

Transcript of
Materion Corporation
First Quarter 2019 Earnings Conference Call
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Participants

Steve Shamrock - Vice President, Corporate Controller and Investor Relations
Jugal Vijayvargiya - President and Chief Executive Officer
Joe Kelley - Vice President of Finance and Chief Financial Officer

Analysts

Edward Marshall - Sidoti & Company
Marco Rodriguez - Stonegate Capital
Michael Leschuk - KeyBanc Capital Markets

Presentation

Operator

Greetings, and welcome to the Materion Corporation First Quarter 2019 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. [Operator instructions]. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Steve Shamrock. Thank you, sir, you may begin.

Steve Shamrock - Vice President, Corporate Controller and Investor Relations

Good morning. This is Steve Shamrock, Vice President, Corporate Controller and Investor Relations. With me today is Jugal Vijayvargiya, President and Chief Executive Officer; and Joe Kelley, Vice President of Finance and Chief Financial Officer.

Our format for today's conference call is as follows. Jugal Vijayvargiya will provide opening comments on the quarter and an update on key initiatives. Following Jugal, Joe Kelley will review detailed financial results for the quarter, and then we will open up the call for questions.

Before we begin, let me remind investors that any forward-looking statements made in this announcement, including those in the outlook section, and during the question-and-answer portion, are based on current expectations. The Company's actual future performance may materially differ from that contemplated by the forward-looking statements as a result of a variety of factors. Those factors are listed in the earnings press release we issued this morning.

Additionally, comments with regard to operating profit, net income, and earnings per share reflect the adjusted GAAP numbers shown in attachment #5 in this morning's press release. The adjustments are made in prior year periods for comparative purposes and remove special non-recurring items, and certain income tax adjustments.

And now, I'll turn it over to Jugal for his comments.

Jugal Vijayvargiya - President and Chief Executive Officer

Thanks Steve, and welcome everyone. I'm very pleased to report another quarter of record performance as we continue on our journey of consistently delivering profitable growth. Let me provide some highlights and Joe will provide details. We achieved the highest quarterly earnings ever at \$0.82 per share. Operating profit was an all-time record at \$21.4 million. Operating margin was also an all-time record at 11.4% and we had record value-added sales of \$188 million for the first quarter.

Our team continues to execute on our multi-pillar strategy and has now delivered nine consecutive quarters of both top and bottom line growth. I joined Materion two years ago and am very proud of everything our team has accomplished in support of our multi-pillar strategy. As I visited our company locations, I was most impressed with the high-tech, differentiated, advanced materials that comprise our product portfolio and the passionate, innovative minds of the people behind this portfolio of products. Execution of our multi-pillar strategy along with the differentiated product portfolio and our dedicated people continue to deliver record level results.

At this time, I would like to share with you some of the progress we have made in our commercial excellence pillar. As you can imagine, this has been a key enabler for our record performance. All our initiatives in this pillar have been focused around the customer and the value we provide to them. We started with revamping our go-to-market approach and realigned the business units based on global product lines. We've made sure that we can clearly articulate the value proposition of our differentiated products. We have implemented numerous marketing initiatives which will help our customers learn of our products and solutions.

On the selling side, we have invested in third-party global sales training for our teams. We realigned roles and responsibilities of the global team with a focus around One Materion customer support. Internally, we have been creating a shared services model which supports the customer-facing sales teams. As part of this, we've been going through a rotation process to get more of our sales professionals located at or near the customer.

We have added to our internal resources by hiring seasoned professionals, joining us from industry-leading companies. Just this year, we've on-boarded seven senior sales professionals located around the world. These professionals, along with the global Materion commercial organization, are using a disciplined sales process consistent across the entire company. We're making these important strategic investments to provide significant value to our customers which in turn will lead to consistently delivering profitable growth.

Looking ahead, we continue to face macroeconomic uncertainties. However, we remain laser-focused on executing our profitable growth strategy and delivering earnings growth. Given our record first quarter results and outlook, we are raising our full-year earnings guidance. The midpoint of our new guidance represents a 22% increase from last year and is the third consecutive year of earnings growth over 20%.

Thank you for your interest in Materion, and I look forward to providing you updates in future calls. At this time, I will turn the call over to Joe.

Joe Kelley - Vice President of Finance and Chief Financial Officer

Thank you, Jugal, and welcome to everyone joining us on the call today. During my comments I will cover first quarter 2019 financial highlights, review profitability by segment, provide brief comments on the balance sheet, cash flow, and modeling assumptions, and finally cover the earnings outlook for 2019. Following my remarks, we will open the line for questions.

I am very pleased to report record first quarter 2019 financial results which exceeded the earnings guidance provided and represents the ninth consecutive quarter with year-over-year growth in both value-added sales and operating profit. First quarter 2019 value-added sales, which excludes the impact of pass through precious metal costs, were \$187.7 million, a first quarter record and an increase of 4% versus the prior year. Our commercial execution initiatives and leveraging our end market and geographic diversification has enabled us to offset

softening demand in several end markets, particularly in our largest end market of consumer electronics. New product sales in the first quarter of 2019 were \$31 million, or 16% of value-added sales.

We have experienced double-digit growth in the defense, energy, and telecom infrastructure end markets. Our commercial performance improvements and unique product offerings continue to drive above-market growth in these end markets. These increases more than offset continued softness in the display and wireless portion of the consumer electronics market.

The 4% year-over-year growth delivered in the first quarter of 2019 marks the eleventh consecutive quarter of year-over-year value-added sales growth. The combination of commercial excellence strategies, end market diversification and our differentiated product portfolio are enabling consistent profitable growth.

Gross profit was \$69.3 million in the first quarter, an increase of 19% from \$58.3 million in the prior year first quarter. Expressed as a percent of value-added sales, gross margins expanded to a record 36.9%.

We have been steadily expanding the profitability of value-added sales over the last two years. By focusing on improving sales mix and operational efficiencies we have leveraged multiple tools to consistently drive expansion in profit margins.

In the quarter, sales mix was favorable from both a geographic and end market perspective. Value-added sales were down double-digits in Asia, but were more than offset by meaningful growth in North America. The drop in Asia was partially market driven and partially strategic as we pruned some low margin business. From an end market perspective, value-added sales into defense, energy, telecommunications infrastructure and commercial aerospace were up double-digits year-over-year and up sequentially. The mix of products and applications sold into these end markets are on average higher value-add. Above average growth in these end markets favorably impacts profit margins.

Selling, general, and administrative expense totaled \$40.1 million, up \$1.6 million over the prior year first quarter of \$38.5 million, due primarily to investments for sustained sales growth and variable costs associated with growth. As a percent of value-added sales, SG&A expense was 21%, consistent with the prior year period.

Operating profit totaled \$21.4 million in the first quarter of 2019, or 11.4% of value-added sales, up over 50% compared to the prior year first quarter adjusted operating profit of \$14 million. Performance improvements related to commercial initiatives mentioned previously, combined with operational initiatives and cost reduction actions, led to the year-over-year increase.

Looking at income taxes, we recorded \$3.8 million of tax expense in the first quarter of 2019, which results in an 18% effective tax rate, within our full-year 2019 guidance range.

Net income for the first quarter of 2019 totaled \$16.9 million, or \$0.82 per diluted share, a record for any quarter and up 61% from net income of \$0.51 per share recorded in the prior year.

Now let me review 2019 first quarter performance by business segment, starting with our Performance Alloys and Composites business. Value-added sales were a first quarter record of \$109.6 million, up a robust 9% versus the first quarter of 2018. Our commercial momentum in this business continued due to ongoing initiatives and new application wins, particularly in the energy and defense markets, which more than offset some softness in consumer electronics and industrial end market demand.

Operating profit in the first quarter of 2019 totaled \$18.9 million, or 17% of value-added sales, a 91% year-over-year increase, the highest level ever and third consecutive quarter with operating profit margins greater than 15%.

We are now beginning to establish a track record of unlocking the value embedded in this business based on the performance differentiation of our unique product portfolio and the commercial and operational improvements we are making.

Moving to Advanced Materials, value-added sales in the first quarter 2019 were \$57.5 million, down 1% versus first quarter 2018 value-added sales. Sales of large area glass targets into the energy market were elevated in the prior year, in advance of the planned German factory relocation. Looking sequentially, value-added sales for Advanced Materials grew 9% as the German factory is up and running and increasing production as we pass customer qualification audits.

Operating profit totaled \$7.1 million, or 12% of value-added sales, an increase of 20% versus 2018. The improved profitability is due primarily to operational improvements, including savings from cost reduction actions taken in the fourth quarter of 2018. We remain committed to returning this business to historical profitability levels as we exit 2019.

Turning finally now to the Precision Coatings segment, first quarter value-added sales were \$22.5 million compared to \$23.6 million in the first quarter of 2018. Medical end market sales and Asia demand for projector display products were soft in the quarter, while optical filter sales into defense remained strong.

Operating profit for the Precision Coatings segment totaled \$2.1 million in the first quarter of 2019, compared to \$3.4 million in the first quarter of 2018. Operating profit declined due to lower sales volumes and higher metal consignment fees for palladium. As a reminder to investors, we lease precious metal to mitigate the impact of market price movements on our results. Palladium lease rates spiked to over 30% around calendar yearend 2018 and have only recently come down closer to historical levels. This spike in lease rates negatively impacted the profitability of this segment during the quarter.

Moving now to the balance sheet and cash flow, the Company ended the first quarter of 2019 with a net cash position of \$39 million, compared to a net cash position of \$16.6 million at the end of the first quarter of 2018. We used \$4 million more of cash from operations in 2019 compared to 2018 due to increased working capital requirements to fund sales growth.

First quarter is seasonally a more challenging cash flow quarter given the timing of incentive payments and the seasonal investments in working capital. We remain focused on improving working capital efficiency and reducing working capital as a percent of net sales. We continue to maintain a very strong balance sheet and have significant available liquidity to support capital allocation priorities mentioned on previous calls, including organic and inorganic growth opportunities, and to consistently return capital to shareholders.

For financial modeling purposes in 2019, capital spending should run approximately \$30 million. Mine development investments should be less than \$5 million. Annual depreciation and amortization should run approximately \$35 million. Assume an 18% to 20% effective tax rate.

And finally now the earnings outlook for 2019. We continue to remain focused on executing commercial and operational performance improvements to drive top and bottom line year-over-year growth, while at the same time making strategic investments to position the business to consistently deliver profitable growth over the long-term. Based on a combination of these factors, current order activity, and our strong first quarter performance, we are increasing our full-year 2019 earnings guidance range to \$2.80 to \$3.00 per share from the previous range of \$2.62 to \$2.74 per share. The midpoint of the revised range represents a 22% improvement over 2018 adjusted earnings. From a quarterly guidance perspective, we expect the second quarter of 2019 to be approximately 25% to 35% higher than second quarter 2018 earnings.

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

Operator

Thank you. We will now be conducting a question-and-answer session. [Operator instructions]. One moment, please, while we poll for questions. Thank you. Our first question comes from the line of Edward Marshall with Sidoti. Please proceed with your question.

Q: Hi, guys. Good morning. I wanted to start on the guide, and I'm just doing the math and I think it looks like if you just kind of X out the first quarter and you do the math, it's about \$0.66 to 0.73 a quarter. I guess that's what the outlook for 2Q is 25% to 35% higher. That's the math. If I look at your guide, I'm curious, are you being conservative or what segment, I guess, weakens from, say, 1Q?

Jugal Vijayvargiya - President and Chief Executive Officer

Yes, well, Ed, good question, and I think we can walk through that. First of all, you said it already, but let me just repeat that, overall, we've got an increase year-over-year, 22% from last year to this year, to the midpoint, third year in a row of plus-20% EPS growth, and then in the first quarter, as you said, we got this \$0.82 that we did if we set that aside, the range that you mentioned for the next three quarters. We've got, I think, good visibility to the second quarter, and the visibility for the second quarter is something that we've taken into account as we put our guidance together.

I think the second half, I would say, there's still some uncertainty out there. Customers are being a lot more cautious as they provide us with orders. The timing that they're giving us I think has shortened a little bit just because of the cautiousness I think that they're putting out there. It's more to do with not having, I would say, as good of an understanding for the second half of the year that we do in the second quarter. Obviously, as we know more about the second half and order entry starts to come in, we'll be able to better project that.

We expect defense and energy markets, telecom infrastructure, those types of markets to continue to do well. We expect that some of the challenging markets like consumer electronics and industrial, I think, are still going to be challenged, even in the second half. But overall, I would say it has a lot more to do with visibility for the second half, and as we get better visibility, of course, we'll be able to update that as we go forward.

Q: If we kind of talked about segments, I guess you're pointing to maybe the Advanced Materials segment as kind of the shorter visibility, maybe some risk throughout the remainder of the year?

Jugal Vijayvargiya - President and Chief Executive Officer

Yes, I mean, we are committed in that segment to exit 2019 with the mid-teens margins that that business has delivered over the last five or six years. We've stated that and we're not backing off of that. We want to make sure that we can exit with that level by the end of the year.

However, the order entry is an issue in terms of visibility. In particular, half of the business in that segment is consumer electronics, so we got to keep our eyes and ears open on what's happening there, but as I said, we're not shying away. We are committed and if it's cost issues, top line issues, whatever they are, we're going to try to make sure that we exit that business with mid-teens profitability and kind of get it back to historical levels by yearend.

Q: Got it, and you've displayed that you've been able to kind of execute to the margin profiles that you want, so good luck with that.

The PAC business, I'm just curious, the patterns of sales decline, and if I step back maybe over the last couple years, the pattern of the decline and then the subsequent recovery within that business, I know you've put a lot of

effort and energy into that, but it seems kind of like it's been consistent with the beryllium hydroxide contract that if you look at it timing-wise. I'm curious if you kind of talk about maybe some of those industrial businesses in there versus maybe the beryllium hydroxide. I know it was a higher price contract, but maybe what's driving that business if you can kind of parse that out for me? Thank you.

Jugal Vijayvargiya - President and Chief Executive Officer

Yes, I think the PAC business, and there's a number of factors that are driving our improvement on the PAC business, that business declined in both top line and then bottom line, as you know, several years ago. We really stepped back and looked at the value proposition that we were bringing forward to the customers and then making sure that we were getting rewarded and compensated for the value that we were bringing.

We've done a number of things. Number one, we really looked at our cost structure and what we can do to improve the general cost structure of our company with regards to that business. We've really looked at mix. We are focused very heavily on defense, aerospace, energy, telecom infrastructure, because those types of businesses for us tend to be better by return producing businesses than maybe some of the other segments. We've looked at operational improvements as we've brought people in from outside, what can we do from an operational side? Looking at contracts, the one that you mentioned for hydroxide, that was a very important part of what we did a couple years ago when we renegotiated that contract as it was expiring, and we did it based on terms that we felt very good about.

So, I think there's a number of things that that business has done and you've seen the margin profile of that business continue to improve. And in the last three quarters, we've delivered 15%-plus margins in that business and it's our objective to try to maintain that type of margin, even though some of the things that I've mentioned, which has been a particular mix, may be more challenging as we move forward. We're still committed to make sure that that businesses is a 15%-plus business, and as I said, we've done that for three quarters in a row now, and we'll keep working at it.

Joe Kelley - Vice President of Finance and Chief Financial

Ed, this is Joe. If I could just add, you asked specifically about the hydroxide. I'll remind you that that's only about a \$10 million to \$15 million annual value-added sale of the \$400-plus million that this segment has been selling.

Q: Got it. And finally, if I look at PC, and I'm looking specifically to SG&A, this is the second quarter in a row, I think, that shows kind of that 32% range for SG&A as a percent of VAR. It's running slightly higher than where the balance of this past year was and maybe the previous couple years. What's the investment in SG&A for in that business, and is it just a decline in volume versus a steady state? Thanks.

Joe Kelley - Vice President of Finance and Chief Financial

No, as I mentioned in my prepared remarks, that's where our consignment lease, consignment costs go for palladium, and the palladium lease rates spiked rapidly at the back half of Q4. When we exited the year, they were around 30%. So a lot of the product going through there, we'd lease palladium as part of working capital and on the customer's product. What you see there, Ed, is what I referred to in the increased lease cost for palladium.

The good news is here as we exited Q1, market rates to lease palladium started to revert back to historical levels, so you should see that benefit going forward.

Q: Got it. Thanks very much, guys.

Operator

Our next question comes from the line of Marco Rodriguez with Stonegate Capital. Please proceed with your question.

Q: Good morning, guys. Thank you for taking my questions. I was wondering if we could maybe back up a little bit on the sales mix aspects for you guys. I'm just trying to better understand. The focus that you're driving here, Jugal, is more of a focus on the end markets that drive higher margins versus necessarily telling the client that they don't need that blue shirt, they need a green shirt. Is that fair?

Jugal Vijayvargiya - President and Chief Executive Officer

Well, I would broaden the comment from higher margin to just where we can deliver more value, and where we can deliver more value that can go on for a longer period of time, so shorter cycles versus longer cycles, where we can bring more differentiation into the segments. What we have found so far as we look into it is when we look at businesses like defense and energy, and telecom, and just oil and gas and commercial aerospace, we just find those businesses to be a longer cycle, and where we are just bringing a lot more value. Automotive is another one like that.

That doesn't mean that consumer electronics is not an important market for us. I mean, it's still 30% of our business. Now, we have, I think, over the last two years decreased our dependence a little bit, probably about five to six points, I would say, from where we were to where we are now on consumer electronics, but longer cycle, more differentiation, more value to our customers, which then in turn should lead to better margins and better profitability for us.

Q: Got it. And you mentioned in your prepared remarks the focus that you've had here on the commercial pillar of your overall strategy where there seems to be a lot of an increase in engagement in terms of the sales cycle and just the marketing efforts themselves. The training that the sales individuals have been undergoing, has that changed dramatically? Is there more of a focus on these higher value-added type industries or end markets?

Jugal Vijayvargiya - President and Chief Executive Officer

Yes, I would say definitely so. We went through training last year. We did some, actually, at the beginning of the year, as well, and it's a number of things that we've done in the training of our salespeople, but just making sure that we can clearly articulate the value that we're bringing to the customer has been an important part, and then focusing in on these markets that we just talked about is another important element.

We are, at a company level, really looking to look at how we can focus on industries, certain industries, so at an industry-like defense or energy, or automotive, or semiconductor. We're looking at a One Materion level how we can be successful at those industries. So I'll call it a sub-pillar of commercial excellence pillar is more like industry pillars, and that's something that we really started to focus on.

Q: Got you. And then maybe if you could talk a little bit more, I'm not sure if I missed this, the particular strength that you guys saw in the defense, energy, and telecom sectors. Can you maybe talk a little about what sort of specific type of applications you saw strengthen, and then if you can maybe, if you can, parse whether or not this was kind of due to your marketing efforts or whether this is just sort of an end market demand that kind of swept through those three industries?

Jugal Vijayvargiya - President and Chief Executive Officer

Yes. Well, first of all, I would say it's a combination of both, but as I indicated earlier, we really focused a lot more attention on some of these markets. Defense, there's a number of initiatives that were being held up over the last year and a half or so as the administration change happened, but then once that got through, I think the defense side has been coming. There a number of new projects that have been getting started and we have a really good

relationship with various parts of the defense side, and we are making sure that we are front and center as that is happening.

On the oil and gas side, we've doubled, in fact, our content per rig, for instance, since 2014. Our effort of not only relying on increased rig count, but making sure that our content for rig count is actually higher. I mean, that's been a big focus of ours.

So, I think the marketing initiatives and the sales push that you highlighted is clearly something that we're using to grow. Then, 5G, of course, it's been very important for us to make sure that we're aligned effectively as that roll-out continues to evolve and our teams are actively engaged globally on making sure that our materials are being used as that 5G starts to strengthen.

Q: Got you. A last quick question and I'll jump back in the queue, just kind of coming back around on the guidance. You had mentioned the second half of the fiscal year there's a little more uncertainty, a little less visibility for you guys. I'm just wondering if you can maybe comment on the uncertainty that your customers are kind of cautious about.

Jugal Vijayvargiya - President and Chief Executive Officer

Well, I mean, at the end of the day, the areas that we feel a little bit more challenged and a little bit more uncertain on is consumer electronics, industrial components, and automotive. Automotive has been a little bit of a tough start to the year, I think, just in general for the industry here in '19. It'll be interesting to see how things evolve. Our read on consumer electronics was that maybe the second half of this year the recovery was going to start to happen, but now considering what we're hearing and what we're reading, and some of the order entry that we're seeing, we're cautious on that and really starting to question whether the second half of recovery is going to start to come through or not.

I think those are some of the markets that we are probably a little bit more questionable on, but I just want to highlight, again, we are increasing our guide for the year. We're up 22% year-over-year. We delivered a 61% increase in the first quarter; we're projecting a 25% to 35% increase in the second quarter. And we hope that as we get better visibility and hopefully some of the things that we are concerned about, maybe that don't materialize, that our second half can be even better. I think our business is really excelling and doing well, both from the top line and particularly from the bottom line side with all the improvements that the teams are making.

Q: Got it. Thanks a lot, guys. I appreciate your time.

Joe Kelley - Vice President of Finance and Chief Financial

Marco, let me add one other thing on the mix of your original question just to put some numbers to this. The end markets of defense, telecom infrastructure, energy, and commercial aerospace, in the PAC business went from representing 30% of sales last year to representing 40% this year, whereas the industrial components and consumer electronics went from representing 46% down to 37%. So that's the magnitude of the shift that we saw within the PAC business that helped contribute to those margins.

If you look at the consolidated Materion level and you look at consumer electronics, which was down, our largest end market, excluding consumer electronics, we grew 7%. Again, it's this focus and market diversification that we were able to offset that drop in consumer electronics.

Q: Got it. Very helpful, thank you.

Operator

[Operator instructions]. Our next question comes from the line of Michael Leschuk with KeyBanc Capital Markets. Please proceed with your question.

Q: Hi, guys. Good morning. Firstly, just on new products, looking at new products as a percent of your total sales, do you expect that to increase going forward, and what end markets are seeing the most new product developments right now?

Jugal Vijayvargiya - President and Chief Executive Officer

Yes, so we do expect, as we continue to invest more in our selling efforts and as we continue to invest more in our R&D efforts that the new product sales should increase, and that's our objective. I've stated in the past that in order for us to achieve the type of growth rates that we're thinking about, we would love to be able to have new products that are north of 20%, and so that's something that's our sort of long-term objective. It'll take some time as we continue to invest more into R&D and into the selling efforts.

I think in terms of the markets, I mean, a couple of areas that we're very excited about, one is we continue to be very excited about aerospace and delivering value into the aerospace area. And the second is we're very excited about the semiconductor side with memory and processing speed. Those two are very big mega trends right now and some of our products and materials are ending up in those spaces. So, I think those are a couple of areas that we're quite excited about, and over the next year or two as we continue to push for north of 20% long-term objective.

Q: Okay. And then you touched a bit on PAC margins, but they've been increasing pretty steadily each quarter on a sequential basis over the past couple years. I'm just wondering if you could call out the drivers to this trend, and looking at the next quarter, do you expect that to continue or are you looking more to maintain, like you said, at around current levels?

Jugal Vijayvargiya - President and Chief Executive Officer

Yes, so right now, our objective that we've stated is, look, we want this business to be mid-teens-plus, so we've done three quarters now of mid-teens-plus. Whether we can go beyond that I think is something that we got to see it play out, but we've been driving substantial operational efficiency and operational improvement. That operations excellence pillar has been a major part of the turnaround effort for this business, and certainly the commercial excellence pillar, as well, as we've really focused on mix, pruning some poorer performing businesses, by the way, really focusing in on certain markets that we think can deliver a much higher return for us. But a combination of, really, commercial excellence and operational excellence have driven this and we're going to be dead-focused on making sure that we're north of 15%. If we can achieve better than that as we continue to move forward, then obviously that's even better.

Q: Okay. And more, then, just broadly speaking, the China slowdown, if you could talk more specifically about the cadence that you've seen there, maybe in the past couple months, if you've seen any sort of recovery or if it's getting worse, or kind of the same as what you saw three months ago.

Jugal Vijayvargiya - President and Chief Executive Officer

Yes, so China, obviously, there's been a lot of talk about China and what's happening, but one of the things for us is that, really, less than 10% of our sales are for the Chinese market. So even though it's obviously a big macro environment item, the overall material impact to our company is relatively small, and we're not seeing, really, differentiation between what we saw from prior quarter to this quarter. We're still seeing, I'd say, similar things, but in general, there's not much of a material impact so far to what's happened, and then we'll see how things play out over the next few months if there are any agreements or so that make our situation better.

Q: All right, thank you.

Operator

Thank you. It appears we have no further questions at this time. I would now like to turn the floor back over to management for closing comments.

Steve Shamrock - Vice President, Corporate Controller and Investor Relations

Thank you. This is Steve Shamrock and this concludes our First Quarter 2019 Earnings Call. A recorded playback of this call will be available on the company's website, materion.com. We would like to thank all of you for participating on the call this morning and your interest in Materion. I will be available to answer any follow-up questions. My direct number is 216-383-4010. Thank you very much.