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<<Analyst, Needham & Company>>

Hi. Thanks everyone for being here. Welcome to the 25th Annual Needham Growth Conference. It is now my pleasure to introduce Kieran O'Sullivan. Kieran is President, CEO and Chairman of CTS Corporation. CTS is a global leader in the design and manufacturing of a diverse array of electronic components, sensors, and actuators. Format for this part of the conference is going to be about 30 minute presentation followed by a Q&A session. So for those that are streaming, you can hover your mouse over the stream and enter a question in the chat box. Those in the room, you can just raise your hand at the end of the presentation. Thank you.

<<Kieran O'Sullivan, President, Chief Executive Officer and Chairman>>

Great, thank you. Good afternoon everyone. Kieran O'Sullivan, CTS Corporation. We're a company that's been around for about 126 years. So we spent the last 10 years or so transforming this company of ours. And to give you a sense of the theme, the theme is for us is all around growth. And it may be more challenging macroeconomic conditions at the moment, but our focus is still squarely on the growth of the company. And that comes across in a few themes. The first theme is, and I'll give you more detail on this, is the growth of our non-transportation markets. If you go back a few years ago, our transportation revenues were over about approximately 70% of our total revenue. In the last quarter, last year, closer to 52% to 53%, which means we've substantially grown our non-transportation business. On the other side of it, in the transportation space, we're focused on making that a strong, healthy business and growing in electrification and in commercial vehicles as well.

The other things that I'd like to highlight are also that we have a strong balance sheet. We're cash positive. We're very disciplined about how we approach acquisitions and the return we create for our investors as well. One other thing I'd like to highlight, just to make sure it's clearly in everybody's view, when we did our third quarter earnings call, we said that for the first time in the last two years, we were going to have some supply chain issues on semiconductors. We've navigated those years very well, but we have one supply issue and we said the impact on our fourth quarter and our first quarter of 2023 was going to be approximately in the region of about $5 million plus or minus. So I just want to make sure we're putting that out there. It's a short term issue. It's an issue that's going to get solved within those two quarters and we're actively working that as well.

So I know you're familiar with the safe harbor statement here. But if you look at us, we're a company, as said in the introduction, that's focused on products that sense, connect and move, and that's where we deploy our talent, that's where we deploy our capital as well. And you can see here our last 12 months revenue of $577 million, EPS of $2.39, EBITDA margins now up at 22%, some years ago we were closer to 9%, 10%, and the non-transportation part of the business on a trailing 12 month basis at 47%. And you can see our revenue split here as well, mostly in North America,

but about 14% in Europe and close to 30% also in Asia. And again, I want to emphasize the non-transportation growth at 11.5% over the last 12 months and over the last few years on an average basis as well. So strong discipline about transforming our company, we feel we're a long way along the journey, but we still have quite a ways to go to improve the company to where we want to be longer term.

If you look at the next slide here, so why invest in CTS? Well, we've got a strategy that's focused on growth around products that sense, connect and move. We've got good organic growth going, and we've got good inorganic acquisition plans and strategy that's focused around the company as well. We've got the balance sheet to execute good M&A on good acquisitions. We're looking for high quality assets. We're not looking for fixer offers, but I would tell you we're very disciplined, as I mentioned at the start, about our approach in the M&A field. It has to give us a return on invested capital that's in line with our weighted average cost of capital in a three to five year period. And we'd have different multiples that would apply to the different end markets as we look at acquisitions as well.

We've got very strong engineering capabilities on a global basis. Our products are highly engineered, highly customized. Probably about less than 10% of our products go through distribution, which is more of a standardized product. And you can see here we've got a strong position in position sensing, ultrasonic sensing, temperature sensing in those domains of expertise, just to mention a few, that deep expertise that we have. And when you look at it in terms of operational capability, we've demonstrated, and I'll come back to that a little later on in the presentation, we've demonstrated a strong capability on execution, improving margins, improving EBITDA margins, and getting the growth trajectory going in the right direction. And then also you can see here from a leadership perspective I would tell you the leadership team is about as strong as it's ever been, as we have strengthened different aspects of the business.

And when I think back over the last 10 years, I would tell you we felt there was a lot to fix back in 2013 and 2014, restructuring, exiting businesses. Today, we have a focus on what we call our internal initiative is Focus 2025. And that is just focused on four things, driving profitable growth, organic through acquisition, and making sure we have the right products in the portfolio. Second thing is customer focus after several years of restructuring and exiting some businesses, making sure we're much stronger in the markets where we want to play today and it's very clear when you see as we go through the slides. And also operating system, I would tell you we probably came with a very top-down push in the early years to get the margins, get the profile moving in the right direction. Today, it's much more of getting the whole culture on a continuous improvement mindset, what we call our CTS operating system.

And then – and finally, in terms of leadership, a focus on talent and culture in terms of how we're driving the company to make sure as we bring in acquisitions, as we bring on capabilities, we're able to execute and deliver the results that you can expect from us. And when you look at our end markets here, you can see our growth rates and the size of these markets. So when we look at industrial, you can see here about $3 billion market growing at 9.2%. We're in areas as diverse as industrial printing to automation to temperature sensing and HVAC and other markets in pool and spa as well. If you move into the medical space, we tend to be more focused on diagnostics,

therapeutics and minimally invasive applications in this area as well. And again, we expand our temperature products into this portfolio part of the – the end markets and portfolio as well.

Aerospace and defense, it's something primarily focused in the North American market, but with our recent acquisitions with Meggitt, it gives us a much stronger foothold and move into the European markets is here. So our focus is on sonar arrays, forward-looking arrays, towed arrays, sonobuoys and looking at military communications and unmanned, underwater vehicles where our material compositions are really getting into new areas.

And then over on transportation, you can see here the growth rate over a five-year period doesn't look as good. Remember we had the impact of COVID in the second quarter of 2020. Our volumes went down 50% in the space of one quarter, and we were still positive from an operating earnings perspective as well. So it gives you a sense of how we manage the business and the discipline around operating expenses.

But going at much higher levels here in the last number of quarters. But you can see here a focus on light vehicles. 95% of our products, we talked about it back in 2017, transfer from ICE over into EV applications. We're strong in commercial vehicles, in turbo applications with commercial vehicles, as I said, and then two-wheeler applications as well. And one of the things we're doing here is growing our market size. I'll come back to it in a few minutes. Growing our market availability with new, organic products that we're developing for electrification as well.

When we think about our products and our teams and where we focus, there are three big secular themes here as we move forward. Sustainability, reducing harmful emissions, and the electrification in terms of mobility, and also measuring scarce resources like water metering and other things that we're involved in as well.

Automation, with industrial automation, but also with passive safety and defense automation where our products in the PAs of ceramic space have numerous applications for growing the company.

And then finally in healthcare and innovation, really focused on, as I said already, minimally invasive applications, therapeutics, diagnostics, neonatal care with our different sensors and capability in this space too.

So I want to come back to this important point because we've been transforming the end market profile of the company. If you go back several years, you will see that transportation made up about 67% to 70% of our revenues. Today, that's closer to 53%, and we would like that to be at 50%. So that's the trajectory where we're headed with the company.

And we're doing that for a few reasons. Number one, we like our transportation business, we like our mobility business. It's got good margins, good growth, good play in electrification and commercial vehicle as we go forward. What we also realize to take some of the cyclicality out of the business, diversification into industrial, medical, and defense is going to help our company in two ways, make it less cyclical, but also improve the quality of the earnings of the company we

believe over time, and we see some of that already with this diversification focus, the valuation and the multiple in our company will move upwards as we go forward as well.

And the other thing I want to emphasize here is after the early five or six years of restructuring the company and getting out of certain businesses, we're putting a big emphasis on the front end of the business, how we go-to-market. And that's not just with sales, it's with product management, it's with application engineering, it's with the engineering teams themselves and having really good alignment across those spaces. And one of the things I will tell you as we completed acquisitions, one of the things we do with acquisitions is we really look and say, what does this team do better than what we do? And we found some companies as we've acquired that were much more progressive on the front end of the business, and we learned some things. And then there is other things that we brought to their businesses as well.

So if we come back to transportation and mobility, you can see here a $2.7 billion market increasing from $2.4 billion and increasing further by about a $1 billion as we bring in new products into the space.

So again, I want to emphasize, we made a very clear statement back in 2017 and said, 5% of our portfolio on ICE engines is just going to be gone by 2022. And we've passed that mark at this stage. The other 95% transfers over onto hybrid and electric platforms. We've been launching products there for several years onto hybrid and electric platforms.

The other thing we're doing here, which is important is organically we're bringing in three new products. First one is current sensing. You know, how important current sensing is in battery life. We have our first product launching with a premium European company in the third quarter of 2022, sorry, 2023.

E-brake if you think about the accelerator module over the years, it went by wire several years ago. The braking system is still hydraulic. Okay? And it's still heavy, it's weight. That's going to go by wire. We're in pre-development with one OEM here in North America on this at the moment. And we see this as a $600 million market that can be a good growth area for us as we move forward as well.

And then finally, we're looking at motor position sensing in terms of motors and electric vehicles. And we have some other innovations that we're doing in terms of accelerator modules and what they may be like beyond what you see in the car today that I'm not showing on this chart either.

So overall, I want to be very clear that our focus while diversifying outside of automotive, it's not at the expense of weakening our automotive business. It's making our mobility business stronger than electrification, commercial vehicle and two-wheel applications, which is primarily focused in the European market as well.

So when you look at us, we take our engineering capability and we've got that long and deep expertise across multiple end markets. When I try to simplify what the company does for people like you – don't see us from the inside, it's really down to two things. In mobility, we package position sensing in safety, critical, and harsh environments. We may have ten products, but that's

the common theme in what we do in terms of how we go-to-market, how we win new designs, and how our teams engineer products.

And then on the non-transportation side, for the most part, it's focused on three materials technologies. And we win based on the quality of those material technologies, those material compositions. And they are bulk processing, which is a foundry we have in Albuquerque, New Mexico; tape casting, which we have in Denmark and also in the Czech Republic; and a single crystal, which is more akin to semiconductor manufacturing, which we have in Lyle just outside of Chicago as well.

And the other thing about this is we can take those three technologies and combine them to come up with new formulations so we can give you a different formulation, at a different price point and at a different performance level. An example of that is we've been developing textured ceramics of late for new applications that need to be at a lower price point with a different performance level that go into sonar applications as well.

And I bring those three technologies up on the position sensing because having good technology, having technology leadership is very important for our company, where we're going. You'll see that some of the technologies we've developed, some of the technologies we acquired, I expect them to be growing our company 20 years from now. When we look at the single crystal technology, we started out with that in 2016 in medical. Today, it's now moving into the defense application.

So we look at these things and we think about them from a longer term perspective. So technology leadership is important, the main expertise. On those material formulations, we're not sitting out here with a ton of IP. It's process know-how in-house capability. We have proprietary technologies and processes that are more efficient than our competition in terms of how we do things. And then custom engineered solutions, we work closely either with resident engineers, application engineers with our customers on the applications where things are happening. We're not out there doing blue skies stuff, hoping that it's going to be the shiny star, we're working, where the next evolutions of the products are happening and solving those complex problems which our customers value us for.

And finally, we've got a global footprint. We're in North America, we're in Mexico, we're in different parts of Europe. We're in the Philippines, we are in Taiwan, and we are in China. And sometimes, people have asked me over the years, why can't you grow more in China? That was the question 10 years ago. Today, people are asking us, what's your exposure to China? Okay. Well, our business and our operations in China are for China. We're building in country for that country. We're not exporting. That's the focus we have. And while short-term, China may be a little bit more difficult, believe me, when you look at it from a market size, you cannot ignore it. On a vehicle size, it's 26 million vehicles a year. North America at its peak has been 17 million, last year, probably more like 13 million to 14 million.

And if you read CES last year, I was saying this to some – in some meetings today, I've been going there for over 20 years. When the Chinese first came to this country, you look at them and how professional they were and could they speak English, struggle, look at them today and look at how slick and how sharp they are and how they do business. They're good competitors, they're good

customers. You can't ignore the Chinese market longer term despite the short-term headaches that might be out there. So we've got the global footprint that our customers need and we're making sure that we support them as well.

When we look at our end markets and customer relationships, a few things to highlight in transportation, in mobility for a company our size, we're not just with global OEMs, but we're strong with the Japanese OEMs. We've been in Japan for decades. We're close to our customers there as we are in Europe and North America. And you can see here, whether it's in medical, defense, or industrial, we have some well-known customers, when look comes to medical ultrasound, GE, Philips, Siemens, some of those customers when it comes to pacemakers, Medtronic, MERS for therapeutic applications. We're in a nice arrange of products and markets that really complement the diversification strategy that we've been driving across our company as well.

Moving a little bit to execution, you can see here, actually it's hard for me to read all the numbers off the slide from over here, but I would tell you, our improvement in gross margins has been over 500 basis points. You can see here from where we were our EBITDA margins up over 1,000 basis points. We've spent a lot of time being focused on our operational and strategic capabilities and translating that into a solid financial performance in the quality of the earnings and in the strength of the balance sheet that we have as a company as well. You can see here from the balance sheet perspective, 112% conversion on cash flows.

$133 million returned to shareholders, mostly through buybacks, a little bit through dividends. And we've got a solid capability for acquisitions. As I mentioned at the start, we're cash positive in terms of our balance sheet, which in the current environment we think is an advantage as we move forward as well.

And I already mentioned in terms of our capabilities, having a bigger and deeper investment on the front end of the business is something we are spending a lot more time on. I would tell you it's not just putting resources on it, but it's doing a lot more training internally within the company to figure out how we're selling to our customers and our products and our value proposition, R&D capability. You can see it, it's solid. We really invest for the future. We invest in not just next generation products, but we're out there two and three generations ahead on the portfolio and we've completed seven acquisitions.

One thing I'll say about our acquisition profile is this, that the acquisitions we've done, they've all performed well. They've been on the smaller sites somewhere between $10 million in revenue to $20 million in revenue. We would like to do acquisitions that are larger in the $20 million to $50 million in revenue that are the right fit, the right financial return for the company. And sometimes we're asked, have we looked at larger acquisitions that are more transformational? Yes, we have.

But what I would tell you is for us to make that step at our size of a company, it's got to be so close to what we know how to do, close to the core in terms of where we want to be as a company with our diversification and electrification strategy as well.

Moving to the final few slides here, capital allocation you can see here, operating cash flow in the 15% to 17%. From a leverage perspective, we would lever up to 2.5 times, but only for the right acquisition, because that's quite a large move. We've typically been levered just above one. So we're conservative on the balance sheet. Growth typically 3% to 4% on CapEx for maintenance and for growth and you can see here the main emphasis been on 60% to 80% of the free cash flow going towards acquisitions, to compliment what we're doing from an organic perspective as well.

And then over the last number of years, 20% and 40% of the free cash flow returned to shareholders. I want to come back to the acquisition because we're very clear that our growth, we're targeting 10%, with 5% attributable to organic. That varies a little bit by each of the end markets in the non-transportation side; you'd expect that to be a little higher. And then on the M&A approach here, you can see here there's a number of things on the sheet here, but what I want to point out is from a strategic perspective, it's the right technologies and products that expand the customer base and the geographic reach of the company and enhance our diversification effort to get to that 50/50 mix that we've talked about and beyond as we move forward.

By strengthening customer relationships, we look for acquisitions to be accretive within 12 to 24 months. We look for them to give return on invested capital in line with our weighted average cost of capital in a period of three to five years. So we're pretty disciplined about how we do acquisitions. I would tell you there are acquisitions we've looked at that were a good fit, but we couldn't make good financial sense and we've stepped back and said we're not doing it. We tend to be very targeted in terms of the acquisitions and how it's going to move our company forward.

Just an example then on the acquisitions to show you here, if we go back on the non-transportation side, in terms of those three technologies in the ceramic space, both processing, tape casting in single crystal. We started out in 2016 acquiring the single crystal technology that we applied first in the medical end markets with medical ultrasound with GE, Siemens, Samsung, Phillips, and then moved it into intravascular applications where you're actually putting it into arteries to measure the build-up of plaque.

And then we moved with Noliac in Denmark into tape casting technology, which now moves us into more micro actuation, sensing and transducers for measuring scarce resources or flow as an example. And then more recently in the last year, we acquired Ferroperm. Now, the nice thing about Ferroperm is this is 1.5 miles from Noliac. So we're now in the position of combining both facilities into one, which will be completed by the third quarter of 2023.

But now we're into medical therapeutics with Merz and some other customers out there, and we get an access into European defense. So for us, we were strong in defense in North America, but having the footprint and the technology and the capability in Europe now gives us that opportunity to grow. And that – I would tell you, even from the Ferroperm acquisition, we've got material formulations out of that. We're now working and winning business within North America already and that acquisition was completed back in July of 2022.

Another example here is on the temperature side of things. In 2019, we had zero revenue in temperature. Today we have a platform that's close to about $50 million. When you look at it, we started off with QTI in Boise, Idaho, and manufacturing in Mexico going into HVAC applications

and pool and spa. And you wouldn't be – you'd be surprised how quickly pool and spa grew during the pandemic. It was a real large growth area that has normalized since, but it's still good business. And more recently moving into the food applications with hot and cold and really, really good front end growth approach on this business.

And then in 2020 we acquired Sensor Scientific, a small company with New Jersey here, mostly focused on medical, disposable medical applications, neonatal applications, and then also with manufacturing in the Philippines. So we took the New Jersey site, combined it with the Boise site, and kept manufacturing in the Philippines. That gives us – the Philippines gives us more capability in Asia and gives us backup capabilities should something go different in the Asia region, geopolitically as well.

And then more recently in Loveland in Poland, we acquired TEWA. And TEWA now gives us a temperature footprint in Europe. And also gives us a capability into distribution because most of our temperature business has been focused on OEM high performance applications. We have no interest. I was asked sometimes, why don't you put temperature into vehicles? Well, it's a commoditized business. We have no interest in that. We're into high performance capabilities. That's where we put our temperature resources. And the other thing now with this capability we have manufacturing capability globally in Asia, in Europe and in the Americas for all our temperature customers as well.

And then, let me – let's start to wrap it up here with this final slide. Here you can see our performance since 2012. Revenue growth from where we were to where we are today, again, we sold our largest business. We refocused. Our path wasn't what I expected coming into the company. The charter was to grow. We ended up changing the strategy and saying we're going to get smaller, more profitable and grow. That's the strategy and track we've been on.

You can see our gross margin profile gone from 30% up to peaking at 36%, 37%. And we'd like to be more consistently in the 35% to 38%. And our Board would encourage us to be at the higher end of that. SG&A expense a little heavy, 13% to 15%. I'm not totally happy with that. But as we grow and scale the business, we'll get more efficiencies in that. As we come $3.25 billion company, you'll see some efficiencies come out there.

And then constantly investing in R&D. One of the things that people don't understand about us is we have solid investment in mobility and transportation, but when it comes to the material formulations across those three end markets, medical, industrial and aerospace and defense, because it's a material business, we can scale that energy – or sorry, that R&D across those three end markets as well.

And finally, CapEx running in the 3% to 4%. We were running around 6% because for a few years we took on the journey of bringing in a new ERP system with SAP. That was a painful journey, but one that was managed well by the team and it's something that we've got in place.

And then finally just maybe to wrap up on this slide. We're 126 year old company. We're transforming, we're a higher quality performer. We're very strategic in what we do. We've got strong leadership and operational execution that's proven. But our employees and our teams have

been giving back to the communities where we operate over many, many years. It's just something that's not trendy to say we've just been doing it; we haven't been talking about it.

Our Board is diversified well. We've got a very strong Board with good capabilities aligned with our end markets. And by the beginning somewhere in the early part of 20 – at the second quarter of 2023, we will issue our first sustainability report as a company as well.

So with that, I'll pause here and I'll open it up for questions.

Q&A

<Q>: Hi, there. So we could start with the room. If anybody has questions, please raise your hand. I have a couple that were submitted virtually though, so I can start with those. But before I do any questions? Okay, great. Thank you. Guys that was Kieran O'Sullivan, President, CEO and Chairman of CTS, thank you for your presentation. That was great. First question that was submitted through the stream here. You – I think you touched on it a little bit, but you guys have seen great success growing your non-transportation business. Can you talk to some of the strategy that led to that success maybe anecdotally?

<A – Kieran O'Sullivan>: First of all, I think it really came from not just the leadership team, but the discussion with the Board of Directors. And the other thing we do as a company, we invite our investors in to tell us, hey, what do you like about us? What do you not like about us? And what would you like to see change? And one of those themes that came up that we were working on, but our investors said, if you really accelerate that diversification theme, we think it's going to change the profile of how you're viewed from an investment perspective, which we fully agreed with.

And then of course, we started out in the material side with bulk technology. And it was very clear to us what that technology evolution should be to compliment the growth of the company and the products and to enable that diversification. So hence we went into the single crystal acquisition. To give you an example on that, we first got a view on that technology. I think it was late November of 2015 and we had closed the deal by March – early March 2016. So that wasn't something we moved slowly on.

And I think the other thing is we know what we want in terms of what we want to do strategically. So it's much easier to say yes and no. If we've got investment bankers coming to talk to us and they show us numbers and things that's not the dialogue we want to have. Our dialogue is much more around, we've got a strategy, we know what the financials should be; let's put the two together because the two is what works.

<Q>: Sure. That's great.

<Q>: Any questions from that, in the room? Okay. Here's another one, we have some time for here. EBITDA margin has been growing and congratulations on the success there. What are some of the long-term margin goals and what levers can be pulled in order to do so?

<A – Kieran O'Sullivan>: So from an EBITDA margin perspective we've come from the 9% to 22% and we tend to be a little bit conservative. We don't like putting numbers out there. We'd rather go work on it and show the results. But I would tell you what our Board of Directors say, come on, you can do another two points there or something like that. And what will enable that is keeping a very healthy transportation business, but further expanding the non-transportation, the medical, the defense and industrial, growing that at a fast rate was what will complement that.

<Q>: Yeah. Another question we had was about some of your margin sustainability and some of the effects that the market could have the macro environment on that. Can you speak to that a little bit?

<A – Kieran O'Sullivan>: Yeah. From a margin perspective as everybody knows, it's been – it's been difficult out there. The material inflation has been constant. Even as we sit here today, I don't think anybody's back at the cost basis they were at back in 2019 before the pandemic between labor inflation, material inflation, that's something we're focused on. So when we look at it year-over-year, we don't talk about getting back to improving on where we were in 2021 or 2022. We talk about where were we in 2019 and how do we get back in that direction.

And of course, obviously on the other side is partnering with our customers because we've had cost increases, had difficult conversations as you might imagine as a company with our customers. But we have partnerships and we expect our customers to share the pain because it's a long-term partnership. And I don't think we should be shy about sharing that pain. And we feel good about our end markets and sustaining those margins going forward – which is going to be through good operational execution, but also through new products as well and new applications.

<Q>: That's great. That's great. So this is the last question that I have. So if there aren't any others from the room, we'll wrap after this one, but I think it's pretty key. Any sort of changes in order behavior from your customers that might help us shed some, some insight into the broader kind of macro environment?

<A – Kieran O'Sullivan>: Well first of all we haven't guided for 2023, our earnings call is in a few weeks, but from a more general perspective, I would tell you 2022, everybody is talking about different views on it and coming into 2023. It's been choppy. We've seen changes in book-to-bills; it's been different in different markets; some above one, some below. And I would tell you even on the transportation side, something that I've never seen in my 20 years in transportation is just sourcing of programs. And customers are too busy trying to get parts sometimes to source programs. So one quarter you're getting a lot of order intake book, the next quarter it's softer. It's been more of a pendulum that I've never seen before. And I think they're trying to figure out their platforms and where they're going as well. So it's been bumpy.

<Q>: Well, thank you. We have a question in the back.

<Q>: I have two questions, Kieran. The first one [indiscernible] (0:35:57) on board given the uncertainties seen in automotive market. What is your word of advice in terms of digesting market information and what kind of data moving forward?

<A – Kieran O'Sullivan>: So, Henry, just are you talking about transportation or all markets?

<Q>: Transportation.

<A – Kieran O'Sullivan>: Yeah. I mean, again we haven't guided, but what we've said in the last earnings call is on the transportation side, on one hand because of inflation, because of interest rates, because now if you look at the repayments on loans for large portion of the people at their – the repayments are above $1,000 a month. It's getting tough from a demand perspective; we thought it was a supply side issue. Supply is getting solved. I know we have a short-term issue to work through here, but there are different views. Some people would say in 2023 flat would be a good year in transportation.

<Q>: And second question, Kieran. So I think there are some various opinions about how you want to react. There is one opinion that you may [indiscernible] (0:37:05) little high, further it can still somewhat sustain that [indiscernible] (0:37:10) that can be the case. And then second when we look at your automotive market is global, so America, Europe, China, which one of those worries the most and which one market will be less?

<A – Kieran O'Sullivan>: Yeah. So for 2023, I think when you look around the world, North America is the most promising place to be at the moment. Europe is a little bit of a mess and fortunately we have about 14% of our revenue coming out of there. I think it's going to take a while to sort out and China's the wild card, and I was surprised when we went from zero lockdown or from the lockdowns, suddenly we flipped open and there's rumors out there and noise out there that the infection rates have gone way up. And now we're getting into the Lunar New Year. People are going north, south, east and west and it's spreading, so I don't know if we're going to have supply chain issues or demand issues, but that's the one that I would worry about. The other side of that is with the Chinese government and if there's a soft quarter they are usually pretty good about putting stimulus in place and getting things moving, but that, that one's a bit unpredictable.

Well, that's great. Any more questions? Thank you. We'll stay on track here. Thank you.

<<Analyst, Needham & Company>>

Wrap it up. Kieran, thanks very much.

<<Kieran O'Sullivan, President, Chief Executive Officer and Chairman>>

Thank you.