ROGERS CORPORATION

Moderator: Jay B. Knoll
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Operator: This is Conference # 3169706

Operator: Good day. My name is (Shantal) and I will be your conference operator today. At this time, I would like to welcome everyone to the Rogers Fourth Quarter 2018 and Full Year Earnings Call.

All lines have been mute to prevent any background noise. After the speakers' remarks there will be a question and answer session. If you would like to ask a question during this time, simply press "star" then the number "one" on your telephone keypad. If you would like to withdraw your question, press the "pound" key.

I will now turn the call over to your host, Mr. Jay Knoll, Senior Vice President and General Counsel. Sir, you may begin your conference.

Jay B. Knoll: Thank you, (Shantal). Good afternoon, everyone, and welcome to Rogers Corporation's Fourth Quarter and Full Year 2018 Earnings Conference Call. The slides for today's call can be found on the Investors section of our Web Site, along with the news release that was issued today.

Please turn to Slide 2. Before we begin, I would like to note that statements in this conference call that are not strictly historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be considered as subject to the many uncertainties that exist in Rogers' operations and environment. These uncertainties include economic conditions, market demand, and competitive factors. Such factors could cause actual results to differ materially from those in any forward-looking statement.

Also, the discussions during the conference call may include certain financial measures that were not prepared in accordance with Generally Accepted Accounting Principles. Reconciliation of those non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the slide deck for today's call, which is posted on the Investors section of our Web Site.

Turning to Slide 3, with me today is Bruce Hoechner, President and CEO; Mike Ludwig, Senior Vice President and CFO; and Bob Daigle, Senior Vice President and CTO.

I will now turn the call over to Bruce.

Bruce D. Hoechner: Thanks, Jay. Good afternoon, everyone, and thank you for joining us for today's call.

In the fourth quarter, net sales were near the top of our previously announced guidance range at $223 million, a decrease of 2 percent from Q3 2018 and an increase of 7 percent over Q4 2017. A strong start in the quarter was tempered in December by global uncertainty linked to trade issues and interest rate concerns.

Adjusted earnings per share for the quarter were $1.67, an 18 percent increase over Q3 2018. Net sales for full year 2018 were $879 million, an increase of 7 percent over 2017. For the year, adjusted earnings per share were $5.77, up slightly compared to 2017.

During the year, we saw broad-based growth across many of our key market segments, with particular strength in advanced mobility applications for electric and hybrid electric vehicles, EV/HEV, and advanced driver assistance systems, ADAS. We expect this growth to continue based upon the strength of a number of leading indicators, which I will discuss in more detail shortly.

Our investments to position the business for further growth impacted our margins in 2018. We experienced greater-than-anticipated near-term costs related to initiatives to accelerate capacity expansion and reduce our cost structure. We have made progress on a number of these projects, including completing our multi-site product qualifications, including our Belgium plant consolidation, installing additional lamination presses in multiple locations, and acquiring circuit materials manufacturing assets in Chandler, Arizona.

In summary, 2018 was a pivotal year for Rogers. We accelerated capacity expansion projects as market indicators provided greater clarity on the timing and the increasing size of opportunities in advanced mobility and advanced connectivity applications.

Looking ahead to 2019 performance, given the strong demand outlook for our ACS and PES businesses, capacity expansion projects will continue. We will also continue to integrate and optimize our most recent acquisitions, which will result in a positive effect on margins as these projects are completed during 2019. Rogers is well-positioned to capitalize on the strong growth outlook in 5G and in our advanced mobility markets of EV/HEV, vehicle electrification and ADAS.

Please turn to Slide 5. As part of the transition to 5G, in 2018, we experienced somewhat weaker demand for 4G LTE wireless applications. However, there is encouraging news about the wireless infrastructure market moving forward. For example, China's Ministry of Industry and Information Technology assigned 5G spectrums to China's 3 telecom operators during December. In early January, the Ministry issued temporary 5G licenses, paving the way for larger 5G networks and hotspots to be put in place in some cities.

While exact numbers differ, there is general industry consensus that there will be meaningful 5G base station deployment during 2019. According to the industry consultants team, Mobile Experts, the number of base station shipments will be more than 200,000, which we expect to be weighted towards the second half of the year. I'll talk more about the implications for Rogers as we discuss the ACS business.

In addition to the outlook in 5G, our confidence in baseline 4G demand has increased following a recent announcement from a leading Chinese service provider that began a bidding process to 416,000 4G LTE base stations to be installed during 2019. This validates the industry view that 4G demand will remain relatively stable in 2019 as 5G ramps.

Turning to Slide 6, the growth outlook for Rogers in advanced mobility, which includes EV/HEV, vehicle electrification and ADAS applications, remains robust. We continue to work closely with a broad range of customers to support current demand and develop products that will enable the performance of emerging technologies.

Looking at e-mobility, as the auto industry moves towards higher levels of electrification, the opportunity for Rogers expands through both increased market penetration and higher content. During 2018, a number of major automotive manufacturers accelerated their plans for a substantial transition from internal-combustion engine vehicles to EV/HEV models over the next 3 to 5 years. This shift is driving a compounded annual growth rate of 28 percent for EV/HEV through 2023.

In addition to the growth in EV/HEV applications, automotive OEMs continue to increase the electrification of systems and internal-combustion engines, such as power steering, air conditioning and stop/stop. This transition is providing additional growth opportunities for Rogers.

Please turn to Slide 7. In 2018, growth in ADAS applications flowed somewhat, particularly in Q3, as European automakers worked through new emissions standards. Entering 2019, we've seen a recovery in demand, and the growth outlook for Rogers is strong as ADAS radar systems penetrate more automotive models, and the average number of sensors continues to increase with higher levels of autonomy.

Through 2023, industry experts are projecting a compounded annual growth rate in the 20 percent range for automotive radar units across a variety of radar sensors. Rogers' portfolio is applicable across the full range of requirements for short-, mid- and long-range radar sensors. For example, 24-gigahertz for blind spot detection and 77-gigahertz for adaptive cruise control. Over the past few years, we've been designed into many of these applications, and we continue to benefit from the substantial ADAS market growth.

Please turn to Slide 8. In 2018, ACS net sales of $294 million were down 2 percent compared to 2017. Demand in aerospace and defense and ADAS was offset by weaker demand for 4G LTE applications.

As we look ahead, we are encouraged by the imminent 5G telecom deployments, which utilize 3x to 5x more Rogers material compared to traditional 4G LTE designs. This greater content is due primarily to the adoption of advanced MIMO 5G antenna systems, which require high-performance, low-loss circuit materials, in addition to greater content requirements in base station power amps. And in ADAS, we expect to maintain steady growth as safety features continue their expansion into more mass market models.

In order to ensure Rogers fully capitalizes on the 5G and ADAS opportunities, we've been taking measures to prepare our operations through capacity expansion and multi-site customer qualifications. In addition, we are converting the recently acquired Chandler, Arizona, facility to produce Rogers materials targeted for 5G applications.

Please turn to Slide 9. During the year, PES achieved all-time record sales of $223 million, an increase of 21 percent over full year 2017. This outstanding organic growth was driven primarily by EV/HEV and vehicle electrification applications, where revenues grew more than 50 percent.

As automotive propulsion technologies advance towards greater degrees of electrification, Rogers is positioned to grow its content. For example, a pure electric vehicle can have 10 times more Rogers material content than an internal-combustion engine vehicle with electrified systems, such as power steering and stop/start capabilities.

The greater-than-expected demand we have experienced in this area has led us to accelerate our CapEx plans. We are adding capacity that includes significant expansion of our production capabilities for our new-generation silicon nitride materials for wide band gap semiconductor packaging. As we bring new equipment online and improve yields of our new products, we expect to reduce capacity constraints and improve margins in PES.

Turning to Slide 10, in 2018, EMS achieved net sales of $341 million, reflecting organic growth of 5 percent. Including Griswold, EMS net sales increased 9 percent over full year 2017. Results for the year were driven by double-digit growth in applications for portable electronics as well as automotive applications, particularly EV/HEV battery pads and battery pack sealing systems.

An excellent example of EMS innovation in this area is our newly-launched PORON EVExtend materials, which provide lithium-ion battery designers with new ways to optimize the performance of their battery packs. PORON EVExtend helps ensure that the lithium-ion cells perform consistently over an extended period of time.

In 2018, we closed the Griswold acquisition and began to integrate the new business into EMS. We are finalizing the plant consolidation of the DSP line into our Carol Stream facility to further drive operational efficiencies and the EMS business. We expect to complete this project in the first half of 2019. Also in 2019, we will continue to optimize all of our recent acquisitions to further improve our operational performance and margins.

Please turn to Slide 11. We are committed to the 4 pillars of our growth strategy, which includes being a market-driven organization, delivering innovation leadership, utilizing synergistic M&A, and driving operational excellence. We are focused on achieving our 2020 goals of $1.2 billion in revenue and 20 percent adjusted operating margin.

I'm excited about our prospects in 2019 and beyond. Momentum is truly building. We are well-positioned to capitalize on the significant opportunities that abound in 5G and advanced mobility applications. As we move through the year, we will bring online additional capacity, optimize our acquisitions, and execute on our operational excellence initiatives to drive profitability.

I will now turn the call over to Mike, who will report our Q4 and full year 2018 results in greater detail, as well as additional financial highlights. Mike?

Michael M. Ludwig: Thank you, Bruce, and good afternoon, everyone. In the slides ahead, I'll review our fourth quarter and annual results for 2018, followed by our first quarter guidance.

Turning to Slide 13, we will preview the financial results for Q4 2018. Fourth quarter revenues, as previously noted, were $222.9 million, above the midpoint of our Q4 guidance range, but some headwinds in December, mentioned by Bruce, and unfavorable currency rates compared to Q3 resulted in revenues being 2 percent lower than our third quarter revenues.

We improved our operating performance in the fourth quarter compared to Q3, resulting in a sequential improvement in our gross margin to 35.2 percent, below the midpoint of our guidance. I will add some additional commentary on gross margin later in my presentation.

Adjusted operating income for Q4 2018 was $35.6 million, or 16 percent of revenues, compared to $38.6 million, or 17 percent of revenues, for Q3 2018. Operating expenses increased by $2 million in the quarter, consistent with our expectation of a Q4 increase. GAAP EPS of $1.31 per fully diluted share and adjusted EPS of $1.67 per fully diluted share for Q4 2018 were both well above the upper end of the guidance range for Q4 and measurably higher than the comparable third quarter fully diluted EPS metrics.

The significant beat on the diluted EPS metrics, both on a GAAP and on an adjusted basis, resulted primarily from a significantly lower effective tax rate for the fourth quarter due to actions taken in the quarter to reduce our tax rate in foreign jurisdictions and the impact of recently issued U.S. tax legislation. I will cover the fourth quarter 2018 effective tax rate and the expected 2019 effective tax rate in my subsequent commentary.

Turning to Slide 14, revenues for the calendar year of 2018 were $879.1 million, or 7 percent higher than 2017, due to organic growth of greater than 3 percent. Acquisitions added approximately 2 percent, and favorable currency added an additional 2 percent. Organic growth resulted primarily from advanced mobility-related applications in all of our business segments, mainly in EV/HEV and PES, as well as mass transit applications, also in PES, mitigated by lower demand in telecom infrastructure applications in ACS.

Adjusted operating income for 2018 of $138.9 million, or 15.8 percent of revenues, was $11.1 million and 250 basis points lower than 2017, due primarily to the 2018 gross margin being 340 basis points lower than 2017.The 2018 gross margin of 35.4 percent was negatively impacted by an unfavorable product mix, strategic investments to add capacity for the upcoming 5G ramp and multi-site qualifications in our ACS business, operational challenges to add capacity and ramp new products in our PES business, and incremental costs for integration of EMS acquisitions.

Adjusted EPS per fully diluted share for 2018 of $5.77 was $0.01 higher than 2017 due to a decrease in the effective tax rate in 2018 to 20.7 percent, from 39.5 percent in 2017.

Turning back to Q4 2018 revenues on Slide 15, our fourth quarter revenues decreased $4 million, or 2 percent, versus the third quarter of 2018. The decrease was primarily due to lower demand for products in our EMS business, including lower seasonal demand for portable electronics as well as weaker demand in general industrial and automotive applications, consistent with the general slowdown experienced in December.

Our ACS revenues in Q4 were 1 percent higher than our Q3 revenues, as we experienced a nice increase in aerospace and defense and 5G antenna applications, which offset a continued decline in our 4G infrastructure revenues. ACS's ADAS business was basically flat in Q4 compared to Q3, but we are seeing signs of a rebound in demand early in Q1 2019.

Our Q4 PES revenues increased 3 percent compared to Q3 due to strength in our rail business, mitigated by a slowdown in our variable frequency drive demand. Our EV/HEV demand in our PES business continues to be robust, but our constrained capacity is limiting our near-term growth. As Bruce mentioned, we are adding capacities to support the high levels of demand and expect to bring the added capacity online beginning in Q2 and throughout the remainder of 2019.

The stronger dollar in the fourth quarter compared to both the renminbi and the euro negatively impacted our consolidated revenues in Q4 by $2.1 million.

Turning to Slide 16, our gross margin for Q4 was $78.4 million, or 35.2 percent of revenues, 30 basis points higher than our third quarter gross margin of $79.1 million, or 34.9 percent of revenues. The increase in the gross margin percentage was due to an improvement in performance compared to the third quarter.

As we mentioned in the last quarter's earnings call, the performance issues experienced by the Company related to structural and integration issues from the acquisition in the EMS business, yield challenges from ramping new products in the PES business, and increase in freight costs to expedite product shipments, all of which combined to decrement our gross margin by approximately 200 basis points.

We continue to aggressively address these challenges and anticipate increasing yields in PES, as well as reducing the manufacturing site consolidation costs and optimizing certain infrastructure costs in EMS incrementally throughout 2019, with corresponding incremental improvements in gross margin.

We expect to achieve more meaningful margin expansion when the under-utilized capacity in our ACS business is leveraged with the rollout of 5G applications, beginning later in 2019. We did not make any incremental strategic investments that weighed on the gross margin the fourth quarter, as we continue to optimize past investments in anticipation of the 5G ramp and believe we are in good shape to execute on the anticipated increased volume in 2019.

Slide 17 details the change in adjusted EPS for Q4 2018 of $1.67 per fully diluted share, compared to adjusted EPS for Q3 2018 of $1.42 per fully diluted share. The first column represents the difference in gross margin, which we discussed previously. SG&A and R&D expenses for Q4 2018 were each $1 million higher than the respective Q3 2018 expenses. The majority of the increased SG&A expenses were for professional services, and the increased R&D spending was in support of new product initiatives. As a result, the adjusted operating profit for Q4 2018 was $35.6 million, or 16 percent of revenues, compared to $38.6 million, or 17 percent of revenues, for the third quarter of 2018.

Lastly, our significantly lower effective tax rate for Q4 2018 of 3.6 percent, compared to 31 percent in Q3 2018, had a meaningful benefit to our adjusted diluted EPS for Q4. The decrease in the effective tax rate was due primarily to a lower foreign tax rate resulting from tax planning strategies implemented in foreign jurisdictions that came to fruition late in Q4, as well as a benefit from recently issued U.S. tax legislation.

The tax benefits realized in the fourth quarter were amplified as a total annual benefit realized from the tax planning strategies and the recently issued U.S. tax legislation was recognized in the fourth quarter.

A lower U.S. statutory tax rate and the absence of the impact of a transition tax due to the 2017 U.S. tax reform, along with the execution of the tax planning strategies and application of the recently issued U.S. tax legislation, resulted in an effective tax rate for the calendar year 2018 of 20.7 percent, which included an approximately 600 basis point benefit for discrete tax items realized throughout calendar year 2018. In 2019, we expect to have an effective tax rate of 27 percent to 28 percent, as our effective tax rate does not contemplate potential discrete items.

On Slide 18, between Bruce and me, we have sufficiently covered the revenue profiles of each of the business segments, as well as the strategic and growth initiatives driving profitability for each of our segments.

Turning to Slide 19, we ended 2018 with a cash position of $167.7 million, a decrease of $13.5 million from December 31, 2017. At December 31, 2018, the Company had $228.5 million of debt outstanding on its revolving credit facility.

In 2018, the Company spent $121.4 million on the Griswold and Isola asset acquisitions outlined in our third quarter call, and $47.1 million on capital expenditures. The Company spent $25.3 million in pension and other post-retirement benefit contributions, primarily in anticipation of the termination of certain plans, and paid down $6.2 million of debt.

To fund these expenditures, the Company borrowed an additional $102.5 million on its revolving credit facility and generated $66.8 million from operating activities, net of the pension and other post-retirement benefit contributions, and an increase in working capital.

In 2018, excluding the $25.3 million for the pension and post-retirement-related payments, working capital consumed $53.4 million. The use of cash from the increase of working capital was primarily due to an inventory increase of $19 million, mostly driven by plant consolidation initiatives and managing long lead time raw materials, an increase of $22.7 million for contract assets related to the change in revenue recognition, and a decrease of $7.9 million in accounts payable and accrued liabilities related to the reduction in incentive compensation.

Taking a look at our Q1 2019 guidance on Slide 21, revenues are estimated to be the range of $220 million to $230 million. We are guiding gross margin at 35 percent to 36 percent for Q1, consistent with continued incremental improvement we mentioned in our gross margin comments. We guide GAAP EPS for Q1 in the range of $0.97 to $1.12 per diluted share. On an adjusted basis, we guide fully diluted earnings in the range of $1.25 to $1.40 per diluted share.

Guidance for capital spending for the year is in the range of $50 million to $60 million, as we continue to add capacity for increasing demand for products serving 5G and EV/HEV applications. As we discussed earlier, the effective tax rate for the full year is expected to be 27 percent to 28 percent.

I will now turn the call back over to Bruce.

Bruce D. Hoechner: Thanks, Mike. This concludes our prepared remarks, so we'll now open the line for Q&A.

Operator: At this time, I would like to remind everyone, in order to ask a question, press "star" then the number "one" on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Craig Ellis with B. Riley FBR.

Craig Andrew Ellis: Thanks for taking the questions and congratulations on a strong finish to the year on the sales line.

Gentlemen, you mentioned that there was some slowing in the month of December, and that's understandable given some of the macro issues that we saw, but the clarification on that is, was that in any particular product segment or in any particular geography, and can you quantify how significant that was?

Bruce D. Hoechner: How you doing, Craig?

The -- it was really more in the -- I would say in the general industrial sectors where we saw the fall-off, and that really is pretty much in the month of December. I think as we moved into January, we saw things relatively stabilize. So it was a bit of a few million miss in December versus what we had anticipated, but I think from what we've seen now in the first part of the year here, things have sort of returned to what our expectations had been.

Craig Andrew Ellis: That's helpful. Thanks, Bruce.

And then the first real question is on 5G. So it seems that from some of the details that you're providing, the content opportunity may be a little bit bigger than I had earlier thought. I thought that the content for 5G was going to be up 2x to 3x versus 4G, but it sounds like you may be seeing something that's a little bit larger than that, 3x to 5x. Am I catching that right, and is the -- is the situation one where as you get closer to the real ramp, you're seeing that the designs are including more of your content, or how do I explain what seems to be an increase in content for Rogers as we approach the onramp to China 5G and that of other geographies?

Bruce D. Hoechner: Right. So it is -- as the designs come in, what we've seen is that our materials are actually used in a greater amount.

I'm actually going to ask Bob to comment on this, because it gets into the design...

Robert C. Daigle: ...I'd say, Craig, the big -- I think the big difference we're seeing and what we're now talking about in terms of the multiplier is driven by the level of MIMO that's being -- what we're hearing from customers in terms of what they're going to be deploying is more towards the 64 transceiver/receiver level, versus the speculation was that there may be 16x16 and more 32x32 going out. So it's really the higher level of MIMO and the complexity and the materials requirements associated with that are driving up the multiplier a bit.

And the other aspect I think that's been positive for us that really only became evident in December, is the spectrum allocation for China Mobile, which was -- we're typically looking at 3.5-gigahertz, and now a fair amount of spectrum at 2.6-gigahertz, and just the physics of that spectrum increased the board sizes a bit as well.

Craig Andrew Ellis: That's real helpful. Thanks for that, Bob.

And then just a follow-up to that, before I move on to ADAS, with regard to the higher content, can you express your comfort with your existing capacity situation through 2020? Is it sufficient in communication infrastructure? Do you think you'll need to be adding given the step-up in content that you're seeing?

Bruce D. Hoechner: Well, as we've talked about, we purchased the Price Road, Chandler, Arizona, facility just for this purpose, and we are now repurposing the machinery over there to ensure that we have, even on some of the upside estimates, capability certainly 2019, 2020, through 2021. And as we move through the next year or so, we will be assessing the amount of the ramping of 5G, and then we'll add as we see fit. But I think that acquisition really has put us in a very strong position out at least 2 to 3 years in terms of demand covering.

Craig Andrew Ellis: Clear -- yes -- clear message. Thanks, Bruce.

And then the next question on revenue is ADAS. You correctly identified that issue stemming from European regulatory issues last quarter. I wasn't clear if your sense is that that is fully resolved now or if we're in intermediate stages. And if it's the latter, when would you expect inventory to have fully cleared and for consumption to be matching demand back to you?

Bruce D. Hoechner: So as we got through the final stages of the year, we started seeing ordering into January and February for ADAS, and we now think we're back in balance, certainly on the inventory and the supply chain, and we believe we will be returning to those higher double-digit and the teens kind of growth rates in ADAS as we move through 2019. Things are back in balance, demand coming out of the situation in Germany seems to have righted itself, and so, again, part of this we have to remember is a penetration play, not necessarily just numbers of units that are getting produced, so even if there's a slight downturn or what have you in automotive numbers, the penetration play still continues for us.

Craig Andrew Ellis: Got it.

And I don't want to neglect you, Mike, before I get back into the queue. On gross margin, it sounds like what you're saying is that in the near term, our gross margin expansion may be a little less than the 50 basis points we talked about last quarter, but as you get mix benefits -- and is it correct to think that you think you could get some from 5G in the back half of the year -- that then gross margins would potentially be expanding by 50 basis points per quarter, or would it be better than that and we can still look at 50 basis points on average through the year?

Thank you.

Michael M. Ludwig: Yes, so I think -- just a couple things.

First of all, on the -- on the 30 basis points, I think we're happy to see that right -- get it moving in the right direction, but the pace of the improvement, however, is probably a little slower than what we had planned. But we are I think making headway, and as we talked about -- and I think Bruce mentioned in his comments -- that the DSP -- the consolidation of the DSP into our Carol Stream facility should be completed in late Q2, so I think we'll see, again, some pickup there. And again, the challenges in the PES business -- the acceleration of demand for the EV/HEV continues to challenge our scaling and yield of new products.

All that said, again, I think we feel good about the 30 basis points. But actually -- and I think even as we move into Q -- get through Q2 and into Q3, I think we'll see an acceleration of that such that we could actually see -- I think we'll -- in the next first quarter, maybe in the second quarter, I think we'll be limited to 30 to 50 basis points of incremental improvement. But I think as we get into the third quarter, I would think just from the improvements in performance, we could see something in the 50 basis points. And then on top of that, we should get incremental benefit from the 5G as a result of, one, just a stronger standard margin on that, but also the utilization of the capacity that we've put in place.

I think as we get into the third quarter and fourth quarter, we should see improvements in gross margin that should be better than the 50 basis points.

Craig Andrew Ellis: Got it. Thank you.

Operator: Again, if you would like to ask a question, press "star" then the number "one" on your telephone keypad.

Your next question comes from Dan Moore with CJS Securities. Your line is open.

Peter Lukas: Yes. Hi. It's Pete Lukas for Dan.

Can you talk about -- a little bit about the pipeline for M&A opportunities? Are valuations more or less reasonable than perhaps 12 months ago? And what's your confidence level in executing on the M&A portion of the long-term growth plan over the next, say, 12 months?

Bruce D. Hoechner: So as we've discussed, we have a very robust team in place looking at acquisitions across a number of different fronts, and it's hard to comment on when the execution will happen on some of these opportunities. Our assessment of multiples are pretty much where they've been over the last 12 to 18 months, so we don't see any real change there. But our teams are working, and we really at this point don't have anything that we can report publicly.

Peter Lukas: Got you.

And then just in terms of Huawei, can you frame for us how big a customer they are? And are you seeing orders accelerate at all for them or their board shops in terms of building inventories from key suppliers like Rogers? And also what type of impact in terms of revenue and growth would you expect if they were to be cut out of most major markets other than China?

Bruce D. Hoechner: In terms of the size of Huawei, it's certainly a very important customer for our ACS business, but for the corporation, certainly less than 10 percent of revenue. We don't report specifically what our -- what our sales are to each customer, but, as I said, it's an important customer.

To answer the question regarding orders and moving forward, we see a lot -- we've had a lot of dialogue ongoing with a number of our customers, particularly, folks in China, and so there's a lot of, let's say, activity ongoing right now around ramping up, making sure that raw materials are available and that when the time comes, we are ready to execute against their needs.

And to answer your question regarding the effect of -- on the Company if things were cut off, I mean, that would be an effect without a doubt, and it is certainly something that all suppliers would feel across the electronics world. So we believe that from the standpoint of our position, that our technology is relatively unique and that we are able to supply our folks, and we have been able to really differentiate ourselves. If someone like a Huawei was not able to produce, we are qualified by all the major OEMs, so that business, if it went to another OEM, we would be able to get that.

Peter Lukas: Very helpful. Thanks. I'll jump back in the queue.

Operator: There are no further questions at this time. I will now turn the call back over to Bruce.

Bruce D. Hoechner: All right. Well, that was a short Q&A session.

Again, I think we are well-positioned as we look through and towards 2019. Our capacities are coming onstream, the demands are there, and we believe Rogers is well-positioned to take full advance of the strong market indicators that we've talked about today. So again, thank you for your attention, and have a good day.

Operator: This concludes today's conference call. You may now disconnect.

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