TTM TECHNOLOGIES INC
Form 10-Q
November 03, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

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

For the quarterly period ended September 26, 2016

Commission File Number: 0-31285

TTM TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**91-1033443**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization) **Identification No.)**

1665 Scenic Avenue Suite 250, Costa Mesa, California 92626

(Address of principal executive offices)

(714) 327-3000

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

Number of shares of common stock, $0.001 par value, of registrant outstanding at November 1, 2016: 100,393,160

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

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

TTM TECHNOLOGIES, INC.

Consolidated Condensed Balance Sheets

	As of September 26, 2016	As of December 28, 2015
	(Unaudited)	
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 291,783	$ 259,100
Restricted cash		3,530
Accounts receivable, net	449,924	456,000
Inventories	281,169	268,923
Prepaid expenses and other current assets	33,112	34,967
Total current assets	1,055,988	1,022,520
Property, plant and equipment, net	1,026,213	1,103,067
Goodwill	372,607	346,990
Definite-lived intangibles, net	133,019	150,874
Deposits and other non-current assets	19,399	16,682
	$ 2,607,226	$ 2,640,133
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt, including current portion of long-term debt	$ 146,473	$ 157,375
Accounts payable	387,613	377,222
Accrued salaries, wages and benefits	89,021	108,649
Other accrued expenses	123,760	101,748
Total current liabilities	746,867	744,994
Long-term debt, net of discount and issuance costs	935,377	1,013,411
Other long-term liabilities	71,867	55,059
Total long-term liabilities	1,007,244	1,068,470
Commitments and contingencies (Note 12)		
Equity:		
Common stock, $0.001 par value; 200,000 shares authorized, 100,251 and 99,137 shares issued and outstanding in 2016 and 2015, respectively	100	99
Additional paid-in capital	753,618	745,608
Retained earnings	82,232	45,963
Statutory surplus reserve	26,409	25,812
Accumulated other comprehensive (loss) income	(17,327)	1,623
Total TTM Technologies, Inc. stockholders equity	845,032	819,105
Noncontrolling interest	8,083	7,564

Total equity	853,115	826,669
	$ 2,607,226	$ 2,640,133

See accompanying notes to consolidated condensed financial statements.

Table of Contents

TTM TECHNOLOGIES, INC.

Consolidated Condensed Statements of Operations

For the Quarter and Three quarters Ended September 26, 2016 and September 28, 2015

	Quarter Ended		Three quarters Ended	
	September 26, 2016	September 28, 2015	September 26, 2016	September 28, 2015
	(Unaudited)			
	(In thousands, except per share data)			
Net sales	$ 641,720	$ 652,005	$ 1,826,825	$ 1,426,614
Cost of goods sold	532,158	562,887	1,536,055	1,224,747
Gross profit	109,562	89,118	290,770	201,867
Operating expenses:				
Selling and marketing	15,643	17,642	49,518	39,398
General and administrative	35,641	39,523	108,249	126,031
Amortization of definite-lived intangibles	5,949	6,421	17,845	12,205
Impairment of long-lived assets			3,346	
Restructuring charges	2,103	1,936	8,005	1,936
Gain on sale of asset				(2,504)
Total operating expenses	59,336	65,522	186,963	177,066
Operating income	50,226	23,596	103,807	24,801
Other income (expense):				
Interest expense	(18,873)	(21,002)	(60,741)	(39,545)
Loss on extinguishment of debt				(802)
Other, net	3,930	3,998	8,330	4,264
Total other expense, net	(14,943)	(17,004)	(52,411)	(36,083)
Income (loss) before income taxes	35,283	6,592	51,396	(11,282)
Income tax provision	(9,513)	(8,730)	(14,011)	(23,993)
Net income (loss)	25,770	(2,138)	37,385	(35,275)
Less: Net income attributable to the noncontrolling interest	(188)	(99)	(519)	(128)
Net income (loss) attributable to TTM Technologies, Inc. stockholders	$ 25,582	$ (2,237)	$ 36,866	$ (35,403)
Income (loss) per share attributable to TTM Technologies, Inc. stockholders:				
Basic income (loss) per share	$ 0.26	$ (0.02)	$ 0.37	$ (0.39)
Diluted income (loss) per share	$ 0.23	$ (0.02)	$ 0.36	$ (0.39)

See accompanying notes to consolidated condensed financial statements.

4

Table of Contents

TTM TECHNOLOGIES, INC.

Consolidated Condensed Statements of Comprehensive Income (Loss)

For the Quarter and Three quarters Ended September 26, 2016 and September 28, 2015

	Quarter Ended September 26, 2016	Quarter Ended September 28, 2015	Three quarters Ended September 26, 2016	Three quarters Ended September 28, 2015
	(Unaudited) (In thousands)			
Net income (loss)	$ 25,770	$ (2,138)	$ 37,385	$ (35,275)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments:				
Unrealized loss during the period, net	(5,350)	(18,195)	(19,061)	(16,017)
Gain realized in the statement of operations				(1,786)
Net	(5,350)	(18,195)	(19,061)	(17,803)
Net unrealized gains (losses) on cash flow hedges:				
Unrealized gain (loss) on effective cash flow hedges during the period, net	4	33	(17)	(20)
Loss realized in the statement of operations	47	44	128	129
Net	51	77	111	109
Other comprehensive loss, net of tax	(5,299)	(18,118)	(18,950)	(17,694)
Comprehensive income (loss)	20,471	(20,256)	18,435	(52,969)
Less: comprehensive income attributable to the noncontrolling interest	(188)	(99)	(519)	(128)
Comprehensive income (loss) attributable to TTM Technologies, Inc. stockholders	$ 20,283	$ (20,355)	$ 17,916	$ (53,097)

See accompanying notes to consolidated condensed financial statements.

Table of Contents

TTM TECHNOLOGIES, INC.

Consolidated Condensed Statements of Cash Flows

For the Three quarters Ended September 26, 2016 and September 28, 2015

	Three quarters Ended September 26, 2016	Three quarters Ended September 28, 2015
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ 37,385	$ (35,275)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property, plant and equipment	117,690	94,403
Amortization of definite-lived intangible assets	17,845	12,205
Amortization of debt discount and debt issuance costs	16,400	10,636
Deferred income taxes	(2,696)	10,993
Stock-based compensation	7,890	7,026
Loss on extinguishment of debt		802
Impairment of long-lived assets	3,346	
Gain on sale of asset		(2,504)
Other	(980)	(4,509)
Payment of accreted interest on convertible senior notes		(8,731)
Changes in operating assets and liabilities, net of acquisition:		
Accounts and notes receivable, net	6,076	33,369
Inventories	(12,246)	(14,766)
Prepaid expenses and other current assets	3,132	11,802
Accounts payable	12,883	(30,362)
Accrued salaries, wages and benefits and other accrued expenses	(6,039)	12,543
Net cash provided by operating activities	200,686	97,632
Cash flows from investing activities:		
Purchase of property, plant and equipment and equipment deposits	(62,520)	(76,876)
Proceeds from sale of property, plant and equipment and asset held for sale	1,523	21,364
Release (designation) of restricted cash and cash equivalents	3,530	(1,957)
Acquisition, net of cash acquired		(169,162)
Net cash used in investing activities	(57,467)	(226,631)
Cash flows from financing activities:		
Repayment of long-term debt borrowing	(106,482)	(273,803)
Proceeds from new long-term borrowings		950,000
Proceeds from borrowing on revolving loan		80,000
Repayment of assumed long-term debt in acquisition		(669,024)
Repurchase of convertible senior notes		(23,664)
Payment of debt issuance costs		(34,104)
Payment of original issue discount		(33,250)
Proceeds from exercise of stock options	123	495
Net cash used in financing activities	(106,359)	(3,350)
Effect of foreign currency exchange rates on cash and cash equivalents	(4,177)	(2,042)

Net increase (decrease) in cash and cash equivalents	32,683	(134,391)
Cash and cash equivalents at beginning of period	259,100	279,042
Cash and cash equivalents at end of period	$ 291,783	$ 144,651
Noncash transactions:		
Property, plant and equipment recorded in accounts payable and accrued expenses	$ 21,058	$ 23,405
Common stock issued in connection with Viasystems acquisition (Note 2)		149,006

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements

(Unaudited)

(Dollars and shares in thousands, except per share data)

(1) Nature of Operations and Basis of Presentation

TTM Technologies, Inc. (the Company or TTM) is a leading global printed circuit board (PCB) manufacturer, focusing on quick-turn and technologically advanced PCBs and electro-mechanical solutions (E-M Solutions). The Company provides time-to-market and advanced technology products and offers a one-stop manufacturing solution to customers from engineering support to prototype development through final volume production. This one-stop 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 manufacturers of networking/communications infrastructure products, tablets and smartphones, as well as the aerospace and defense, automotive components, high-end computing, and medical, industrial and instrumentation related products. The Company s customers include both original equipment manufacturers (OEMs) and electronic manufacturing services (EMS) providers.

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 reflect all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial position, the results of operations and cash flows of the Company for the periods presented. It is suggested that these consolidated condensed financial statements 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 results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. 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. Actual results could differ materially from those estimates. The Company uses a 52/53 week fiscal calendar with the fourth quarter ending on the Monday nearest December 31. Fiscal 2015 was a 52 week year. Fiscal 2016 will be a 53 week year with the additional week included in the fourth quarter.

Recently Adopted and Issued Accounting Standards

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-09, *Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The objective of this update is to simplify several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the new guidance to determine the impact it may have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The objective of this update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those annual periods and is to be applied utilizing a modified retrospective approach. The Company is currently evaluating the new guidance to determine the impact it may have on its consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-03, *Imputation of Interest*, as amended, which requires an entity to record debt issuance costs related to debt reported in the balance sheet as a direct deduction from the face amount of that debt. The update is effective for annual periods ending after December 15, 2015. The standard requires the use of the retrospective transition method. The Company adopted the new standard in the first quarter of 2016. Accordingly, as of September 26, 2016, approximately $26,314 of unamortized debt issuance costs were presented as a reduction of long-term debt on the Company s consolidated condensed balance sheets. Furthermore, the Company reclassified approximately $31,171 of unamortized debt issuance costs that had been presented as other non-current assets as of December 28, 2015.

Table of Contents

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, as amended, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company at the beginning of fiscal year 2018, however application of the standard is allowed as early as the beginning of fiscal 2017. The standard permits the use of either the retrospective or cumulative effect transition method and management is currently evaluating which transition approach to use. The Company has assessed that the impact of the new guidance will result in a change to the timing of revenue recognition for a portion of the Company s revenue stream from point in time upon physical delivery to an over time model and believes this transition could have a material impact on the Company s consolidated financial statements upon adoption.

(2) Acquisition of Viasystems Group, Inc.

On May 31, 2015, the Company completed the acquisition of Viasystems Group, Inc. (Viasystems), for total consideration of $248,824 in cash and 15,082 shares of TTM common stock with a fair value of $149,006, and thereby acquired all of the outstanding shares of capital stock and other equity rights of Viasystems. Additionally, in connection with the completion of the acquisition, the Company assumed and refinanced Viasystems debt, which was approximately $669,024 as of May 31, 2015. Viasystems was a worldwide provider of complex multi-layer rigid, flexible, and rigid-flex PCBs and custom electronic assemblies.

Bank fees and legal, accounting, and other professional service costs associated with the acquisition of Viasystems of $197 and $2,065 for the quarters ended September 26, 2016 and September 28, 2015, respectively, and $1,493 and $32,927 for the three quarters ended September 26, 2016 and September 28, 2015, respectively, have been expensed and recorded as general and administrative expense in the consolidated condensed statements of operations.

The following summarizes the components of the purchase price:

	(In thousands)
Value of TTM common stock issued	$ 149,006
Cash consideration	248,824
	397,830
Debt assumed	669,024
Enterprise value	$ 1,066,854

The value of the shares of the Company s common stock used in determining the purchase price was $9.88 per share, the closing price of the Company s common stock on May 29, 2015, the last business day prior to the effective date of the acquisition.

The purchase price of the Viasystems acquisition was allocated to tangible and intangible assets acquired, liabilities assumed and noncontrolling interest based on the fair value at the date of the acquisition (May 31, 2015). The excess of the purchase price over the fair value of net assets acquired and noncontrolling interest was allocated to goodwill. The fair value assigned to intangible assets acquired was based on estimates and assumptions made by management at the time of acquisition. The Company finalized the allocation of the purchase price during the second quarter of 2016.

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

		(In thousands)
Cash	$	79,662
Restricted cash		3,510
Accounts and notes receivables ($216,259 contractual gross receivables)		209,196
Inventories		132,216
Prepaid expenses and other current assets		30,633
Property, plant and equipment		427,457
Identifiable intangible assets		150,500
Goodwill		360,494
Deposits and other noncurrent assets		1,157
Current liabilities		(256,705)
Long-term debt		(669,024)
Other liabilities		(63,966)
Noncontrolling interest		(7,300)
Total	$	397,830

Table of Contents

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements (Continued)

Goodwill represents the excess of the Viasystems purchase price over the fair value of tangibles and identifiable intangible assets acquired, liabilities assumed and noncontrolling interest. During the first two quarters of 2016, goodwill was adjusted to reflect:

an increase in current liabilities by $3,442 due to a reassessment of product claims and other contingent liabilities, and
an increase in other noncurrent liabilities by $22,182 primarily related to certain foreign tax liabilities.

The goodwill acquired in the acquisition is not deductible for income tax purposes.

Pro forma Financial Information

The unaudited pro forma financial information in the table below gives effect to this acquisition as if it had occurred at the beginning of fiscal 2015. The pro forma financial information presented includes the effects of adjustments related to the fair value step up of acquired inventory, amortization of acquired intangible assets and depreciation of acquired fixed assets, and other non-recurring transactions costs directly associated with the acquisitions such as legal, accounting and banking fees.

	Three quarters Ended September 28, 2015 (In thousands, except per share data)	
Net sales	$	1,933,430
Net loss attributable to TTM Technologies, Inc. stockholders	$	(25,033)
Basic loss per share	$	(0.28)
Dilutive loss per share	$	(0.28)

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

(3) Consolidation Plan, Restructuring and Impairment Charges

On September 29, 2015, the Company announced a consolidation plan that resulted in the closure of the Company s facilities in Cleveland, Ohio, Milpitas, California and Juarez, Mexico (the Consolidation Plan) and the laid off approximately 480 employees at these sites. The Consolidation Plan was part of the Company s integration strategy to improve total plant utilization, operational performance and customer focus following its acquisition of Viasystems. In accordance with the Consolidation Plan, the Company has combined its Cleveland and Milpitas facilities into its North Jackson, Ohio and Silicon Valley, California facilities, respectively, and closed its Juarez facility.

In connection with the Consolidation Plan and other global realignment restructuring efforts, the Company recognized employee separation costs and contract termination and other costs during the quarter and three quarters ended September 26, 2016. Contract termination and other costs primarily represented plant closure costs for Cleveland, Ohio, Milpitas, California and Juarez, Mexico, as well as costs related to building operating leases associated with the downsizing of the St. Louis, Missouri office.

The below table summarizes such restructuring costs by operating segment:

	Quarter Ended September 26, 2016			Three quarters Ended September 26, 2016		
	Employee separation/ severance	Contract termination and other costs	Total	Employee separation/ severance	Contract termination and other costs	Total
	(In thousands)					
Operating Segment:						
PCB	$ 157	$ 778	$ 935	$ 1,425	$ 1,878	$ 3,303
E-M Solutions	222	1,072	1,294	956	3,016	3,972
Corporate	(121)	(5)	(126)	(112)	842	730
	$ 258	$ 1,845	$ 2,103	$ 2,269	$ 5,736	$ 8,005

During the quarter and three quarters ended September 28, 2015, the Company recognized restructuring charges of $1,936 in its E-M Solutions segment. These charges primarily represent severance expense associated with the closure of the Juarez facility.

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements (Continued)

The below table shows the utilization of the accrued restructuring costs during the three quarters ended September 26, 2016:

	Employee separation/ severance	Contract termination and other costs	Total
		(In thousands)	
Accrued at December 28, 2015	$ 6,044	$ 535	$ 6,579
Charged to expense	2,390	5,790	8,180
Adjustments to estimate	(121)	(54)	(175)
Amount paid	(7,575)	(4,725)	(12,300)
Accrued at September 26, 2016	$ 738	$ 1,546	$ 2,284

As of September 26, 2016, the remaining accrual for employee separation/severance, which relates to employees yet to be separated, was included as a component of accrued salaries, wages and benefits and the remaining unpaid estimated contract termination and other costs are included as a component of other accrued expenses in the consolidated condensed balance sheet. The Company expects the remaining employees to be separated and the remaining accrued restructuring costs to be substantially paid out by December 2016.

As of September 26, 2016, the Company has incurred approximately $15,178 of restructuring charges since the September 29, 2015 announcement and estimates that it will incur total charges of approximately $20,000 related to these closures and global realignment efforts.

The Company also recognized $3,346 in impairment charges during the three quarters ended September 26, 2016. As a result of the above mentioned plant closures and other plant realignment efforts, $1,393 of impairment charges were recognized in the consolidated condensed statement of operations related to machinery and equipment in the PCB operating segment for the three quarters ended September 26, 2016. Additionally, the Company expensed $1,953 of capitalized software costs in the Corporate operating segment during the three quarters ended September 26, 2016.

(4) Inventories

Inventories as of September 26, 2016 and December 28, 2015 consisted of the following:

	As of September 26, 2016	As of December 28, 2015
	(In thousands)	
Inventories:		
Raw materials	$ 69,739	$ 70,577
Work-in-process	115,880	97,193
Finished goods	95,550	101,153
	$ 281,169	$ 268,923

(5) Goodwill

As of September 26, 2016 and December 28, 2015, goodwill was as follows:

	Total (In thousands)
Balance as of December 28, 2015	$ 346,990
Goodwill recognized during the first two quarters of 2016	25,624
Foreign currency translation adjustment	(7)
Balance as of September 26, 2016	$ 372,607

All goodwill relates to the Company s PCB reportable operating segment.

Goodwill balances include foreign currency translation adjustments related to foreign subsidiaries with functional currencies other than the U.S. Dollar.

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements (Continued)

(6) Definite-lived Intangibles

As of September 26, 2016 and December 28, 2015, the components of definite-lived intangibles were as follows:

	Gross Amount	Accumulated Amortization	Foreign Currency Translation Adjustment (In thousands)	Net Carrying Amount	Weighted Average Amortization Period (years)
September 26, 2016:					
Customer relationships	$ 203,563	$ (72,334)	$ 117	$ 131,346	8.1
Technology	3,000	(1,327)		1,673	3.0
	$ 206,563	$ (73,661)	$ 117	$ 133,019	
December 28, 2015:					
Customer relationships	$ 91,492	$ (80,152)	$ 426	$ 11,766	9.2
Trade name	10,302	(10,313)	11		6.0
Acquired intangibles from Viasystems acquisition					
Customer relationships	147,500	(10,815)		136,685	8.1
Technology	3,000	(577)		2,423	3.0
	$ 252,294	$ (101,857)	$ 437	$ 150,874	

The September 26, 2016 and December 28, 2015 definite-lived intangible balances include foreign currency translation adjustments related to foreign subsidiaries with functional currencies other than the U.S. Dollar.

Definite-lived intangibles are generally amortized using the straight line method of amortization over the useful life, with the exception of certain customer relationship intangibles, which are amortized using an accelerated method of amortization based on estimated cash flows. Amortization expense was $5,949 and $6,421 for the quarters ended September 26, 2016 and September 28, 2015, respectively, and $17,845 and $12,205 for the three quarters ended September 26, 2016 and September 28, 2015, respectively.

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

	(In thousands)
Remaining 2016	$ 6,035
2017	23,647
2018	22,889
2019	18,746
2020	18,746
Thereafter	42,956
	$ 133,019

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements (Continued)

(7) Long-term Debt and Letters of Credit

The following table summarizes the long-term debt of the Company as of September 26, 2016 and December 28, 2015:

	Average Effective Interest Rate as of September 26, 2016	September 26, 2016	Average Effective Interest Rate as of December 28, 2015	December 28, 2015
		(In thousands)		
Term loan due May 2021	6.00%	$ 841,143	6.00%	$ 947,625
U.S. ABL revolving loan due May 2020	2.27%	80,000	2.17%	80,000
Convertible senior notes due December 2020	1.75%	250,000	1.75%	250,000
Capital lease	6.43%	1,875		
		1,173,018		1,277,625
Less: Long-term debt unamortized discount		(64,854)		(75,668)
Long-term debt unamortized debt issuance costs		(26,314)		(31,171)
		1,081,850		1,170,786
Less: current maturities		(146,473)		(157,375)
Long-term debt, less current maturities		$ 935,377		$ 1,013,411

Term and Revolving Loans

On May 31, 2015, in conjunction with the acquisition of Viasystems, the Company entered into a $950,000 Term Loan Credit Agreement (Term Loan). Additionally, the Company entered into a $150,000 U.S. Asset-Based Lending Credit Agreement (U.S. ABL) and a $150,000 Asia Asset-Based Lending Credit agreement (Asia ABL) (collectively the ABL Revolving Loans). The Company drew $80,000 of the U.S. ABL at the closing of the acquisition of Viasystems.

The Term Loan was issued at a discount at 96.5% and bears interest at a floating rate of LIBOR, with a 1.0% LIBOR floor, plus an applicable interest margin of 5.0%, or JP Morgan Chase Bank s prime rate, with a 2% floor, plus a margin of 4%, at the Company s option. At September 26, 2016, the weighted average interest rate on the outstanding borrowings under the Term Loan was 6.0%. There is no provision, other than an event of default, for the interest margin to increase. The Term Loan will mature on May 31, 2021. The Term Loan is secured by a significant amount of the assets of the Company and its domestic subsidiaries and a pledge of 65% of voting stock of the Company s first tier foreign subsidiaries and is structurally senior to the Company s convertible senior notes. See Convertible Senior Notes below.

The U.S. ABL consists of three tranches comprised of a revolving credit facility of up to $150,000, a letter of credit facility of up to $75,000, and swingline loans of up to $30,000, provided that at no time may amounts outstanding under the tranches 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 U.S. ABL agreement. Borrowings under the U.S. ABL bear interest at either a floating rate of LIBOR plus a margin of 175 basis points or JP Morgan Chase Bank s prime rate plus a margin of 75 basis points, at the Company s option. At September 26, 2016, the weighted average interest rate on the outstanding borrowings under the U.S. ABL was 2.27%. The applicable margin can vary based on the remaining availability of the facility, from 150 to 200 basis points for LIBOR-based loans or from 50 to 100 basis points for JP Morgan 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 U.S. ABL will mature on May 31, 2020. Loans made under the U.S. ABL are secured first by all of the Company s domestic cash, receivables and inventories as well as by a second position against a significant amount of the assets of the Company and its domestic subsidiaries and a pledge of 65% of voting stock of the

Company s first tier foreign subsidiaries and are structurally senior to the Company s convertible senior notes. See Convertible Senior Notes below. At September 26, 2016, $80,000 of the U.S. ABL was outstanding and classified as short-term debt.

The Company and its domestic subsidiaries have fully and unconditionally guaranteed the full and timely payment of all Term Loan and U.S. ABL related obligations.

The Asia ABL consists of two tranches comprised of a revolving credit facility of up to $150,000 and a letter of credit facility of up to $100,000, provided that at no time may amounts outstanding under both tranches 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 LIBOR plus 175 basis points. There is no provision, other than an event of default, for the interest margin to increase. The Asia ABL will mature on May 22, 2020. Loans made under the Asia ABL are secured by a portion of cash and receivables of certain of the Companies subsidiaries in Asia and are structurally senior to the Company s domestic obligations, including the convertible senior notes. See Convertible Senior Notes below. Additionally, certain of the Company s subsidiaries in Asia have fully and unconditionally guaranteed the full and timely payment of all Asia ABL related obligations. At September 26, 2016, none of the Asia ABL was outstanding.

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements (Continued)

The Company is required to make scheduled payments of the outstanding Term Loan balance on a quarterly basis. Based on certain parameters defined in the Term Loan agreement, the Company may be required to make an additional principal payment on an annual basis. Any additional annual payments or prepayments reduce future required quarterly scheduled payments. During the three quarters ended September 26, 2016, the Company made debt principal payments totaling $106,482, representing normally scheduled principal payments as well as additional prepayments of principal. Any other outstanding balances under the Term Loan are due at the maturity date of May 31, 2021. Borrowings under the Term Loan are subject to various financial and operating covenants including maintaining a maximum total leverage ratio. Under the occurrence of certain events, the U.S. ABL and the Asia ABL are subject to various financial and operational covenants, including maintaining minimum fixed charge coverage ratios. At September 26, 2016, the Company was in compliance with the covenants under the Term Loan, the U.S. ABL and the Asia ABL.

As of September 26, 2016 and December 28, 2015, remaining unamortized debt discount of $25,405 and $30,242, respectively, and debt issuance costs of $22,361 and $26,619, respectively, related to the Term Loan. These debt discount and debt issuance costs are recorded as a reduction of the Term Loan and are amortized over the duration of the Term Loan into interest expense using an effective interest rate of 7.50%.

Additionally, remaining unamortized debt issuance costs related to the ABL Revolving Loans were $3,573 and $4,303 as of September 26, 2016 and December 28, 2015, respectively. These debt issuance costs 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.

At September 26, 2016, the remaining amortization period for the unamortized debt discount and debt issuance costs for both the Term Loan and the ABL Revolving Loans was 4.6 years.

The Company is required to pay a commitment fee of 0.25% to 0.375% per annum on any unused portion of the U.S. ABL or Asia ABL based on utilization levels. Additionally, the Company also paid commitment fees of 0.5% per annum on the unused portion of the $90,000 senior secured revolving loan associated with the terminated 2012 credit agreement for the three quarters ended September 28, 2015. The Company incurred total commitment fees related to unused borrowing availability of $171 and $200 for the quarters ended September 26, 2016 and September 28, 2015, respectively, and $516 and $565 for the three quarters ended September 26, 2016 and September 28, 2015, respectively. As of September 26, 2016, the outstanding amount of the Term Loan was $841,143, of which $66,143 is included as short-term debt and the remaining $775,000 is included as long-term debt. Additionally, $80,000 of the U.S. ABL and none of the Asia ABL was outstanding as of September 26, 2016. Available borrowing capacity under the U.S. ABL and Asia ABL was $63,003 and $142,904, which includes letters of credit outstanding of $6,997 and $7,096 mentioned below, respectively, at September 26, 2016.

Subsequent to September 26, 2016, the Company issued a new $775,000 Term Loan (New Term Loan) at an interest rate of LIBOR plus 4.25%, a reduction of 75 basis points from its previous Term Loan, and repaid in full the $841,143 of the previously issued Term Loan outstanding, which resulted in an overall net reduction of $66,143 in the Term Loan outstanding. Principal payments under the New Term Loan are due quarterly beginning in April 2020 with the balance due on May 31, 2021, the same maturity as the previous Term Loan. In addition, the Company amended its U.S. ABL credit facility to increase the amount available under the U.S. ABL to $200,000, reduce the applicable margin by 0.25% for both Eurodollar loans and ABR loans, and reduce the Letters of Credit Facilities to $50,000.

Letters of Credit

The Company has up to $75,000 and $100,000 Letters of Credit Facilities under the U.S. ABL and the Asia ABL, respectively, as mentioned above. As of September 26, 2016, letters of credit in the amount of $6,997 were outstanding under the U.S. ABL and $7,096 were outstanding under the Asia ABL with various expiration dates through September 2017.

At December 28, 2015, certain letters of credit were securitized by cash collateral. As such the Company had recorded such cash as restricted cash on the consolidated condensed balance sheet as of December 28, 2015. As of September 26, 2016, none of the letters of credit were securitized by cash collateral.

Convertible Senior Notes due 2020

The Company issued 1.75% convertible senior notes due December 15, 2020 in a public offering for an aggregate principal amount of $250,000 in 2013. The convertible senior notes bear interest at a rate of 1.75% per annum. Interest is payable semiannually in arrears on June 15 and December 15 of each year. The convertible senior notes are senior unsecured obligations and rank equally to the Company s future unsecured senior indebtedness and are senior in right of payment to any of the Company s future subordinated indebtedness.

Table of Contents

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements (Continued)

Convertible Senior Notes due 2015

The Company issued 3.25% convertible senior notes due on May 15, 2015 in a public offering for an aggregate principal amount of $175,000. In May 2015 the outstanding principal of $32,395 plus accrued interest was paid in full.

As of September 26, 2016 and December 28, 2015, the following summarizes the equity components of the convertible senior notes included in additional paid-in capital:

	As of September 26, 2016 and December 28, 2015		
	Embedded conversion option Convertible Senior Notes	Embedded conversion option Convertible Senior Notes Issuance Costs	Total
		(in thousands)	
Convertible senior notes due 2020	$ 60,227	$ (1,916)	$ 58,311

The components of interest expense resulting from the convertible senior notes for the quarters and three quarters ended September 26, 2016 and September 28, 2015 are as follows:

	For the Quarter Ended		For the Three quarters Ended	
	September 26, 2016	September 28, 2015	September 26, 2016	September 28, 2015
		(In thousands)		
Contractual coupon interest				
Convertible senior notes due 2020	$ 1,094	$ 1,094	$ 3,281	$ 3,281
Convertible senior notes due 2015				395
	$ 1,094	$ 1,094	$ 3,281	$ 3,676
Amortization of debt discount				
Convertible senior notes due 2020	$ 2,025	$ 1,898	$ 5,977	$ 5,603
Convertible senior notes due 2015				554
	$ 2,025	$ 1,898	$ 5,977	$ 6,157
Amortization of debt issuance costs				
Convertible senior notes due 2020	$ 203	$ 190	$ 599	$ 561
Convertible senior notes due 2015				56
	$ 203	$ 190	$ 599	$ 617

As of September 26, 2016 and December 28, 2015, remaining unamortized debt discount of $39,449 and $45,426, respectively, and debt issuance costs of $3,953 and $4,552, respectively, related to the convertible senior notes. These debt discount and debt issuance costs are recorded as a reduction of the convertible senior notes and are being amortized to interest expense over the term of the convertible senior notes using the effective interest rate method. At September 26, 2016, the remaining weighted average amortization period for the unamortized senior convertible note discount and debt issuance costs was 4.2 years.

For the quarter and three quarters ended September 26, 2016 and September 28, 2015, the amortization of the convertible senior notes due 2020 debt discount and debt issuance costs was based on an effective interest rate of 6.48%. For the three quarters ended September 28, 2015, the amortization of the convertible senior notes due 2015 debt discount and debt issuance costs was based on an effective interest rate of 8.37%.

Other Credit Facility

Additionally, the Company is party to a revolving loan credit facility (Chinese Revolver) with a lender in China. Under this arrangement, the lender has made available to the Company approximately $34,500 in unsecured borrowing with all terms of the borrowing to be negotiated at the time the Chinese Revolver is drawn upon. There are no commitment fees on the unused portion of the Chinese Revolver, and this arrangement expires in December 2016. As of September 26, 2016, the Chinese Revolver had not been drawn upon.

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements (Continued)

Loss on Extinguishment of Debt

The Company became a party to its current Term Loan and ABL Revolving Loans during the second quarter of 2015 in order to refinance and pay in full the remaining outstanding amount of $225,700 under an existing 2012 credit agreement, as well as to finance the acquisition of Viasystems and refinance Viasystems outstanding debt. As a result, the Company recognized losses of approximately $802 for the three quarters ended September 28, 2015 resulting from the write off of the remaining unamortized debt issuance costs associated with the terminated 2012 credit agreement.

(8) Income Taxes

The Company s effective tax rate will generally differ from the U.S. federal statutory rate of 35% due to favorable tax rates associated with earnings from the Company s operations in lower-tax jurisdictions such as China, the apportioned state income tax rates, generation of other credits and deductions available to the Company, changes in valuation allowances, and certain non-deductible items.

During the quarter and three quarters ended September 26, 2016, the Company s effective tax rate was impacted by a net discrete benefit of $240 and $6,733, respectively, related to (i) tax holiday benefits, (ii) release of uncertain tax positions due to expiration of the statute of limitations in a foreign jurisdiction, and (iii) accrued interest on existing uncertain tax positions. Additionally, no tax benefit was recorded on the losses incurred in the U.S. and certain foreign jurisdictions as a result of corresponding increases in the valuation allowances in these jurisdictions. The Company s foreign earnings attributable to certain foreign subsidiaries will be indefinitely reinvested in such foreign jurisdictions and, therefore, no deferred tax liabilities for U.S. income taxes on undistributed earnings of those certain foreign subsidiaries are recorded.

Certain entities in China operated under tax incentives effective through 2016. For the quarter and three quarters ended September 26, 2016, the tax incentives decreased Chinese taxes by approximately $1,564 and $6,089, respectively, which increased basic earnings per share by $0.02 and $0.06, and increased diluted earnings per share by $0.01 and $0.05, respectively.

(9) Accumulated Other Comprehensive Income (Loss)

The following provides a summary of the components of accumulated other comprehensive income (loss) as of September 26, 2016 and December 28, 2015:

	Foreign Currency Translation	Gains (Losses) on Cash Flow Hedges (In thousands)	Total
Ending balance at December 28, 2015	$ 2,895	$ (1,272)	$ 1,623
Other comprehensive loss before reclassifications	(19,061)	(17)	(19,078)
Amounts reclassified from accumulated other comprehensive income		128	128
Other comprehensive (loss) income	(19,061)	111	(18,950)
Ending balance at September 26, 2016	$ (16,166)	$ (1,161)	$ (17,327)

Table of Contents

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements (Continued)

The following provides a summary of reclassifications out of accumulated other comprehensive income (loss) for the quarters and three quarters ended September 26, 2016 and September 28, 2015:

Details about Accumulated Other Comprehensive Income (Loss) Components	Statement of Operations Location	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) For the Quarter Ended September 26, 2016	For the Quarter Ended September 28, 2015	For the Three quarters Ended September 26, 2016	For the Three quarters Ended September 28, 2015
Loss on cash flow hedges	Depreciation expense, net of tax	$ 47	$ 44	$ 128	$ 129
Gain on foreign currency translation	Gain on sale of assets, net of tax	$	$	$	$ (1,786)

(10) Significant Customers and Concentration of Credit Risk

In the normal course of business, the Company extends credit to its customers, which are concentrated primarily in the automotive, cellular phone, computer, networking and communications and aerospace and defense industries. Most customers to which the Company extends credit are located outside the United States, with the exception of certain customers in the aerospace and defense industries. The Company performs ongoing 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.

The Company s customers include both OEM 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 both of the quarters ended September 26, 2016 and September 28, 2015, one customer accounted for approximately 17% of the Company s net sales. For the three quarters ended September 26, 2016 and September 28, 2015, one customer accounted for approximately 13% and 21%, respectively, of the Company s net sales. There were no other customers that accounted for 10% or more of net sales for the quarters or three quarters ended September 26, 2016 and September 28, 2015.

(11) 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 at September 26, 2016 and December 28, 2015 were as follows:

	September 26, 2016 Carrying Amount	September 26, 2016 Fair Value	December 28, 2015 Carrying Amount	December 28, 2015 Fair Value

		(In thousands)		
Term and revolving loans	$ 873,377	$ 921,143	$ 970,764	$ 935,000
Convertible senior notes due 2020	206,598	325,625	200,022	230,950
Capital lease	1,875	1,875		

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 September 26, 2016 and December 28, 2015, which are considered Level 1 and Level 2 inputs.

The fair value of the convertible senior notes was estimated based on quoted market prices of the securities on an active exchange, which are considered Level 1 and Level 2 inputs.

As of September 26, 2016 and December 28, 2015, the Company s other financial instruments also included cash and cash equivalents, accounts receivable and accounts payable. Due to short-term maturities, the carrying amount of these instruments approximates fair value. Our cash and cash equivalents at September 26, 2016 consisted of $117,566 held in the U.S., with the remaining $174,217 held by foreign subsidiaries.

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements (Continued)

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 such that a non-financial instrument is required to be evaluated for impairment (at least annually for goodwill), 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.

The Company recognized impairment charges related to long-lived assets of $3,346 in the three quarters ended September 26, 2016. The fair values of the impaired long-lived assets were based on level 2 and 3 inputs. There was no impairment of long-lived assets recognized in the quarter ended September 26, 2016 or for the quarter and three quarters ended September 28, 2015.

(12) 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 September 26, 2016 and December 28, 2015. However, these amounts are not material to the consolidated condensed financial statements of the Company.

Environmenta