- insufficient revenues to offset increased expenses associated with acquisitions;
- the potential decrease in overall gross margins associated with acquiring a business with a different product mix;
- the inability to identify certain unrecorded liabilities;
- the inability to consummate a potential divestiture due to regulatory constraints or other closing conditions;
- the separation of business infrastructure involved in a potential divestiture may create disruption in our business;
- the tax burden related to the divestiture may be larger than expected;
- the potential divestiture of assets or product lines could create dis-synergies and change our profitability;
- the potential need to restructure, modify, or terminate customer relationships of the acquired or divested assets or company;
- an increased concentration of business from existing or new customers; and
- the potential inability to identify assets best suited to our business plan.

Acquisitions may cause us to:

- enter lines of business and/or markets in which we have limited or no prior experience;
- issue debt and be required to abide by stringent loan covenants;
- assume liabilities;
- record goodwill and intangible assets that will be subject to impairment testing and potential periodic impairment charges;
- become subject to litigation and environmental issues, which include product material content certifications related to conflict minerals;
- incur unanticipated costs and expenses, including with respect to our compliance obligations under U.S. federal securities laws;
- incur large and immediate write-offs; and
- incur substantial transaction-related costs, whether or not a proposed acquisition is consummated.

Acquisitions of high technology companies and assets are inherently risky, and no assurance can be given that our prior or future acquisitions will be successful. Failure to manage and successfully integrate acquisitions we make could have a material adverse effect on our business, financial condition, and results of operations. Even when an acquired company has already developed and marketed products, product enhancements may not be made in a timely fashion. In addition, unforeseen issues might arise with respect to such products after any such acquisition.

As we continue to experience growth in the scope and complexity of our operations, we may be required to implement additional operating and financial controls and hire and train additional personnel. There can be no assurance that we will be able to do so in the future, and failure to do so could jeopardize our expansion plans and seriously harm our operations. In addition, growth in our capacity could result in reduced capacity utilization and a corresponding decrease in gross margins.

We may not fully realize the anticipated positive impacts to future financial results from our restructuring efforts.

In regards to our announcement in the first quarter of 2023 of the consolidation of our manufacturing footprint and the closure of three manufacturing facilities, if we do not achieve the transfer of the products from the facilities we are closing into other existing

facilities or if economic conditions deteriorate, we may not achieve the expected increase in overall profitability as a result of the consolidation. Our ability to achieve the anticipated cost savings and other benefits from our restructuring efforts within expected time frames is subject to many estimates and assumptions, and may vary materially based on factors such as market conditions and the effect of our restructuring efforts on our work force. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. There can be no assurance that we will fully realize the anticipated positive impacts to future financial results from our current or future restructuring efforts. If our estimates and assumptions are incorrect or if other unforeseen events occur, we may not achieve the cost savings expected from such restructurings, and our business and results of operations could be adversely affected.

Uncertainty, volatility and adverse changes in the global economy and financial markets, including those resulting from the conflict between Russia and Ukraine and the current conflict in Israel and the Gaza Strip, could have an adverse impact on our business and operating results.

Uncertainty, volatility or adverse changes in the economy could lead to a significant decline in demand for the end products manufactured by our customers, which, in turn, could result in a decline in the demand for our products and increase pressure to reduce our prices. Any decrease in demand for our products could have an adverse impact on our financial condition, operating results, and cash flows. Uncertainty and adverse changes in the economy could also increase the cost and decrease the availability of potential sources of financing and increase our exposure to losses from bad debts, either of which could have a material adverse effect on our financial condition, operating results, and cash flows.

The conflict between Russia and Ukraine and the current conflict in Israel and the Gaza Strip has contributed to volatility in the global economy and markets and on-going geopolitical instability and is likely to have further global economic consequences, including on-going disruptions of the global supply chain and energy markets. The effects of the conflict have contributed to significant volatility in credit and capital markets, spikes in energy prices, changes in laws and regulations that may affect our business, sanctions or counter-sanctions and increased cybersecurity threats and concerns. As a result, there is a risk that supplies of our products may be significantly delayed by or may become unavailable as a result of the conflict between Russia and Ukraine and the current conflict in Israel and the Gaza Strip affecting us or our suppliers. The conflict may at times, reduce demand for our products because of reduced global or national economic activity, disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, and reduced levels of business and consumer spending. The effects of the conflict between Russia and Ukraine and the current conflict in Israel and the Gaza Strip could heighten or exacerbate many of the risk factors described in this Item 1A, *Risk Factors*, and may adversely affect our business, financial condition, and results of operation.

We have manufacturing facilities and serve customers outside the United States and are subject to the risks characteristic of international operations, including tariffs.

We have significant manufacturing operations in China, elsewhere in Asia and Canada and sales offices located in Asia and Europe. We continue to consider additional opportunities to make foreign investments and construct new foreign facilities.

In addition, for the quarter ended October 2, 2023, we generated approximately 45% of our net sales from non-U.S. operations, and a significant portion of our manufacturing material was provided by international suppliers during this period. The United States' trade policies and those of foreign countries are subject to change which could adversely affect our ability to purchase and sell goods and materials without significant tariffs, taxes or duties that may be imposed on the materials we purchase or the goods we sell, thereby increasing the cost of such materials and potentially decreasing our margins. Further, our revenues could be impacted if our customers' ability to sell their goods is reduced by such tariffs, taxes or duties. Both the U.S. and Chinese governments have included PCBs among items subjected to tariffs imposed on imports from such countries, which may negatively impact our revenue and profitability. In addition, we are subject to risks relating to significant international operations, including but not limited to:

- managing international operations;
- imposition of governmental controls;
- unstable regulatory environments;
- compliance with employment laws;
- implementation of disclosure controls, internal controls, financial reporting systems, and governance standards to comply with U.S. accounting and securities laws and regulations;
- limitations on imports or exports of our product offerings;
- fluctuations in the value of local currencies;
- inflation or changes in political and economic conditions;
- public health crises;
- labor unrest, rising wages, difficulties in staffing, and geographical labor shortages;
- government or political unrest;
- conflict or war between nations over territory that impacts the electronics supply chain leading to potential trade restrictions to and from the nations involved, including Russia, Ukraine, China, Israel and the Gaza Strip;
- longer payment cycles;

- language and communication barriers, as well as time zone differences;
- cultural differences;
- increases in duties and taxation levied on our products;
- other potentially adverse tax consequences;
- imposition of restrictions on currency conversion or the transfer of funds;
- travel restrictions;
- expropriation of private enterprises;
- the potential reversal of current favorable policies encouraging foreign investment and trade;
- the potential for strained trade relationships between the United States and its trading partners, including trade tariffs which could create competitive pricing risk; and
- government imposed sanction laws and regulations.

Further, the conflict between Russia and Ukraine and the current conflict in Israel and the Gaza Strip described in the previous risk factor, and the effects thereof, may adversely affect our manufacturing facilities and our customers.

Rising labor costs and labor shortages, including due to pandemics and other disasters, employee strikes and other labor-related disruptions may materially adversely affect our business, financial condition, and results of operations.

Our business is labor intensive, utilizing large numbers of engineering and manufacturing personnel. There is uncertainty with respect to rising labor costs and on-going labor shortages. Furthermore, labor disputes and strikes based partly on wages have in the past slowed or stopped production by certain manufacturers in China. In some cases, employers have responded by significantly increasing the wages of workers at such plants. Any increase in labor costs due to minimum wage laws or customer requirements about scheduling and overtime that we are unable to recover in our pricing to our customers could materially adversely affect our business, financial condition, and results of operations. In addition, general labor shortages (which occurred during 2021 and 2022), a high turnover rate and our difficulty in recruiting and retaining qualified employees at any level of our organization could result in a potential for defects in our products, production disruptions or delays, or the inability to ramp production to meet increased customer orders, resulting in order cancellation or imposition of customer penalties if we are unable to deliver products in a timely manner.

To respond to competitive pressures and customer requirements, we may further expand internationally in lower-cost locations. If we pursue such expansions, we may be required to make additional capital expenditures. For instance, in March 2022 we announced our plans to construct a new plant in Penang, Malaysia, which we project will require approximately $200.0 million in capital expenditures over a three-year period. In addition, the cost structure in certain countries that are now considered to be favorable may increase as economies develop or as such countries join multinational economic communities or organizations, causing local wages to rise. As a result, we may need to continue to seek new locations with lower costs and the employee and infrastructure base to support PCB manufacturing and we may lose business in our existing facilities as a result of such potential shifts in the global market. We cannot assure investors that we will realize the anticipated strategic benefits of our international operations, including our new plant, or that our international operations will contribute positively to our operating results.

In North America, we are experiencing wage inflation pressures, as a result of labor shortages, and certain pressures which are also mandated by local and state governments. Further, we are experiencing rising health care costs. While we strive to manage these challenges, there can be no assurance that our efforts will succeed which would result in higher costs and lower profits. The competition for talent and labor in North America and in general is currently extremely high. In this competitive environment, our business could be adversely impacted by increases in labor costs, which could include increases in wages and benefits necessary to attract and retain high quality employees with the right skill sets, increases triggered by regulatory actions regarding wages, scheduling, and benefits; and increases in health care and workers' compensation insurance costs. In light of the current challenging labor market conditions, our wages and benefits programs and any steps we take to increase our wages and benefits, may be insufficient to attract and retain talent at all levels of our organization. Existing labor shortages, and our inability to attract employees to maintain a qualified workforce, could adversely affect our production and our overall business and financial performance.

Strikes or labor disputes with our unionized employees, primarily in China, may adversely affect our ability to conduct our business. If we are unable to reach agreement with any of our unionized work groups on future negotiations regarding the terms of their collective bargaining agreements, we may be subject to work interruptions or stoppages. Any of these events could be disruptive to our operations and could result in negative publicity, loss of contracts, and a decrease in revenues. We may also become subject to additional collective bargaining agreements in the future if more employees or segments of our workforce become unionized, including any of our employees in the United States.

We may be unable to hire and retain sufficient qualified personnel at all levels of our organization, and the loss of any of our key executive officers, or the inability to maintain a sufficient workforce to satisfy production demands, could materially adversely affect our business, financial condition, and results of operations.

We believe that our future success will depend in large part on our ability to attract and retain highly skilled, knowledgeable, sophisticated, and qualified managerial and professional personnel. Furthermore, we have limited patent or trade secret protection for our manufacturing processes and rely on the collective experience of our employees involved in our manufacturing processes to ensure

that we continuously evaluate and adopt new technologies in our industry. We may not be able to retain our executive officers and key personnel or attract additional qualified management in the future. We can make no assurances that future changes in executive management will not have a material adverse effect on our business, financial condition, or results of operations. 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.

In addition, our industry continues to experience a shortage of workers, which may prove to be systemic. We rely on maintaining a sufficient workforce at all levels of our organization to design, manufacture and distribute our products. If the labor markets remain tight and we are unable to adequately staff our facilities due to a shortage of qualified workers, our operations and financial performance would likely be adversely affected.

We rely on suppliers and equipment manufacturers for the timely delivery of raw materials, components, equipment, and spare parts used in manufacturing our PCBs. If a raw material supplier or equipment manufacturer goes bankrupt, liquidates, consolidates out of existence, experiences excess demands or other disruptions to their supply chain or operations, or otherwise fails to satisfy our product quality standards, or if the prices or availability of raw materials change, it could harm our ability to purchase new manufacturing equipment, service the equipment we have, or timely produce our products, thereby affecting our customer relationships.

To manufacture PCBs, we use raw materials such as laminated layers of fiberglass, copper foil, chemical solutions, gold, copper, and other commodity products, which we order from our suppliers. For Hybrid Microelectronics and RF components, we use various high-performance materials such as Rad Hard & Space active components, Silicon transistors, IGBTs, FETs, Signal & Zener diodes, magnets, inductors, coils, BeO and SiN substrates, as well as ceramics and printed circuit board materials. In the case of backplane assemblies, components include connectors, sheet metal, capacitors, resistors, and diodes, many of which are custom made and controlled by our customers' approved vendors. For our Radar, Communication and Surveillance systems, we use highly sophisticated electronic assemblies including Transmitter and Receiver CCA's/Modules, Travelling Wave Tube Assemblies, Exciters, Wave Form Generators and Frequency Generators which are specifically designed for their application.

Our success is due in part to our ability to deliver products timely to our customers, which requires successful planning and logistics infrastructure, including, ordering, transportation and receipt processing, and the ability of suppliers to meet our materials requirements.

Consolidations and restructuring in our supplier base and equipment fabricators related to our raw materials purchases or the manufacturing equipment we use to fabricate our products may result in adverse changes in pricing of materials due to reduction in competition among our raw material suppliers or an elimination or shortage of equipment and spare parts from our manufacturing equipment supply base. Suppliers and equipment manufacturers may be impacted by other events outside our control including macro-economic events, financial instability, environmental occurrences, or supplier interruptions due to fire, natural catastrophes, public health crises or otherwise. Several of these factors have contributed to supply chain constraints we continue to experience. As a result, suppliers and equipment manufacturers have extended lead times, limited supplies, and/or increased prices due to capacity constraints and other factors. These have impacted our ability to deliver our products on a timely basis, our inventory levels and cash flow, and could negatively impact our financial results. The severity of the constraints in the supply chain is continuously changing, which creates substantial uncertainties in our business. In addition, in extreme circumstances, the suppliers we purchase from could cease production altogether due to a fire, natural disaster, consolidation or liquidation of their businesses. The supply chain constraints and other factors discussed above may continue to impact our ability to deliver our products on a timely basis, harm our customer relationships and negatively impact our financial results.

In particular, the on-going macroeconomic conditions, including the inflationary environment, have increased the cost of our raw materials and components. If raw material and component prices remain elevated and the cost of the metals that we use to produce our product, especially if the prices of copper, gold, tin, palladium, and other precious metals we use to manufacture our products remain elevated or otherwise continue to increase, it may reduce our gross margins. Should the supply of materials used in the above manufacturing processes become limited, our ability to obtain the quantities necessary to meet our customers' demand may be impacted which could cause us to encounter reduced revenue levels or price increases which would impact our profit margins. If either of these situations occurs, our financial condition and results of operations could be negatively impacted.

We are subject to risks of currency fluctuations.

A portion of our cash, other current assets and current liabilities is held in currencies other than the U.S. dollar. Changes in exchange rates among other currencies and the U.S. dollar will affect the value of these assets or liabilities as re-measured to U.S. dollars on our balance sheet. To the extent that we ultimately decide to repatriate some portion of these funds to the United States, the actual value transferred could be impacted by movements in exchange rates. Any such type of movement could negatively impact the amount of cash available to fund operations or to repay debt. Additionally, we have revenues and costs denominated in currencies other than the U.S. dollar (primarily the Renminbi (RMB)). Fluctuations in the exchange rates between the U.S. dollar and the RMB could result in increases or decreases in our costs or revenues which could negatively impact our business, financial condition, and results of operations. Significant inflation or disproportionate changes in foreign exchange rates could occur as a result of general economic conditions, acts of war or terrorism, changes in governmental monetary or tax policy, or changes in local interest rates. Further, China's

government imposes controls over the convertibility of RMB into foreign currencies, which subjects us to further currency exchange risk.

The worldwide electronics industry is intensely competitive and volatile.

A majority of our revenue is generated from the electronics industry, which is characterized by intense competition, relatively short product life cycles, and significant fluctuations in product demand. The industry is subject to economic cycles and recessionary periods. 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. Consequently, our past operating results, earnings, and cash flows may not be indicative of our future operating results, earnings, and cash flows.

If we are unable to maintain satisfactory capacity utilization rates, our business, financial condition, and results of operations would be materially adversely affected.

Given the high fixed costs of our operations, decreases in capacity utilization rates can have a significant effect on our business. Accordingly, our ability to maintain or enhance gross margins will continue to depend, in part, on maintaining satisfactory capacity utilization rates. In turn, our ability to maintain satisfactory capacity utilization will depend on the demand for our products, the volume of orders we receive, our ability to maintain a sufficient workforce at our facilities, and our ability to offer products that meet our customers' requirements at competitive prices. If current or future production capacity fails to match current or future customer demands, our facilities would be underutilized, our sales may not fully cover our fixed overhead expenses, and we would be less likely to achieve expected gross margins. If forecasts and assumptions used to support the realizability of our long-lived assets change in the future, significant impairment charges could result that would materially adversely affect our business, financial condition, and results of operations.

In addition, we generally schedule our quick turnaround 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 received, we may forego some production and could experience continued excess capacity. If we conclude we have significant, long-term excess capacity, we may decide to permanently close one or more of our facilities and lay off some of our employees, such as our decision announced in February 2023 to close certain facilities in Hong Kong and California. Closures or lay-offs could result in our recording of restructuring charges such as severance, other exit costs, and asset impairments, as well as potentially causing disruptions in our ability to supply customers.

We have a significant amount of goodwill and other intangible assets on our consolidated condensed balance sheet. If our goodwill or other intangible assets become impaired in the future, we would be required to record a non-cash charge to earnings, which may be material and would also reduce our stockholders' equity.

As of October 2, 2023, our consolidated condensed balance sheet included $953.2 million of goodwill and definite-lived intangible assets. During the quarter ended October 2, 2023, we recorded a non-cash goodwill impairment charge of $44.1 million related to our RF and Specialty Components (RF&S Components) reportable segment. We periodically evaluate whether events and circumstances have occurred, such that the potential for reduced expectations for future cash flows coupled with further decline in the market price of our stock and market capitalization may indicate that the remaining balance of goodwill and definite-lived intangible assets may not be recoverable. If factors indicate that assets are impaired, we would be required to reduce the carrying value of our goodwill and definite-lived intangible assets, which could harm our results during the periods in which such a reduction is recognized.

Our results of operations are often subject to demand fluctuations and seasonality. With a high level of fixed operating costs, even small revenue shortfalls would decrease our gross margins.

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

- timing of orders from and shipments to major customers;
- the levels at which we utilize our manufacturing capacity;
- price competition;
- changes in our mix of revenues generated from quick-turn versus standard delivery time services;
- expenditures, charges, or write-offs, including those related to acquisitions, facility restructurings, or asset impairments; and
- expenses relating to expanding existing manufacturing facilities.

A significant portion of our operating expenses are relatively fixed in nature, and planned expenditures are based in part on anticipated orders. Accordingly, unexpected revenue shortfalls may decrease our gross margins. In addition, we have experienced sales fluctuations due to seasonal patterns in the capital budgeting and purchasing cycles, as well as inventory management practices of our customers and the end markets we serve. These seasonal trends have caused fluctuations in our 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 that may 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.

We participate in competitive industries, including the automotive industry, which requires strict quality control standards. Failure to meet these standards may adversely affect our business, financial condition, and results of operations.

Our customer base demands the highest customer service, on time delivery and quality standards in a competitive market. Failure to meet these ever-increasing standards may result in a loss of market share for our products and services to our competitors, which may result in a decline in our overall revenue.

In addition, a significant portion of our sales are to customers within the automotive industry. The automotive industry has historically experienced multi-year cycles of growth and decline. If sales of automobiles should decline or go into a cyclical downturn, our sales could decline, and this could have a materially adverse impact on our business, financial condition, and result of operations. For safety reasons, automotive customers have strict quality standards that generally exceed the quality requirements of other customers. If such products do not meet these quality standards, our business, financial condition, and results of operations may be materially adversely affected. These automotive customers may require long periods of time to evaluate whether our manufacturing processes and facilities meet their quality standards. If we were to lose automotive customers due to quality control issues, we might not be able to regain those customers or gain new automotive customers for long periods of time, which could have a material adverse effect on our business, financial condition, and results of operations. Moreover, we may be required under our contracts with automotive industry customers to indemnify them for the cost of warranties and recalls relating to our products.

The prominence of EMS companies as our customers could reduce our gross margins, potential sales, and customers.

Sales to EMS companies represented approximately 31% and 36% of our net sales for the quarters ended October 2, 2023 and October 3, 2022, respectively. Sales to EMS providers include sales directed by OEMs as well as orders placed with us at the EMS providers' discretion. EMS providers source on a global basis to a greater extent than OEMs. The growth of EMS providers increases the purchasing power of such providers and has in the past, and could in the future, result in increased price competition or the loss of existing OEM customers. In addition, some EMS providers, including some of our customers, have the ability to directly manufacture PCBs and create backplane assemblies. If a significant number of our other EMS customers were to acquire these abilities, our customer base might shrink, and our sales might decline substantially. Moreover, if any of our OEM customers outsource the production of PCBs and creation of backplane assemblies to these EMS providers, our business, financial condition, and results of operations may be materially adversely affected.

We depend upon a relatively small number of OEM customers for a large portion of our sales, and a decline in sales to major customers would materially adversely affect our business, financial condition, and results of operations.

A small number of customers are responsible for a significant portion of our sales. Our five largest OEM customers collectively accounted for approximately 43% and 33% of our net sales for the quarters ended October 2, 2023 and October 3, 2022, respectively, and two customers collectively accounted for approximately 23% of our net sales for the quarter ended October 2, 2023. Furthermore, our business has benefited from OEMs deciding to outsource their PCB manufacturing and backplane assembly needs to us, and our future revenue growth partially depends on new outsourcing opportunities from OEMs. Sales attributed to OEMs include both direct sales as well as sales that the OEMs place through EMS providers. Our customer concentration could fluctuate, depending on future customer requirements, which will depend in large part on market conditions in the electronics industry segments in which our customers participate. The loss of one or more significant customers or a decline in sales to our significant customers would materially adversely affect our business, financial condition, and results of operations. In addition, we generate significant accounts receivable in connection with providing manufacturing services to our customers. If one or more of our significant customers were to become insolvent or were otherwise unable to pay for the manufacturing services provided by us, our business, financial condition, and results of operations would be materially adversely affected.

In addition, during industry downturns, we may need to reduce prices to limit the level of order losses, and we may be unable to collect payments from our customers. There can be no assurance that key customers would not cancel orders, that they would continue to place orders with us in the future at the same levels as experienced by us in prior periods, that they would be able to meet their payment obligations, or that the end-products that use our products would be successful. This concentration of customer base may materially adversely affect our business, financial condition, and results of operations due to the loss or cancellation of business from any of these key customers, significant changes in scheduled deliveries to any of these customers, or decreases in the prices of the products sold to any of these customers.

We depend on the U.S. government for a significant portion of our business, which involves unique risks. Changes in government defense spending or regulations could have a material adverse effect on our business, financial condition, and results of operations.

A significant portion of our revenues is derived from products and services that are ultimately sold to the U.S. government by our OEM and EMS customers and is therefore affected by, among other things, the federal government budget process. We supply to defense prime companies, the U.S. government and its agencies, as well as foreign governments and agencies. The contracts between our direct customers and the government end user are subject to political and budgetary constraints and processes, changes in short-range and long-range strategic plans, the timing of contract awards, the congressional budget authorization and appropriation processes,

the government's ability to terminate contracts for convenience or for default, as well as other risks, such as contractor suspension or debarment in the event of certain violations of legal and regulatory requirements.

For the quarter ended October 2, 2023, aerospace and defense sales accounted for approximately 45% of our total net sales. The substantial majority of aerospace and defense sales are related to both U.S. and U.S. government approved foreign military and defense programs. Consequently, our sales are affected by changes in the defense budgets of the U.S. and foreign governments and may be affected by federal budget sequestration measures.

The domestic and international threat of terrorist activity, emerging nuclear states, and conventional military threats have generally led to an increase in demand for defense products and services and homeland security solutions in the recent past. The termination or failure to fund one or more significant defense programs or contracts by the U.S. government could have a material adverse effect on our business, financial condition, and results of operations.

Future changes to the U.S. Munitions List could reduce or eliminate restrictions that currently apply to some of the products we produce. If these regulations or others are changed in a manner that reduces restrictions on products being manufactured overseas, we would likely face an increase in the number of competitors and increased price competition from overseas manufacturers, who are restricted by the current export laws from manufacturing products for U.S. defense systems.

We are exposed to the credit risk of our customers and to credit exposures in weakened markets.

Most of our sales are on an "open credit" basis, with standard industry payment terms. We monitor individual customer payment capability in granting such open credit arrangements, seek to limit such open credit to amounts we believe the customers can pay, and maintain reserves we believe are adequate to cover exposure for doubtful accounts. During periods of economic downturn in the electronics industry and the global economy, our exposure to credit risks from our customers increases. Although we have programs in place to monitor and mitigate the associated risks, such programs may not be effective in reducing our credit risks.

Additionally, our OEM customers often direct a significant portion of their purchases through a relatively limited number of EMS companies. Sales to EMS companies represented approximately 31% and 36% of our net sales for the quarters ended October 2, 2023 and October 3, 2022, respectively. Our contractual relationship is often with the EMS companies, who are obligated to pay us for our products. Because we expect our OEM customers to continue to direct our sales to EMS companies, we expect to continue to be subject to this credit risk with a limited number of EMS customers. If one or more of our significant customers were to become insolvent or were otherwise unable to pay us, our business, financial condition, and results of operations would be materially adversely affected.

Our business, financial condition, and results of operations could be materially adversely affected by climate change initiatives.

Our manufacturing processes require that we purchase significant quantities of energy from third parties, which results in the generation of greenhouse gases, either directly on-site or indirectly at electric utilities. Both domestic and international legislation to address climate change by reducing greenhouse gas emissions could create increases in energy costs and price volatility. Considerable international attention is now focused on development of an international policy framework to guide international action to address climate change. We are subject to the reporting requirements of the Exchange Act, and regulators are considering new regulations which are expected to require, among other things, that we report our climate related costs and activities and our customers and suppliers. Such regulations could cause us to incur significant costs to monitor and report, which would have negative impact on our profitability. Proposed and existing legislative efforts to control or limit greenhouse gas emissions could affect our energy sources and supply choices, as well as increase the cost of energy and raw materials that are derived from sources that generate greenhouse gas emissions.

Competition in the PCB market is intense, and we could lose market share, or our profit margins may decrease, if we are unable to maintain our current competitive position in end markets using our quick-turn, high technology, and high-mix manufacturing services.

The PCB 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. In addition, we increasingly compete on an international basis, and new and emerging technologies may result in new competitors entering our markets.

Some of our competitors and potential competitors have 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 OEMs;
- manufacturing facilities that are located in countries with lower production costs;
- lower capacity utilization, which in peak market conditions can result in shorter lead times to customers;
- ability to add additional capacity faster or more efficiently;
- preferred vendor status with existing and potential customers;
- greater name recognition; and
- larger customer bases.

In addition, these competitors may respond more quickly to new or emerging technologies or adapt more quickly to changes in customer requirements 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 strategy of providing quick-turn services, an integrated manufacturing solution, and responsive customer service may take on reduced importance to our customers. As a result, we may need to compete more on the basis of price, which would cause our gross margins to decline.

We and some of our competitors have reduced average selling prices in the past. In addition, competitors may reduce their average selling prices faster than our ability to reduce costs, which can also accelerate the rate of decline of our selling prices. When prices decline, we may also be required to write down the value of our inventory. In addition, we could yield lower or no profit from the sale of our products if we price our products aggressively in response to market conditions.

If we are unable to adapt our design and production processes in response to rapid technological change and process development, we may not be able to compete effectively.

The markets for our products and manufacturing services are characterized by rapidly changing technology and continual implementation of new designs and production processes. The future success of our business will depend in large part upon our ability to maintain and enhance our technological capabilities, to design and manufacture 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. For example, in 2023 in our PCB segment, we expect to continue to make capital expenditures to expand our HDI, RF technology, and other advanced manufacturing capabilities while in our RF&S Components segment, we are designing products that we hope our customers adopt and incorporate into their products. We may not be able to obtain access to additional sources of funds in order to respond to technological changes as quickly as our competitors. In addition, our failure to adopt and implement technological improvements quickly may cause inefficiencies in our production process as our product yields or quality may decrease, resulting in increased costs, and may lead to customers not adopting our product designs.

We also could encounter competition from new or revised manufacturing, production and design technologies that render existing manufacturing, production, and design 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 or if we are not able to design new products acceptable to customers to remain competitive, the development, acquisition, and implementation of those designs, technologies and equipment may require us to make significant capital investments.

Products we manufacture may contain design or manufacturing defects, which could result in reduced revenue from the sale of our products or services and may result in 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 materials failure or error, may result in delayed shipments, customer dissatisfaction, a reduction or cancellation of purchase orders, or liability claims against us. If these defects occur either in large quantities or too frequently, our business reputation may be impaired, and our customers may decrease the orders for products or services that they purchase from us, thereby decreasing our overall revenue. 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 beyond the cost of the PCB, for which we may be liable. Although our invoices and sales arrangements generally contain provisions designed to limit our exposure to product liability and related claims, existing or future laws or unfavorable judicial decisions could negate these limitation of liability provisions. In addition, we manufacture products for a range of automotive customers. If any of our products are or are alleged to be defective, we may be required to participate in a recall of such products. As suppliers become more integral to the vehicle design process and assume more of the vehicle assembly functions, vehicle manufacturers are increasingly looking to their suppliers for contributions when faced with product liability claims or recalls. In addition, vehicle manufacturers, which have traditionally borne the costs associated with warranty programs offered on their vehicles, are increasingly requiring suppliers to guarantee or warrant their products and may seek to hold us responsible for some or all of the costs related to the repair and replacement of parts supplied by us to the vehicle manufacturer.

Infringement of our intellectual property rights could negatively affect us, and we may be exposed to intellectual property infringement claims from third parties that could be costly to defend, could divert management's attention and resources, and if successful, could result in liability.

We rely on a combination of copyright, patent, trademark, trade secret laws, confidentiality procedures, contractual provisions, and other measures to establish and protect our proprietary and confidential information. All of these measures afford only limited protection. These measures may be invalidated, circumvented, breached, or challenged, and others may develop intellectual property, technologies or processes that are similar, or superior to, our intellectual property or technology. We may not have adequate controls and procedures in place to protect our proprietary and confidential information. Despite our efforts to protect our intellectual property and proprietary rights, unauthorized parties may attempt to copy and succeed in copying our products or may obtain or use information that we regard as proprietary or confidential. If it becomes necessary for us to resort to litigation to protect our intellectual property

rights, any proceedings could be burdensome, costly, and distracting to management, and we may not prevail. Further, adequate remedies may not be available in the event of an unauthorized use or disclosure of our proprietary or confidential information. Failure to successfully establish or enforce our intellectual property rights could materially and adversely affect our business, financial condition, and results of operations. Furthermore, there is a risk that we may infringe on the intellectual property rights of others. As is the case with many other companies in the PCB industry, we from time to time receive communications from third parties asserting patent rights over our products and enter into discussions with such third parties. Irrespective of the validity or the successful assertion of such claims, we could incur costs in either defending or settling any intellectual property disputes alleging infringement. If any claims, regardless of whether they have merit, are brought against our customers for such infringement, we could be required to expend significant resources in defending such claims, developing non-infringing alternatives, or obtaining licenses. We may not be successful in developing such alternatives or in obtaining such licenses on reasonable terms, or at all, and may be required to modify or cease marketing our products or services, which could disrupt the production processes, damage our reputation, and materially and adversely affect our business, financial condition, and results of operations.

Foreign laws may not afford us sufficient protections for our intellectual property, and we may not be able to obtain patent protection outside of the United States.

Certain nations that we operate in may not grant us certain intellectual property rights that are customarily granted in more developed legal systems. Patent law reform in the United States and other countries may also weaken our ability to enforce our patent rights or make such enforcement financially unattractive. For example, despite continuing international pressure on the Chinese government, intellectual property rights protection continues to present significant challenges to foreign investors and, increasingly, Chinese companies. Chinese commercial law is considered by some to be relatively undeveloped compared to the commercial law in our other major markets and only limited protection of intellectual property is available in China as a practical matter. Although we have taken precautions in the operations of our Chinese subsidiaries and in our joint venture agreement to protect our intellectual property, any local design or manufacture of products that we undertake in China could subject us to an increased risk that unauthorized parties will be able to copy or otherwise obtain or use our intellectual property, which could harm our business. We may also have limited legal recourse in the event we encounter patent or trademark infringement. Uncertainties with respect to the Chinese legal system may adversely affect the operations of our Chinese subsidiaries. China has put in place a comprehensive system of intellectual property laws; however, incidents of infringement are relatively common, and enforcement of rights can, in practice, be difficult. If we are unable to manage our intellectual property rights, our business and operating results may be seriously harmed.

Damage to any of our manufacturing facilities due to fire, natural disaster, or other events could materially adversely affect our business, financial condition, and results of operations.

The destruction or closure of any of our facilities for a significant period of time as a result of fire, explosion, blizzard, act of war or terrorism, flood, tornado, earthquake, lightning, other natural disasters, required maintenance, or other events could harm us financially, increasing our costs of doing business and limiting our ability to deliver our manufacturing services on a timely basis.

Our insurance coverage with respect to damages to our facilities or our customers' products caused by natural disasters is limited and is subject to deductibles and coverage limits. Such coverage may not be adequate or continue to be available at commercially reasonable rates and terms.

In the event one or more of our facilities is closed on a temporary or permanent basis as a result of a natural disaster, required maintenance or other event, our operations could be significantly disrupted. Such events could delay or prevent product manufacturing and shipment for the time required to transfer production or repair, rebuild, or replace the affected manufacturing facilities. This time frame could be lengthy and result in significant expenses for repair and related costs. While we have disaster recovery plans in place, there can be no assurance that such plans will be sufficient to allow our operations to continue in the event of every natural or man-made disaster, required repair or other extraordinary event. Any extended inability to continue our operations at unaffected facilities following such an event would reduce our revenue and potentially damage our reputation as a reliable supplier.

Risks Related to our Indebtedness

We have substantial outstanding indebtedness, and our outstanding indebtedness could adversely impact our liquidity and flexibility in obtaining additional financing, our ability to fulfill our debt obligations and our financial condition and results of operations.

We have substantial debt and, as a result, we have significant debt service obligations. As of October 2, 2023, we maintain $349.1 million outstanding under our Term Loan Facility due 2030 (Term Loan Facility) at a floating rate of Term Secured Overnight Financing Rate (SOFR) plus 2.75%, $500.0 million of Senior Notes due 2029 (Senior Notes due 2029) at an interest rate of 4.0%, and $30.0 million outstanding under a $150.0 million Asia Asset-Based Lending Credit Agreement (Asia ABL). We and a number of our direct and indirect subsidiaries also have various credit facilities and letters of credit. Such agreements also contain certain financial covenants which require us to maintain, under the occurrence of certain events, a consolidated fixed charge coverage ratio.

Subject to the limits contained in the credit agreements governing the Term Loan Facility, the U.S. Asset-Based Lending Credit Agreement (U.S. ABL), the Asia ABL, the indenture governing the Senior Notes due 2029, and our other debt instruments, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments, or acquisitions,

or for other purposes. If we do so, the risks related to our high level of debt could intensify. Specifically, our high level of debt could have important consequences to us and our shareholders. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, which could in turn result in an event of default on such indebtedness;
- require us to use a substantial portion of our cash flow from operations for debt service payments, thereby reducing the availability of cash for working capital, capital expenditures, acquisitions and other general corporate purposes;
- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and other investments or general corporate purposes, which may limit our ability to execute our business strategy;
- diminish our ability to withstand a downturn in our business, the industry in which we operate or the economy generally and restrict us from exploiting business opportunities or making acquisitions;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate or the general economy;
- increase our vulnerability to general adverse economic and industry conditions, including increases in interest rates, that result in increased borrowing costs;
- limit management’s discretion in operating our business; and
- place us at a competitive disadvantage as compared to our competitors that have less debt as it could limit our ability to capitalize on future business opportunities and to react to competitive pressures or adverse changes.

In addition, the indenture governing the Senior Notes due 2029 and the credit agreements governing the Term Loan Facility, the U.S. ABL and the Asia ABL contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt.

Furthermore, we and our subsidiaries may decide to incur significant additional indebtedness in the future. Although the indenture governing the Senior Notes due 2029, and the credit agreements governing the Term Loan Facility, the U.S. ABL and the Asia ABL will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Our Term Loan Facility and our Asia ABL are subject to interest at a floating rate of Term SOFR plus a margin, and as a result, we have exposure to interest rate risk. Certain central banks, such as the U.S. Federal Reserve, effected multiple interest rate increases in 2022 and 2023. Increases in interest rates increase our cost of borrowing and/or potentially make it more difficult to refinance our existing indebtedness, if necessary. We have attempted to mitigate this risk by entering into a four-year pay-fixed, receive floating (1-month CME Term SOFR), interest rate swap arrangement in March 2023 with such swap having a notional amount of $250.0 million for the period beginning April 1, 2023 and ending on April 1, 2027. Under the terms of the interest rate swap, we pay a fixed rate of 3.49% against the first interest payments of a portion of our Term SOFR-based debt and receive floating 1-month CME Term SOFR during the swap period. Although we have taken measures to mitigate our risk to interest rate increases, our swap instruments may not be wholly effective in mitigating this risk or otherwise provide an effective hedge against all interest rate volatility. See *Quantitative and Qualitative Disclosures About Market Risk* and *Interest Rate Risks* appearing in Part 1, Item 3 of this Quarterly Report on Form 10-Q for further information.

Servicing our debt requires a significant amount of cash and we may not be able to generate sufficient cash to service all of our debt and may be forced to take other actions to satisfy our obligations under our debt, which may not be successful.

Based on certain parameters defined in the Term Loan Facility, including a First Lien Leverage Ratio, we may be required to make an additional principal payment on an annual basis if our First Lien Leverage Ratio is greater than 2.0.

Our ability to make scheduled payments on or to refinance our debt obligations and to fund planned capital expenditures and expansion efforts depends on our ability to generate cash in the future and our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain regulatory, competitive, financial, business, and other factors beyond our control.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional capital (which could include obtaining additional equity capital on terms that may be onerous or highly dilutive) or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreements governing the Term Loan Facility, the U.S. ABL and the Asia ABL and the indenture governing the Senior Notes due 2029 restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict

our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct certain of our operations through our subsidiaries. Accordingly, repayment of our indebtedness may be dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of the Senior Notes due 2029 or our other indebtedness, our subsidiaries do not have any obligation to pay amounts due on our indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity, and under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture governing the Senior Notes due 2029 and the credit agreements governing the Term Loan Facility, the U.S. ABL and the Asia ABL limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under our indebtedness.

If we cannot make scheduled payments on our debt, we will be in default and holders of the Senior Notes due 2029 could declare all outstanding principal and interest to be due and payable, the lenders under the Term Loan Facility, the U.S. ABL and the Asia ABL could terminate their commitments to loan money, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.

Regulatory Risks

Because of periodic power shortages in China, we may have to temporarily close our China operations, which would adversely impact our ability to manufacture our products, meet customer orders, and result in reduced revenues.

China is facing a generally persistent and growing power supply shortage. Instability in electrical supply can cause sporadic outages among residential and commercial consumers. As a result, the Chinese government from time to time has implemented power restrictions to ease the energy shortage. If we are required to make temporary closures of our facilities in China at any time, we may be unable to manufacture our products, and would then be unable to meet customer orders except from inventory on hand. As a result, we could lose sales, adversely impacting our revenues, and our relationships with our customers could suffer, impacting our ability to generate future sales.

We are subject to the requirements of the National Industrial Security Program Operating Manual (NISPOM) for our facility security clearance, which is a prerequisite to our ability to perform on classified contracts for the U.S. government.

A facility security clearance is required in order to be awarded and perform on classified contracts for the Department of Defense and certain other agencies of the U.S. government. As a cleared entity, we must comply with the requirements of the NISPOM, and any other applicable U.S. government industrial security regulations. Further, our Board has adopted a Special Board Resolution (SBR) that has been approved by the Defense Counterintelligence and Security Agency (DCSA) that requires for the Company to adopt certain corporate constructs, policies and procedures.

If we were to violate the terms and requirements of the SBR, the NISPOM, or any other applicable U.S. government industrial security regulations (which may apply to us under the terms of classified contracts), we could lose our security clearance. We cannot be certain that we will be able to maintain our security clearance. If for some reason our security clearance is invalidated or terminated, we may not be able to continue to perform on classified contracts and would not be able to enter into new classified contracts, which could materially adversely affect our business, financial condition, and results of operations.

Our operations in China and Hong Kong subject us to risks and uncertainties relating to the laws and regulations of China and Hong Kong and adverse effects of political tensions that arise from time to time with China.

The government of China is adopting evolving policies regarding foreign and domestic trade. No assurance can be given that the government of China will continue to pursue policies that allow for open trade with foreign countries, that such policies will be successful if pursued, or that such policies will not be significantly altered from time to time, particularly in light of the trade and travel restrictions that the United States and China have implemented in recent years. Despite progress in developing its legal system, China does not have a comprehensive and highly developed system of laws, particularly with respect to foreign investment activities and foreign trade. Enforcement of existing and future laws and contracts is uncertain, and implementation and interpretation thereof may be inconsistent. As the Chinese legal system develops, the promulgation of new laws, changes to existing laws, and the preemption of local regulations by national laws may adversely affect foreign investors. Further, any litigation in China may be protracted and may result in substantial costs and diversion of resources and management's attention. Also, the evolving landscape of the interrelation between China and Hong Kong may have an adverse impact on our operations in Hong Kong and may impact our ability to attract and maintain necessary talent in that area. In addition, though changes in government policies and rules are timely published or communicated, there is usually no indication of the duration of any grace period before which full implementation and compliance will

be required. As a result, it is possible that we might operate our business in violation of new rules and policies before full compliance can be achieved. These uncertainties could limit the legal protections available to us and adversely impact our results of operations.

Our failure to comply with the requirements of environmental laws could result in litigation, fines, revocation of permits necessary to our manufacturing processes, or debarment from our participation in federal government contracts.

Our operations are regulated under a number of domestic 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, recycling, and disposal of such materials. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Superfund Amendment and Reauthorization Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Toxic Substances Control Act, and the Federal Motor Carrier Safety Improvement Act, as well as analogous state, local, 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. 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 and cupric etching solutions, metal stripping solutions, waste acid solutions, waste alkaline cleaners, waste oil, and waste waters that contain heavy metals such as copper, tin, lead, nickel, gold, silver, cyanide, and fluoride, and both filter cake and spent ion exchange resins from equipment used for on-site waste treatment.

Environmental law violations, including the failure to maintain required environmental permits, could subject us to fines, penalties, and other sanctions, including the revocation of our effluent discharge permits. This could require us to cease or limit production at one or more of our facilities and could have a material adverse effect on our business, financial condition, and results of operations. Even if we ultimately prevail, environmental lawsuits against us would be time consuming and costly to defend.

Environmental laws have generally become more stringent, and we expect this trend to continue over time, especially in developing countries, 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 or relocation to another global location where prohibitive regulations do not exist. It is possible that environmental compliance costs and penalties from new or existing regulations may materially adversely affect our business, financial condition, and results of operations.

We are increasingly required to certify compliance with various material content restrictions in our products based on laws of various jurisdictions or territories such as the Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemicals, or REACH directives in the European Union and China's RoHS legislation. Similar laws have been adopted in other jurisdictions and may become increasingly prevalent. In addition, we must also certify as to the non-applicability of the EU's Waste Electrical and Electronic Equipment directive for certain products that we manufacture. The REACH directive requires the identification of Substances of Very High Concern, or SVHCs periodically. We must survey our supply chain and certify to the non-presence or presence of SVHCs to our customers. As with other types of product certifications that we routinely provide, we may incur liability and pay damages if our products do not conform to our certifications.

We are also subject to an increasing variety of environmental laws and regulations in China, which impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage, and disposal of solid and hazardous wastes for us and our vendors that assist us in managing the waste generated by our manufacturing processes. The manufacturing of our products generates gaseous chemical wastes, liquid wastes, wastewater, and other industrial wastes from various stages of the manufacturing process. Production sites, waste collectors, and vendors in China are subject to increasing regulation and periodic monitoring by the relevant environmental protection authorities. Environmental claims or the failure to comply with current or future regulations could result in the assessment of damages or imposition of fines against us, suspension of production, or cessation of operations.

The process to manufacture PCBs and our other products requires adherence to city, county, state, federal, and foreign environmental laws and regulations regarding the storage, use, handling, and disposal of chemicals, solid wastes, and other hazardous materials, as well as compliance with wastewater and air quality standards. We rely on our vendors for the transportation and disposal of our solid and hazardous wastes generated by our manufacturing processes. If we are not able to find such services, our ability to conduct our business and our results of operations may be adversely impacted. In China, the government has a history of changing legal requirements with no or minimal notice. We believe that our facilities in China comply in all material respects with current applicable environmental laws and regulations and have resources in place to maintain compliance to them. The capital expenditure costs expected for environmental improvement initiatives are included in our annual capital expenditure projections.

Our international sales are subject to laws and regulations relating to corrupt practices, trade, and export controls and economic sanctions. Any non-compliance could have a material adverse effect on our business, financial condition, and results of operations.

We operate on a global basis and are subject to anti-corruption, anti-bribery, and anti-kickback laws and regulations, including restrictions imposed by the Foreign Corrupt Practices Act (FCPA). The FCPA and similar anti-corruption, anti-bribery, and anti-kickback laws in other jurisdictions generally prohibit companies and their intermediaries and agents from making improper payments to government officials or any other persons for the purpose of obtaining or retaining business. We operate and sell our products in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-corruption, anti-bribery, and anti-kickback laws may conflict with local customs and practices. We also, from time to time, undertake business ventures with state-owned companies or enterprises.

Our global business operations must also comply with all applicable domestic and foreign export control laws, including International Traffic In Arms Regulations (ITAR) and Export Administration Regulations (EAR). Some items we manufacture are controlled for export by the U.S. Department of Commerce’s Bureau of Industry and Security under EAR.

We train our employees concerning anti-corruption, anti-bribery, and anti-kickback laws and compliance with international regulations regarding trades and exports, and we have policies in place that prohibit employees from making improper payments. We cannot provide assurances that our internal controls and procedures will guarantee compliance by our employees or third parties with whom we work. If we are found to be liable for violations of the FCPA or similar anti-corruption, anti-bribery, or anti-kickback laws in international jurisdictions or for violations of ITAR, EAR, or other similar regulations regarding trades and exports, either due to our own acts or out of inadvertence, or due to the inadvertence of others, we could suffer criminal or civil fines or penalties or other repercussions, including reputational harm, which could have a material adverse effect on our business, financial condition, and results of operations.

Our global business operations also must be conducted in compliance with applicable economic sanction laws and regulations, such as laws administered by the U.S. Department of the Treasury’s Office of Foreign Asset Control, the U.S. State Department, and the U.S. Department of Commerce. We must comply with all applicable economic sanction laws and regulations of the United States and other countries. Imposition of economic sanction laws and regulations on a company or country could impact our revenue levels. Violations of these laws or regulations could result in significant additional sanctions including criminal or civil fines or penalties, more onerous compliance requirements, more extensive debarments from export privileges, or loss of authorizations needed to conduct aspects of our international business.

In certain countries, we may engage third-party agents or intermediaries, such as customs agents, to act on our behalf, and if these third-party agents or intermediaries violate applicable laws, their actions may result in criminal or civil fines or penalties or other sanctions being assessed against us. We take specific measures designed to ensure our compliance with U.S. export and economic sanctions laws, anti-corruption laws and regulations, and export control laws. However, it is possible that some of our products were sold or will be sold to distributors or other parties, without our knowledge or consent, in violation of applicable law. There can be no assurances that we will be in compliance in the future. Any such violation could result in significant criminal or civil fines, penalties, or other sanctions and repercussions, including reputational harm, which could have a material adverse effect on our business, financial condition, and results of operations.

We incur significant costs as a result of operating as a public company, and our management is required to devote substantial time to current and evolving compliance initiatives and corporate governance practices.

As a public company we incur significant legal, accounting and other expenses that we likely would not incur as a private company. We are subject to the reporting requirements of the Exchange Act, which require, among other things, that we file with the SEC annual, quarterly and current reports with respect to our business and financial condition. In addition, the Sarbanes-Oxley Act of 2002 and rules subsequently implemented by the SEC and Nasdaq have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Further, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, was enacted. There are significant corporate governance and executive compensation related provisions in the Dodd-Frank Act that require the SEC, from time to time, to adopt additional rules and regulations in these areas, such as “say on pay” and proxy access. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to further substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate. The rules and regulations applicable to public companies substantially increase our legal and financial compliance costs and make some activities more time-consuming and costly. When these requirements divert the attention of our management and personnel from other business concerns, they could have a material adverse effect on our business, financial condition and results of operations. The increased costs may decrease our net income (or increase our net loss) and may require us to reduce costs in other areas of our business or increase the prices of our products or services. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements.

Other Risks

We may need additional capital in the future to fund investments in our operations, refinance our indebtedness, and to maintain and grow our business, and such capital may not be available on a timely basis, on acceptable terms, or at all.

Our business is capital-intensive, and our ability to increase revenue, profit, and cash flow depends upon continued capital spending. To the extent that the funds generated by our on-going operations are insufficient to cover our liquidity requirements, we may need to raise additional funds through financings. If we are unable to fund our operations and make capital expenditures as currently planned or if we do not have sufficient liquidity to service the interest and principal payments on our debt, it would have a material adverse effect on our business, financial condition, and results of operations. If we do not achieve our expected operating results, we would need to reallocate our sources and uses of operating cash flows. This may include borrowing additional funds to service debt payments, which may impair our ability to make investments in our business. Looking ahead at long-term needs, we may need to raise additional funds for a number of purposes, including the following:

- to fund capital equipment purchases to increase production capacity, upgrade and expand our technological capabilities and replace aging equipment or introduce new products;
- to refinance our existing indebtedness;
- to fund our current or planned operations;
- to fund potential acquisitions or strategic relationships;
- to fund working capital requirements for future growth that we may experience;
- to enhance or expand the range of services we offer;
- to increase our sales and marketing activities;
- to respond to competitive pressures or perceived opportunities, such as investment, acquisition, and international expansion activities; or
- to fund our initiatives set forth in our ESG policies and practices.

Should we need to raise funds through incurring additional debt, we may become subject to covenants even more restrictive than those contained in our current debt instruments. There can be no assurance that additional capital, including any future equity or debt financing, would be available on a timely basis, on favorable terms, or at all. If such funds are not available to us when required or on acceptable terms, our business, financial condition, and results of operations could be materially adversely affected.

Outages, computer viruses, cyber-attacks, and similar events could materially disrupt our operations, and breaches of our security systems may cause us to incur significant legal and financial exposure.

We rely on information technology networks and systems, some of which are owned and operated by third parties, to collect, process, transmit, and store electronic information. In particular, we depend on our information technology infrastructure for a variety of functions, including worldwide financial reporting, inventory management, procurement, invoicing, and email communications. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, hacking, terrorist attacks, and similar events. In addition, in the ordinary course of our business, we collect and store sensitive data in our data centers and on our networks, including intellectual property, our proprietary and confidential business information and that of our customers, suppliers and business partners, and personally identifiable information of our employees. The secure collection, processing, storage, maintenance and transmission of this information is critical to our operations. Despite the implementation of network security measures, our systems and those of third parties on which we rely may also be vulnerable to computer viruses, break-ins, cyber-attacks, attacks by hackers or breaches due to employee or third party (including suppliers and business partners) error, malfeasance, or other disruptions. If we or our vendors are unable to prevent such outages and breaches, our operations could be materially disrupted. If unauthorized parties gain access to our information systems or such information is used in an unauthorized manner, misdirected, altered, lost, or stolen during transmission, any theft or misuse of such information could result in, among other things, unfavorable publicity, governmental inquiry and oversight, difficulty in marketing our services, allegations by our customers that we have not performed our contractual obligations, loss of customers, litigation by affected parties, and possible financial obligations for damages related to the theft or misuse of such information, any of which could have a material adverse effect on our business, financial condition, and results of operations.

Issues arising during the upgrade of our enterprise resource planning system could affect our operating results and ability to manage our business effectively.

We are continuing the process of upgrading our enterprise resource planning, or ERP, management system to enhance operating efficiencies and provide more effective management of our business operations. We are investing significant financial and personnel resources into this project. However, there is no assurance that the system upgrade will meet our current or future business needs or that it will operate as designed. The transition to the new ERP system will affect numerous systems necessary for our operation. If we fail to correctly implement one or more components of the ERP system, we could experience significant disruption to our operations. Such disruptions could include, among other things, temporary loss of data, inability to process certain orders, failure of systems to communicate with each other and the inability to track or reconcile key data. We are heavily dependent on automated management

systems, and any significant failure or delay in the system upgrade could cause a substantial interruption to our business and additional expense, which could result in an adverse impact on our operating results, cash flows or financial condition.

Our ability to use net operating loss carryforwards to offset future taxable income for U.S. federal, state and foreign income tax purposes is subject to limitations, and future transfers of shares of our common stock could cause us to experience an "ownership change" that could further limit our ability to utilize our net operating losses.

Under U.S. federal income tax law, a corporation's ability to utilize its net operating losses (NOLs) to offset future taxable income may be significantly limited if it experiences an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1986, as amended. In general, an ownership change will occur if there is a cumulative change in a corporation's ownership by "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period.

A corporation that experiences an ownership change will generally be subject to an annual limitation on its pre-ownership change NOLs equal to the value of the corporation immediately before the ownership change, multiplied by the long-term tax-exempt rate (subject to certain adjustments). The annual limitation for a taxable year is generally increased by the amount of any "recognized built-in gains" for such year and the amount of any unused annual limitation in a prior year. As a result of our acquisition of Viasystems, the NOLs acquired were subject to this limitation. Future transfers or sales of our common stock during a rolling three-year period by any of our "5-percent shareholders" could cause us to experience an ownership change under Section 382, which could further limit our use of NOLs.

If our net earnings do not remain at or above recent levels, or we are not able to predict with a reasonable degree of probability that they will continue, we may have to record a valuation allowance against our net deferred income tax assets.

Our U.S. entities and certain of our foreign subsidiaries have deferred income tax assets. Based on our forecast for future earnings and analysis, we believe we may not utilize our deferred income tax assets in future periods in the U.S. and certain subsidiaries in foreign jurisdictions and as a result have established a valuation allowance against those deferred tax assets. If our estimates of future earnings and analysis changes, we may change our determination to have a valuation allowance against our deferred income tax assets, which will result in an increase or decrease to our income tax provision that can impact our results of operations.

Unanticipated changes in our tax rates or in our assessment of the realizability of our deferred income tax assets or exposure to additional income tax liabilities could affect our business, financial condition, and results of operations.

We are subject to income taxes in the United States and various foreign jurisdictions. Significant judgment is required in determining our provision for income taxes and, in the ordinary course of business, there are many transactions and calculations in which the ultimate tax determination is uncertain. Our effective tax rates could be materially adversely affected by changes in the mix of earnings in countries and states with differing statutory tax rates, changes in the valuation of deferred income tax assets and liabilities, changes in tax laws or regulations such as those proposed by the Organization for Economic Co-operation and Development (OECD), as well as other factors. Our tax determinations are regularly subject to audit by tax authorities, and developments in those audits could adversely affect our income tax provision. Although we believe that our tax estimates are reasonable, the final determination of tax audits or tax disputes may be different from what is reflected in our historical income tax provisions, which could materially adversely affect our business, financial condition, and results of operations.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

The following table provides information about repurchases by us of shares of our common stock during the quarter ended October 2, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share[(1)]	Total Number of Shares Purchased As Part of Publicly Announced Program[(2)]	Maximum Approximate Dollar of Shares that May Yet be Purchased Under the Program[(3)]
July 4, 2023 - July 31, 2023	8,758	$ 13.48	8,758	$ 99,881,928
August 1, 2023 - August 28, 2023	540,000	14.71	540,000	91,941,192
August 29, 2023 - October 2, 2023	471,209	13.92	471,209	85,383,268
Total for the quarter ended October 2, 2023	1,019,967	$ 14.33	1,019,967	

(1) Includes commissions.

(2) On May 3, 2023, we announced that our Board of Directors authorized and approved a share repurchase program. Under the program, we may repurchase up to $100.0 million in value of our outstanding shares of common stock from time to time through May 3, 2025.

(3) As of the last day of the applicable period.

Item 3. ***Defaults Upon Senior Securities***

Not applicable.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

Rule 10b5-1 Trading Plans

During the fiscal quarter ended October 2, 2023, none of the Company’s directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

Item 6. ***Exhibits***

Exhibit Number	Exhibits
10.1‡	Letter Agreement, dated as of July 28, 2023, by and between the Company and Daniel L. Boehle (1)
31.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Documents
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Documents
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Documents
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Documents
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K as filed with the Commission on August 2, 2023, SEC File Number 000-31285.

‡ Management contract or compensatory plan.

* Filed herewith.

** Furnished herewith. The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Commission and are not to be incorporated by reference into any filing of Registrant under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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.

TTM Technologies, Inc.

/s/ Thomas T. Edman

Dated: November 7, 2023

Thomas T. Edman
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Daniel L. Boehle

Dated: November 7, 2023

Daniel L. Boehle
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Thomas T. Edman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TTM Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Thomas T. Edman

Thomas T. Edman
President and Chief Executive Officer
(Principal Executive Officer)

November 7, 2023

Exhibit 31.2

CERTIFICATION

I, Daniel L. Boehle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TTM Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Daniel L. Boehle

Daniel L. Boehle
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

November 7, 2023

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of TTM Technologies, Inc. (the “Company”) for the quarter ended October 2, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas T. Edman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Thomas T. Edman

Thomas T. Edman
President and Chief Executive Officer
(Principal Executive Officer)

November 7, 2023

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of TTM Technologies, Inc. (the "Company") for the quarter ended October 2, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel L. Boehle, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Daniel L. Boehle

Daniel L. Boehle
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

November 7, 2023