TTM TECHNOLOGIES INC
Form 10-Q
November 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 1, 2018

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 incorporation or organization)	(I.R.S. Employer 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 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

Number of shares of common stock, $0.001 par value, of registrant outstanding at November 1, 2018: 103,677,289

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

TTM TECHNOLOGIES, INC.

Consolidated Condensed Balance Sheets

	As of October 1, 2018 (Unaudited)	January 1, 2018
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 207,952	$ 409,326
Accounts receivable, net	569,215	483,903
Contract assets	296,836	—
Inventories	122,232	294,588
Prepaid expenses and other current assets	36,773	33,490
Total current assets	1,233,008	1,221,307
Property, plant and equipment, net	1,059,246	1,056,845
Goodwill	765,867	372,571
Definite-lived intangibles, net	394,825	102,950
Deposits and other non-current assets	36,280	28,209
	$ 3,489,226	$ 2,781,882
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt, including current portion of long-term debt	$ 40,000	$ 4,578
Accounts payable	451,645	497,455
Contract liabilities	5,025	—
Accrued salaries, wages and benefits	86,601	103,638
Other accrued expenses	112,005	114,685
Total current liabilities	695,276	720,356
Long-term debt, net of discount and issuance costs	1,518,315	975,479
Other long-term liabilities	100,724	74,667
Total long-term liabilities	1,619,039	1,050,146
Commitments and contingencies (Note 14)		
Equity:		
Common stock, $0.001 par value; 300,000 shares authorized, 103,677 and 101,820 shares issued and outstanding in 2018 and 2017, respectively	104	102
Additional paid-in capital	792,163	777,025
Retained earnings	343,177	193,342
Statutory surplus reserve	37,348	37,508

Accumulated other comprehensive income	2,119	3,403
Total stockholders’ equity	1,174,911	1,011,380
	$ 3,489,226	$ 2,781,882

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

Consolidated Condensed Statements of Operations

For the Quarter and Three Quarters Ended October 1, 2018 and October 2, 2017

	Quarter Ended		Three Quarters ended	
	October 1, 2018	October 2, 2017	October 1, 2018	October 2, 2017
	(Unaudited)			
	(In thousands, except per share data)			
Net sales	$755,837	$666,814	$2,136,306	$1,919,243
Cost of goods sold	626,253	569,980	1,801,904	1,621,523
Gross profit	129,584	96,834	334,402	297,720
Operating expenses:				
Selling and marketing	18,533	16,269	54,780	48,775
General and administrative	39,892	30,570	121,378	89,502
Amortization of definite-lived intangibles	16,609	5,905	41,959	17,727
Total operating expenses	75,034	52,744	218,117	156,004
Operating income	54,550	44,090	116,285	141,716
Other income (expense):				
Interest expense	(22,225)	(13,598)	(56,425)	(40,116)
Loss on extinguishment of debt	—	(768)	—	(768)
Other, net	2,213	(6,984)	7,284	(14,519)
Total other expense, net	(20,012)	(21,350)	(49,141)	(55,403)
Income before income taxes	34,538	22,740	67,144	86,313
Income tax benefit (provision)	(7,537)	(1,205)	53,958	(10,902)
Net income	27,001	21,535	121,102	75,411
Less: Net income attributable to the noncontrolling interest	—	(82)	—	(408)
Net income attributable to TTM Technologies, Inc. stockholders	$27,001	$21,453	$121,102	$75,003
Earnings per share attributable to TTM Technologies, Inc. stockholders:				
Basic earnings per share	$0.26	$0.21	$1.17	$0.74
Diluted earnings per share	$0.22	$0.19	$0.98	$0.65

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

Consolidated Condensed Statements of Comprehensive Income

For the Quarter and Three Quarters Ended October 1, 2018 and October 2, 2017

	Quarter Ended		Three Quarters ended	
	October 1, 2018	October 2, 2017	October 1, 2018	October 2, 2017
	(Unaudited) (In thousands)			
Net income	$27,001	$ 21,535	$121,102	$75,411
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net	(1,248)	15,669	(2,327)	34,307
Net unrealized gains (losses) on cash flow hedges:				
Unrealized (loss) gain on effective cash flow hedges during the period, net	1,641	30	(104)	194
Loss realized in the statement of operations	764	43	1,147	130
Net	2,405	73	1,043	324
Other comprehensive (loss) gain, net of tax	1,157	15,742	(1,284)	34,631
Comprehensive income, net of tax	28,158	37,277	119,818	110,042
Less: Comprehensive income attributable to the noncontrolling interest	—	(82)	—	(408)
Comprehensive income attributable to TTM Technologies, Inc. stockholders	$28,158	$ 37,195	$119,818	$109,634

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

Consolidated Condensed Statements of Cash Flows

For the Three Quarters Ended October 1, 2018 and October 2, 2017

	Three Quarters ended	
	October 1, 2018	October 2, 2017
	(Unaudited)	
	(In thousands)	
Cash flows from operating activities:		
Net income	$121,102	$75,411
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	121,165	109,719
Amortization of definite-lived intangible assets	44,124	17,727
Amortization of debt discount and issuance costs	10,326	7,977
Deferred income taxes	(64,516)	(4,936)
Stock-based compensation	14,948	13,306
Loss on extinguishment of debt	—	768
Other	666	6,971
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable, net	(44,685)	(42,268)
Contract assets	(12,597)	—
Inventories	5,399	(26,067)
Prepaid expenses and other current assets	(2,453)	(7,162)
Accounts payable	(25,598)	37,855
Contract liabilities	(2,753)	—
Accrued salaries, wages and benefits and other accrued expenses	(43,758)	(9,237)
Net cash provided by operating activities	121,370	180,064
Cash flows from investing activities:		
Acquisition, net of cash acquired	(596,396)	—
Purchase of property, plant and equipment and equipment deposits	(116,387)	(118,933)
Proceeds from sale of property, plant and equipment and assets held for sale	262	27,052
Net cash used in investing activities	(712,521)	(91,881)
Cash flows from financing activities:		
Proceeds from long-term debt borrowings	600,000	725,000
Repayment of long-term debt borrowing	(44,378)	(700,000)
Repayment of assumed long-term debt in acquisition	(178,604)	—
Proceeds from borrowings of revolving loan	23,000	—
Repayment of revolving loan	—	(63,000)
Payment of debt issuance costs	(7,653)	(5,330)
Payment of original issue discount	(1,500)	(1,750)
Proceeds from exercise of stock options	192	74
Redemption of convertible notes	—	(15)
Net cash provided by (used in) financing activities	391,057	(45,021)
Effect of foreign currency exchange rates on cash and cash equivalents	(1,280)	2,495

Net decrease in cash and cash equivalents	(201,374)	45,657
Cash and cash equivalents at beginning of period	409,326	256,277
Cash and cash equivalents at end of period	$207,952	$301,934
Supplemental cash flow information:		
Cash paid, net for interest	$52,074	$32,855
Cash paid, net for income taxes	23,628	18,584
Noncash transactions:		
Property, plant and equipment recorded in accounts payable	$49,386	$85,582

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 volume production of technologically complex PCBs, backplane assemblies and electro-mechanical solutions (E-M Solutions) as well as a global designer and manufacturer of RF and microwave components and assemblies. The Company provides time-to-market and volume production of advanced technology products and offers a one-stop manufacturing solution to customers from engineering support to prototype development through final mass production. This one-stop manufacturing solution enables 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, automotive components, smartphones and touchscreen tablets, high-end computing, medical, industrial and instrumentation related products, as well as networking/communications infrastructure 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 13-week fiscal quarter accounting period with the fourth quarter ending on the Monday nearest December 31.

Recently Adopted and Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which replaces most existing revenue recognition guidance in U.S. GAAP, including industry specific requirements, and provides companies with a single revenue recognition model for recognizing revenue of contracts with customers. The core principle of the new revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

The Company assessed the new guidance and adopted the new revenue standard on January 2, 2018, which resulted in a change to the timing of revenue recognition for certain of the Company's revenue streams from "point in time" upon physical delivery to an "over time" model. Additionally, the Company elected the cumulative effect transition method with adjustment to the opening balance of retained earnings at January 2, 2018 for all open contracts as of January 1, 2018. Therefore, comparative information has not been adjusted and continues to be reported under previous U.S. GAAP guidance for the consolidated balance sheet at January 1, 2018 and the consolidated condensed statement of operations for the quarter and three quarters ended October 2, 2017.

The cumulative effect of the changes made to the Company's January 2, 2018 consolidated condensed balance sheet for the adoption of the new revenue standard was as follows:

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements—(Continued)

	Balance at January 1, 2018	New Revenue Standard Adjustment	Balance at January 2, 2018
	(In thousands)		
Balance Sheet			
Assets			
Accounts receivable, net	$483,903	$ 8,171	$492,074
Contract assets	—	260,654	260,654
Inventories	294,588	(223,576)	71,012
Liabilities			
Other accrued expenses	114,685	13,384	128,069
Other long-term liabilities	74,667	3,291	77,958
Equity			
Retained earnings	193,342	28,574	221,916

As part of adoption of the new revenue standard, the Company recorded an estimated sales returns and allowance as well as a noncurrent deferred tax liability in the amount of $5,213 and $3,291, respectively, as of January 2, 2018. Additionally, the Company reclassified its sales returns and allowance balance of $8,171 as of January 1, 2018, from trade accounts receivable to other accrued liabilities. Sales returns and allowances are recorded as a reduction of revenue and a component of accrued liabilities on the condensed consolidated balance sheet.

Additionally, the disclosure below summarizes the impact of the adoption of the new revenue standard on the Company's consolidated condensed balance sheet as of October 1, 2018, statement of operations for the quarter and three quarters ended October 1, 2018 and statement of cash flows for the three quarters ended October 1, 2018 for which the As Reported reflects the new revenue standard and Balances without New Revenue Standard Adjustment reflects the Company's replaced revenue recognition policy of "point in time" and upon physical delivery, for certain revenue streams, as appropriate.

	October 1, 2018		
	As reported	Effect of Change Increase (Decrease)	Balances without New Revenue Standard Adjustment
	(In thousands)		
Balance Sheet			
Assets			

Accounts receivable, net	$569,215	$8,171	$ 561,044
Contract assets	296,836	288,723	8,113
Inventories	122,232	(241,839)	364,071
Liabilities			
Other accrued expenses	112,005	13,945	98,060
Other long-term liabilities	100,724	3,163	97,561
Equity			
Retained earnings	343,177	37,947	305,230

	Quarter ended October 1, 2018			Three quarters ended October 1, 2018		
	As reported	Effect of Change Increase (Decrease)	Balances without New Revenue Standard Adjustment	As reported	Effect of Change Increase	Balances without New Revenue Standard Adjustment
	(In thousands)			(In thousands)		
Net sales	$755,837	$ (4,303)	$ 760,140	$2,136,306	$27,508	$2,108,798
Cost of goods sold	626,253	(4,056)	630,309	1,801,904	18,263	1,783,641
Gross profit	129,584	(247)	129,831	334,402	9,245	325,157
Net income	27,001	(247)	27,248	121,102	9,373	111,729

8

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements—(Continued)

Included in the Effect of Change Increase (Decrease) columns for the three quarters ended October 1, 2018 are $14,408, $11,375 and $3,033 of net sales, cost of goods sold and gross profit, respectively, related to the opening balance sheet of Anaren Inc. which was acquired on April 18, 2018 (See Note 3), and not to the activity during the three quarters of 2018.

	Three Quarters ended October 1, 2018		
	As reported	Effect of Change Increase (Decrease)	Balances without New Revenue Standard Adjustment
	(In thousands)		
Cash flows from operating activities:			
Net income	$ 121,102	$ 9,373	$ 111,729
Adjustments to reconcile net income to net cash used in operating activities:			
Deferred income taxes	(64,516)	(128)	(64,388)
Changes in operating assets and liabilities:			
Accounts receivable, net	(44,685)	—	(44,685)
Contract assets	(12,597)	(28,069)	15,472
Inventories	5,399	18,263	(12,864)
Accrued salaries, wages and benefits and other accrued expenses	(43,758)	561	(44,319)

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. This ASU amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. ASU 2017-12 also amends the guidance surrounding the recognition of the value of hedged instruments to include the entire change in value, rather than just the effective portion, in other comprehensive income and recognized in earnings at the same time that the hedged item affects earnings for cash flow and net investment hedges. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the consolidated financial statements or 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. The FASB also provided a practical expedient transition method to adopt the new lease requirements by allowing entities to initially apply requirements by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption that would enable the Company to not provide comparative period financial statements. Instead, the Company would apply the transition provisions of the lease standard at its effective date. The Company is planning on electing the practical expedient transition method as well as the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs, and is evaluating other practical expedients available under the guidance. The Company expects the impact of adopting this new accounting standard to be material to its consolidated balance sheet, but is still evaluating the impact to its consolidated statement of income.

(2) Summary of Significant Accounting Policies

Revenue Recognition

The Company derives revenues primarily from the sale of PCBs, custom electronic assemblies using customer-supplied engineering and design plans as well as the design and manufacture of RF and microwave components and assemblies.

For the PCBs and custom electronic assemblies, orders for products generally correspond to the production schedules of the Company’s customers and are supported with firm purchase orders. The Company’s customers have continuous control of the work in progress and finished goods throughout the PCB manufacturing process, as PCBs are built to customer specifications and do not have an alternative use. The customer typically controls the work in progress and finished goods as evidenced either by contractual termination clauses or by the Company’s rights to payment for work performed to date, plus a reasonable profit. As a result, the Company records revenue in accordance with the “over time” revenue standard as discussed in Note 1 Nature of Operations and Basis of Presentation Recently Adopted and Issued Accounting Standards, beginning in the first quarter of 2018, the Company now recognizes revenue progressively over time based on the extent of progress towards completion of the performance obligation.

9

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements—(Continued)

The selection of the method to measure progress toward completion requires judgment and is based on the type of PCB or customized electronic assemblies being manufactured. The Company uses the cost-to-cost method as it best depicts the transfer of control to the customer which takes place as we incur costs. Under the cost-to-cost measure of progress, the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues are recorded proportionally as costs are incurred.

Additionally, the Company has certain long-term contracts related to its manufacture of components, assemblies, and subsystems which service the aerospace and defense electronics market. These long-term contracts, many of which provide for periodic payments, are recognized over time under the percentage-of completion method. Estimated manufacturing cost-at-completion for these contracts are reviewed on a periodic basis, and adjustments are made periodically to the estimated cost-at-completion, based on actual costs incurred, progress made, and estimates of costs required to complete the contractual requirements. When the estimated manufacturing cost-at-completion exceeds the contract value, the contract is written down to its net realizable value and the loss resulting from the cost overruns are immediately recognized.

Finally, the Company manufactures components, assemblies, and subsystems which service its wireless communications customers. The Company recognizes revenue at a point in time as the customer does not simultaneously receive or consume the benefits provided by the Company's performance and the asset being manufactured has alternative uses to the Company.

The Company provides customers a limited right of return for defective PCBs including components and subsystems, and assemblies. The Company accrues an estimate for sales returns and allowances progressively over time based on the extent of progress towards completion of the performance obligation using the Company's judgment based on historical results and anticipated returns. To the extent actual experience varies from its historical experience, revisions to the sales returns and allowances accrual may be required. Sales returns and allowances are recorded as a reduction of revenue and included as a component of accrued liabilities on the condensed consolidated balance sheet.

(3) Acquisition of Anaren Inc.

On April 18, 2018, the Company completed its acquisition of all issued and outstanding common stock of Anaren Holding Corp. for a total consideration of $787,911, subject to customary working capital and certain other adjustments. Other than the equity interests of Anaren, Inc. (Anaren), Anaren Holding Corp. had no material assets or liabilities and has no material independent operations. Anaren is a leading provider of mission-critical RF solutions, microelectronics, and microwave components and assemblies for the wireless infrastructure and aerospace and defense electronics markets.

For the quarter and three quarters ended October 1, 2018, bank fees and legal, accounting, and other professional service costs associated with the acquisition of $312 and $11,137, respectively, have been expensed and recorded as general and administrative expense in the consolidated condensed financial statements. There were no bank fees or legal, accounting, or other professional service costs associated with the acquisition for the quarter and three quarters ended October 2, 2017.

The following summarizes the components of the purchase price:

	(In thousands)
Cash consideration	$ 596,396
Cash purchased	12,911
	609,307
Debt assumed	178,604
Total consideration	$ 787,911

Preliminary Purchase Price Allocation

The purchase price was allocated to tangible and intangible assets acquired, and liabilities assumed based on preliminary estimates of fair value at the date of the acquisition, April 18, 2018. The excess of the purchase price over the fair value of net assets acquired was allocated to goodwill. The fair value assigned to identifiable intangible assets acquired was based on estimates and assumptions made by management at the time of the acquisition.

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements—(Continued)

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

	(In thousands)
Cash	$ 12,911
Trade and notes receivables	32,457
Contract assets	23,585
Inventories	56,619
Other current assets	1,373
Property, plant and equipment	45,115
Identifiable intangible assets	336,000
Other assets	300
Goodwill	393,296
Trade accounts payable	(14,623)
Contract liabilities	(7,778)
Other current liabilities	(7,643)
Long-term debt	(178,604)
Non-current deferred tax liabilities	(75,265)
Other liabilities	(8,436)
Total	$ 609,307

The Company's fair value estimates for the purchase price allocation are preliminary and may change during the allowable measurement period, which is up to the point the Company obtains and analyzes the information that existed as of the date of the acquisition necessary to determine the fair values of the assets acquired and liabilities assumed, but in no case to exceed more than one year from the date of acquisition. As of October 1, 2018, the Company had not finalized the determination of fair values allocated to various assets and liabilities, including, but not limited to, deferred taxes, goodwill, tax uncertainties, income taxes payable and assumed liabilities. Any changes in the fair values of the assets acquired and liabilities assumed during the measurement period may result in material adjustments to goodwill.

Inventories

The Company acquired $56,619 of inventories as a result of the acquisition. Finished goods were preliminarily valued at estimated selling prices less costs of disposal and a reasonable profit for the selling effort. Work-in-process inventory was valued at estimated selling prices less costs to complete, costs of disposal and a reasonable profit allowance for the completion and selling effort. Raw materials were preliminarily valued at estimated replacement cost.

Property, Plant and Equipment

The fair value of property, plant and equipment was preliminarily determined by utilizing three approaches: the cost, sales comparison, and income capitalization approaches, each including management assumptions. Each approach assumes valuation of the property at the property’s highest and best use.

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements—(Continued)

Identifiable Intangible Assets

Acquired identifiable intangible assets include customer relationships, developed technology and backlog. The fair value of the identifiable intangible assets was preliminarily determined using various income approach methods including excess earnings to determine the present value of expected future cash flows for each identifiable intangible asset based on discount rates which incorporate a risk premium to take into account the risks inherent in those expected cash flows. The expected cash flows were estimated using available historical data adjusted based on the Company’s historical experience and the expectations of market participants. The preliminary estimated fair value assigned to each class of intangible assets and the related weighted average amortization periods are as follows:

	Estimated fair value	Weighted-average amortization period
	(In thousands)	