

**Tower Semiconductor (Q2 2025 Earnings)**  
**August 6, 2025**

Corporate Speakers

- Noit Levi-Karoubi; Tower Semiconductor; Senior Vice President of Investor Relations and Human Resources
- Russell Ellwanger; Tower Semiconductor; Chief Executive Officer
- Oren Shirazi; Tower Semiconductor; Chief Financial Officer

Participants

- Cody Acree; Benchmark Company; Analyst
- Richard Shannon; Craig-Hallum Capital Group; Analyst
- Mehdi Hosseini; Susquehanna Financial Group; Analyst
- Lisa Thompson; Zacks Investment Research

**PRESENTATION**

Operator^ Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to today's Tower Semiconductor Second Quarter 2025 Earnings Conference Call.

(Operator Instructions) I must advise that this conference is being recorded today.

I would now like to hand the conference over to your speaker today Ms. Noit Levy, Senior Vice President of Investor Relations and Human Resources.

Please go ahead, madam.

Noit Levi-Karoubi^ Thank you. Welcome to Towers Second Quarter 2025 Financial Results Conference Call.

Before we begin, please note that certain statements made today may be forward-looking and subject to risks and uncertainties that could cause actual results to differ materially.

These risks are detailed in our SEC filings, Form 20-F and 6-K as well as filings with the Israel Securities Authority, all available on our website.

Tower assumes no obligation to update forward-looking statements. Our second quarter 2025 results are prepared in accordance with U.S. GAAP. Some data presented may include non-GAAP financial measures as defined under SEC Regulation G. Reconciliations to GAAP figures and full explanations are provided in today's press release and financial tables.

Please note that we have a supporting slide deck that is available on our website and integrated into this webcast.

With that, I'd like to turn the call over to our CEO, Mr. Russell Ellwanger.

Russell?

Russell Ellwanger^ Thank you, Noit. Thank you, all for joining us today for our second quarter 2025 earnings call.

We delivered strong results in the second quarter with revenues of \$372 million and result in net profit of \$46.6 million.

We guide our third quarter revenues to be \$395 million, plus/minus 5% and additionally, target a \$40 million-plus revenue increase for the fourth quarter over the third quarter. Q3 guidance and Q4 expectations validate our onset 2025 target of sequential quarter-over-quarter growth throughout the year with acceleration in the second half.

We announced at years begin, a repurposing of multiple factories, predominantly towards higher capacity for RF infrastructure, namely Silicon Germanium and Silicon Photonics. This is well underway with Q3 and Q4 expected growth being the first fruits of the execution of this strategy. Demand not only remains very strong but is consistently growing as is our increase in both silicon germanium and SiPho capacity and associated customer qualifications.

We continue to invest in capacity and also R&D advanced capability CapEx throughout 2025, with further capacity and capability growth planned for 2026 aligned to our customers' forecasted demand, confident in maintaining our number one market share position in this growing and significant optical transceiver market.

Let's review our second quarter 2025 revenue breakdown, along with some context that highlights key trends, momentum shaping our performance for the full year.

Kindly refer to slide 4 for a detailed breakdown of our quarterly revenue figures. Most notable is growth in our RF infrastructure business, attributed to data center and AI expansions served by our Silicon Photonics and Silicon Germanium technologies Our quarterly revenue figures. Most notable is growth in our RF infrastructure business, attributed to data center and AI expansions served by our Silicon Photonics and Silicon Germanium technologies predominantly for optical fiber communication.

In the second quarter, RF infrastructure represented 25% of corporate revenues, over \$90 million in revenues, up from 14% in the same period of 2024, and expected to significantly increase over the next period.

Specific to Silicon Germanium, we began volume production shipments from San Antonio Fab nine for a Tier 1 customer and as well volume wafer starts in Israel Fab two for another Tier 1 customer, providing substantial capacity increase in this growing market on top of the high capacity in our Newport Beach facility, which itself is realizing capacity increases this year.

We have also made Silicon Germanium design kits available in our 300-millimeter Japan factory, Fab seven for which an additional Tier 1 customer is presently in the design phase.

For Silicon Photonics, in addition to our existing volume on 400 and 800 gigabit per second, current wafer starts now include a good ramp on 1.6 terabit per second as the industry continues to move aggressively to higher speeds, which is expected to further help market penetration of Silicon Photonics over legacy EML solutions, expanding our opportunity due to the cost and strong performance benefits of Silicon Photonics.

In the first half of 2025 we've moved 5x more SiPho products from preproduction to production phase than in the same period in 2024, already exceeding last year's total.

This growth demonstrates our platform maturity, strong customer adoption and efficient operational scalability.

Today most Silicon Photonics products we manufacture serve the transmit function in an optical transceiver module. This quarter, we successfully prototyped a new 300-millimeter Silicon Photonics technology that enables cost and performance advantage to the receive function in an optical transceiver module. This new technology is expected to see initial production in the fourth quarter of this year, expanding the market served by our Silicon Photonics technology beyond that which we serve today.

By leveraging the majority of features in our mature SiPho platform and adding evolutionary customer-partnered improvements to this base process, we've been able to quickly ramp up and achieve high yields for 200 gigabit per second lanes, 1.6 terabit per second optical transceiver products.

The transition of 400 gigabit per second lane, 3.2 terabit per second, requires additional and fundamental device, process improvements and new materials, which Tower is aggressively pursuing together with Tier 1 customers. The first of these platforms is anticipated to ramp as early as mid-2026.

Slide 5 shows cumulative wafer bill to date for 400G, 800G at 1.6G speed. Presently, we are manufacturing similar amounts of each offering.

Looking at prototypes, there's further acceleration of 1.6T with 40% higher year-to-date protos at 1.6T, above 400G and 800G combined and this serving multiple large customers.

We are seeing recovery in our RF mobile business, specifically in RFSOI, which showed a Q2 to Q1 revenue increase of over 20% and is expected to show further increases close to 30%, Q3 over Q2 and targeting further increase in Q4.

We've gained momentum with a new North America Tier 1 customer now prototyping several products on RFSOI in our 300-millimeter facilities in both Japan and Italy. Beyond RFSOI, we're innovating with other RF switch technologies. This quarter, we won the IMS Best Paper Award with pSemi, a Marata fully owned company for our PCM phase change material switch

technology, achieving a 15 zeptosecond or Ron-Coff figure of merit, being a 4x improvement versus state-of-the-art RFSOI. These switches are being prototyped for both low and high-frequency millimeter wave applications.

And importantly, this quarter received a Best Supplier Award from Wisol, a major Korean RF front-end module provider.

Looking at power management, the computational complexity of AI processors is increasing, leading to a corresponding rise in power requirements. To meet this need, as shown on slide 6, we provide a variety of power management solutions with switch devices that have ultra-low resistance, advanced digital logic integration and manufacturing options in our 300-millimeter lines in the U.S. and Japan. Lead customers are now designing to our high-efficiency power delivery solutions for this rapidly growing market.

We deliver best-in-class power transistor performance and continue to advance this offering having released device optimization for higher switching frequencies this past quarter.

For sensors and displays, we expect a revenue increase of about 20% in the second half of 2025 against the previous quarters and previous year's run rate, primarily due to increases in the machine vision market.

We have also begun substantial new activities with several customers including a leading automotive imager provider and an OLED on silicon supplier, the latter of which has prototypes already in test. These new activities are expected to fuel additional future growth.

Looking at utilizations, in the second quarter, Fab two in Israel and Fab nine in Texas, both operated at about 60% utilization while repurposing tools to now load high levels of Silicon Germanium and to begin the manufacturer of Silicon Photonics.

Fab three is fully utilized at our 85% utilization model. Fab five was at 75% with rising demand for high-voltage power management and Fab seven 300-millimeter was fully utilized, well exceeding the 85% model.

In summary, our business continues to advance with significant progress across key platforms.

We are well positioned for continued growth and success in our target markets.

We are successfully executing to a clear strategy that is translating into tangible financial results with expanding customer engagements and measurable operational progress.

We are committed to delivering sustainable and long-term value to our stakeholders.

With that, I'd like to turn the call to our CFO, Oren Shirazi.

Oren, please.

Oren Shirazi^ Hello, everyone. Earlier today we released our financial results for the second quarter of 2025.

For the second quarter of 2025, we reported revenue of \$372 million representing \$21 million or 6% year-over-year revenue increase compared to the same quarter in 2024 and a \$14 million or 4% quarter-over-quarter revenue increase compared to the prior quarter. Gross profit and operating profit for the second quarter of 2025 were \$80 million and \$40 million, respectively, each higher than the prior quarter by \$7 million. Net profit for the second quarter of 2025 was \$47 million, also \$7 million higher quarter-over-quarter, representing \$0.42 basic and \$0.41 diluted earnings per share.

Financing and other income net in Q2 '25 was \$14.4 million compared to \$10.6 million in the prior quarter. This \$3.8 million increase was mainly attributable to gain recorded as a result of zero-cost cylinder transaction we executed to hedge future foreign currency risk.

In this respect, I would now like to describe our currency hedging activities.

In relation to the Japanese yen, since majority of TPSCo's revenue is denominated in yen and the vast majority of EPS cost are in yen, we have a natural hedge over most of our Japanese business and operations. To mitigate part of the remaining yen exposure, we are executing zero-cost cylinder transactions to hedge the currency fluctuations. Hence, while the yen rate against the U.S. dollar may fluctuate, the impact on our margins is limited.

In relation to the Israeli shekel and euro currencies, while we have no revenues in such currencies since a portion of our cost in Israel is denominated in the Israeli currency, and a portion of our cost in Agrate fab in Italy is denominated in euro.

We also hedge a large portion of such currencies risk by engaging zero-cost cylinder transactions to mitigate exposure resulting from our NIS and euro-denominated costs. Under GAAP, the fair value of such transactions is recorded in the P&L., which drove the previously stated financing and other income net increase. Moving to our balance sheet and future CapEx and cash plans.

Our balance sheet remains very strong as evidenced by the following indicators and financial ratios.

As of the end of June 2025, our assets totaled \$3.2 billion, primarily comprised of \$1.4 billion in fixed assets net predominantly comprised of fab machinery and \$1.8 billion of current assets. Current assets ratio is very strong at about 7x while shareholders' equity reached a record of \$2.8 billion at the end of June 2025.

Our strong financial position allows us to invest in strategic opportunities that support our corporate vision as follows: we have committed to pay up to \$300 million to acquire equipment and CapEx in the 12-inch New Mexico fab. 20% of which has been already paid while the remaining 80% are forecasted to be paid as we ramp up capacity and technology qualifications over the next 2.5 years.

As part of our STMicro partnership, \$500 million in cash is allocated for the Italy 12-inch fab equipment.

We've already invested 85% of it, while the balance is expected to be paid by mid-2026.

In addition, for our high-margin SiPho and 5G business, we announced plans to invest \$350 million to expand our capacity in our 8-inch fabs in Israel and Texas and in our 12-inch Uozu fab in Japan. This CapEx includes a large portion of capability CapEx for advanced development and high-end RF technology-related projects. 40% of this amount has been paid to date while the remaining 60% are expected to be paid by the end of 2026.

All of these investments including the 5G and SiPho CapEx are fully reflected in our previously presented strategic and financial model. Under this model, we target \$2.7 billion in annual revenue at full loading of our existing fabs including Agrate and New Mexico. \$560 million per annum of operating profit and \$500 million per annum of net profit. That concludes my prepared remarks.

Now I'd like to turn the call back to the operator so we can take your questions.

Thank you.

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And the question comes from the line of Cody Acree from Benchmark Company.

Cody Acree^ Congrats on a great quarter and a great year.

It looks like shaping up so far. Maybe if I could just start with, could you give a little more detail on what segments you expect to contribute and maybe rank order them in -- for your sequential growth through the second half of the year.

Russell Ellwanger^ So first and foremost is infrastructure as far as quarter-over-quarter deltas and absolute numbers, so the Silicon Germanium and the Silicon Photonics.

We had stated at the year's onset that on SiPho, we had, had what, circa \$105 million revenue in 2024, and we expect did a doubling of that in 2025. That's definitely within the second half targets that were given, maybe higher than a doubling.

So that's a very important segment for us. And maybe, I don't know in some summary comments, I might give a -- some more color on what the capacity increases that we're doing there, what that could result in increases against what we're targeting in the fourth quarter of this year. But that's the biggest.

Our power management, we're expecting still strong contributions.

I mentioned that in the imaging, there was an over 20% increase in the run rate of 2024 and the first two quarters of 2025 in the second half, at least from what we target right now from our customer forecast and that mainly due to increase in machine vision.

So those are the areas of growth.

But very important on a rebound is the weakness that we had cited previously in RFSOI for front-end module for mobile.

That has seen a nice increase from Q1 to Q2, and we're guiding an even stronger increase in the third quarter.

So the biggest, again being infrastructure and RFSOI for mobile, power management continuing strong and CIS adding to it as well.

Cody Acree^ It sounds like a good strength across the board then, Russell. Congrats. Would you then say -- would you consider yourself now fully booked through the end of the year?

And if so, do you have a -- any available capacity to support any near-term turns business that could provide any yet upside to your estimate?

Russell Ellwanger^ We had mentioned a 60% utilization in Fab two and in San Antonio Fab 9.

We certainly have room there for immediate upsides.

But the biggest portion of both of those fabs is focused on utilizing the additional SiGe and SiPho capacity that we've built there, which is to an extent in our hands, to an extent, rests on completion of customer qualifications, but that's within the numbers of the expectations that we have.

So we see those utilizations increasing.

But as we're doing that, there is room to handle immediate upsides.

One of the really, I think unique features of Tower is that we have a very strong worldwide manufacturing footprint where we're in Japan, we're in multiple sites in the U.S., we're in Israel, and we're in Italy. And by definition, we cross-qualify all of our flows.

So as there continues to be questions geopolitically and people get concerned a little bit here or there about tariffs and impacts of tariffs, we have the ability to move customer demands from one factory to another.

One of the strong reasons of moving Silicon Photonics and SiPho, both and especially SiPho being very, very high-margin value-add products is, firstly, to have added capacity, but secondly, to be able to serve customers depending on their needs of where to ship products from.

So I think we've seen some immediate-term business, especially in the Tonami Fab five in Japan, in the power, and we're open to get more.

But fundamentally, where we're focused at this point is meeting a very strong, consistently growing demand for the infrastructure, the SiPho and the SiGe. Hopefully, that answered your question, Cody.

Cody Acree^ It does, Russell. Congratulations on progress.

Operator^ And the question comes the line of Richard Shannon from Craig-Hallum Capital Group.

Richard Shannon^ Congratulations on some of these numbers again.

Well, let's see, I think I'm going to ask one on Silicon Photonics. You made an interesting comment about in the past supporting transmit functions and now supporting -- prototyping, I think you said for some stuff on the receive side.

So I'd love a little love to understand a little bit more about that, but also maybe just kind of look at the bigger picture here about what you're expecting in terms of content, both the maximum amount as well as kind of expected growth in content over the next couple of years in Silicon Photonics, please?

Russell Ellwanger^ So for the specific receive function that we're doing now we think -- and it's for a specific application.

I don't want to get into the details here because some of it really -- it's not just what we're doing with the customer.

But sometimes speaking too much can give other people hints as to what you're doing and why.

But it's a specific application of receive function that we've been able to very, very innovatively address with SiPho in an extremely high-performance, cost-effective way.

We think that it would add about 20% to our served market plus/minus for this specific application and receive.

As far as the demand that we're seeing, in talking about our growth, which we have many times, the fourth quarter, we would expect very high amounts of Silicon Photonic shipments.

We're probably seeing from our Q4 expected shipment level in SiPho by customer demand at the end of '26 a doubling of demand, a doubling of what we would have to be supplying in capacity.

Richard Shannon^ Okay. Fair enough. That's one way to look at it.

I appreciate those comments.

So my follow-on question, Russell is in the RF mobile space here.

I guess the way I'd like to think about this is to what degree are we seeing this improvement both in the second quarter, and I think you're talking about the third quarter at least or potentially second half year here about this improvement here. To what degree is this cyclical like inventory replenishment and/or share gains here?

And to what degree does that play into your comment from last quarter about seeing some strong growth in our mobile in both '26 and '27.

Russell Ellwanger^ I don't see the 20% growth that we had in Q2 over Q1 and the 30% that we're targeting in Q3 over Q2, cyclical it's hard to speak about cyclical.

But certainly, it's related to inventories having been consumed that had been a function of the very strong 2024.

We also have multiple customers that themselves are growing their market share.

So that's one way that one can always out do a market trend is by serving customers that they themselves are growing their market share against others that you might not be serving.

So the Q3, Q4 numbers that we're looking at, I think that they're just very basic share gains that we have and our customers have.

Some of what we would be expecting in the latter half of Q3 and Q4 deals with an existing customer that we've had for a long time that has just recently increased their forecast and their POs.

What has driven that?

I honestly don't know at the moment. There are POs that have come in just recently.

Operator^ And the question comes from line of Mehdi Hosseini from Susquehanna Financial Group.

Mehdi Hosseini^ I have two.

First one for Russell I want a better understanding of the big picture, especially when it comes to data center infrastructure.

We are migrating from copper to pluggable and at some point, migrating to co-package optic.

What I want to better understand Russell how do you see your customers evolving?

And in that context, how are you actually planning for capacity in a sense that to avoid double -- in a sense to avoid too much capacity come on online because there is also a convergence among our customers.

So the transition in technology from copper to pluggable and eventually to co-package and how the mix of customers are evolving and how that impacts your capacity planning?

And I have a follow-up.

Russell Ellwanger^ The first part of your question, I don't really fully understand.

I think that pluggables have been the mainstay for multiple years. I don't see it being in any competition with copper.

So, pluggables have been the mainstay. They are maintaining the mainstay.

The major thing for SiPho is the movement from an EML solution that's been the mainstay solution to a SiPho solution. So that's the difference there.

I don't really follow the copper statement.

But certainly, a lead customer that we have at 1.6T has decided to do everything with SiPho versus EML because of two functions of the SiPho, one being cost, which the ability to not have to do separate indium phosphide modulator laser with a very, very complicated process and very expensive to have the modulator being made in the SiPho chip as well as integration of all the passives.

So it has a strong cost benefit but they also noted a very strong performance benefit at 1.6T, and that's because of integrating everything onto the PIC.

I would -- and I had said that in the script, we see this 1.6T where there's both a cost and apparently a performance benefit as being a big drive that will converge more into SiPho from EML. Presently, what is the percentage of SiPho versus EML, I couldn't tell you exactly what that is.

I know that our demand for SiPho is strong and continues to grow and to grow very strongly. And at the 1.6T, it seems to be even stronger while what it doesn't just seem it is.

As we move to 3.2T, stated we are working with lead customers on producing the capabilities there, which requires to do a 400 gigabit per second modulator.

It requires different materials, and we're very advanced on that, pursuing two different material types.

So I see the pluggables staying very strong for a good period of time. There are those in the industry that question if CPO will ever really come into the market. I'm not saying it won't.

We have our own strategy for CPO, and I think we're pursuing it fairly well.

But CPO, if it comes in, should have come in, probably as not until '29, '30. And everything we do with SiGe and everything we do with SiPho will still be in demand.

So I don't see it being something that we discount that.

Mehdi Hosseini^ Great. Actually, as a follow-up to it, I want to understand how integrating the modulator into your process technology is perhaps helping you with incremental revenue per wafer.

Is that how we should think about it?

Russell Ellwanger^ For SiPho, the modulator is always part of the PIC.

So we're going from using our capabilities for the photodetector and the modulator where we have strong capabilities in Germanium and Silicon, obviously, to being able to provide that as part of the PIC.

That is one of the benefits of silicon photonics itself. That's one of the big drivers of it.

Otherwise, you're doing things in indium phosphide outside.

And as I stated previously the process to make the indium phosphide modulator in addition to the laser, it's a very complicated process because it's different layerings for both that are done together.

So it's many photosteps, asking steps and growth.

Is that answer your question?

I'm not sure.

Mehdi Hosseini^ Yes, absolutely. Actually, I want to highlight -- I want to make sure I understand, the indium phosphide alternative that one or two of your competitors are highlighting has a cost disadvantage and your solution is more cost effective, right?

Russell Ellwanger^ Yes. I believe so.

But most of our customers still use an EML solution, right?

It's a question of that also turning to SiPho for certain speeds, and it appears that the SiPho adoption is only growing at 1.6T, and I believe will be stronger beyond.

Operator^ Now we're going to take our last question for today and it comes from line of Lisa Thompson from Zacks Investment Research.

Lisa Thompson^ I'm looking at the numbers, and it really seems like RF mobile has come roaring back. Do you think between RF mobile and our infrastructure, they're both going to come in pretty much the same for the year?

Or can mobile even beat that?

Russell Ellwanger^ Let me take a look. No. Infrastructure will be substantially bigger, but the mobile is a good size. Understand for infrastructure, it's two different products that we're serving, that both service it, right?

It's the SiGe for drivers and TIAs and in some cases, sold for CDRs and is the SiPho for the PIC.

So we're -- it's two different products that are both needed.

And for the RFSOI, which is -- and we're also doing some just plain RF CMOS for controllers, but the bulk of it is RFSOI.

So now the infrastructure is bigger.

But the mobile numbers, if we look at Q3, Q4, they're very high run rate, similar to past years.

Lisa Thompson^ That's great. If you had to describe why it's come back so much?

Is it just specific customers?

Or is it the market?

Russell Ellwanger^ I think a combination of both.

As stated, we have customers that they themselves are going market share against their competitors that, in some cases, we do not serve.

So that's always a big thing when you're increasing your share of market.

I stated it at the beginning of the year, we had seen, I think not just us, but many people saw a pullback in mobile for the fact that '24 had been a very big growth year in mobile. Nobody wants to short-ship their end customer for the fear of losing SKUs.

So they built up more inventory than is needed, not knowing when there would be a glut, so to speak, and that's how you have inventory correction.

So at the beginning of the year, certainly sort of inventory correction from everything we're seeing now it appears that most of that inventory has been eaten up.

Lisa Thompson^ Okay. Oren, one question for you.

I mean on other income, you keep saying that number is going to fluctuate. But yet, it's steadily increased for the last 1.5 years. Should we expect it to continue to increase?

Oren Shirazi^ No. I think we had a good gain here, like I mentioned in my prepared remarks, that caused the majority of the \$3.8 million increase, which is good in financing and other income net from the \$10.6 million we presented last quarter to \$14.4 million this quarter.

I think the number we should expect in the future is same like the baseline of the \$10.6 million. This was a gain from movement in this quarter, but one cannot predict the future.

So I would use the same baseline, which includes all the numbers without any exceptional items or one-time \$10.6 million.

Operator^ And the question comes from line of Richard Shannon from Craig-Hallum Capital Group.

Richard Shannon^ Let me ask a couple of follow-on questions here. Russell one for you here. Back on the third quarter call of '23, you set out this framework from a revenue and margin or profitability perspective.

I guess I have two questions to this. How do you think you're tracking so far to -- almost two years into this in terms of the margin profile here both at the gross and EBIT line here?

Then maybe I'll try to stretch you here to see if you'll respond in any way here, but how do you think about a timeframe for hitting this revenue goal?

Any thoughts you would give us?

Russell Ellwanger^ You're referring to the model of the \$2.7 billion?

Richard Shannon^ That's correct.

Russell Ellwanger^ On a margin perspective, I think we're probably outperforming from everything that we're doing.

On a timeline to the \$2.7 billion.

Candidly, we are always looking at somewhere at '28, '29 to be there.

I think that's still what our targets are.

Richard Shannon^ Okay. Great. That's helpful. My follow-up question is probably for Oren here.

Oren, I'd love to get a sense of any way you'd quantify this as well a possible (inaudible) thinking about how we -- how should we see depreciation grow here as we're adding CapEx here?

Then as kind of the correlator of the question here, thinking about free cash flow, Obviously you're going to be negative here with the strong CapEx investment here. How do we think about next year?

Is this going to be positive, nicely positive?

Just any way you can characterize that would be great.

Oren Shirazi^ Okay. So depreciation, actually, you can see that in the one of the tables that we attached to the press release, there is a line, which is attached to the cash flow called depreciation and amortization, which includes [RF] amortization, but the amounts are listed there of about \$65 million, \$70 million a quarter.

We expect those levels to remain pretty much the same, maybe slight increase because, like you mentioned, the incremental CapEx on the one hand, increasing depreciation.

On the other hand, there is depreciation that goes out of the books because of investments that were in the past. Your point is valid that CapEx currently is higher than in the past.

So depreciation should go up slightly, but it's -- most of that is fixed costs, and I don't believe it should grow more than the \$70 million, \$75 million third quarter that we present.

As far as free cash flow, yes, in the last few quarters, we see the same picture that the cash from operations, which is very good, is similar number to the CapEx, and this is because of the total of \$1.15 billion in CapEx that we announced, the \$500 million Agrate, the \$300 million 11X and \$350 million SiPho, SiGe CapEx.

So this \$115 million, supposed to be -- I referred to that in my prepared remarks, supposed to be still paid in the coming 2, 2.5 years about more than \$500 million of that was not paid yet, and so this is -- this will be part of the CapEx in the rest of '25 and surely '26, and some of that in '27.

So I would expect the CapEx total level per quarter to remain like now maybe slightly go up.

So to be between \$100 million to \$120 million a quarter, which is like now.

However the cash from operation is supposed to continue its positive trend and improve as we go up on the revenue, which Russell mentioned, the mid-range guidance, which is \$395 million and the target for Q4 or even higher.

So, obviously, cash from operations will be higher when CapEx is supposed to remain in those levels that already reflect the new plans of \$1.15 billion.

Operator^ Now we're going to take our last question for today and comes from Mehdi Hosseini^ from Susquehanna Financial Group.

Mehdi Hosseini^ Yes. Two follow-ups. One on OpEx.

Should I assume that OpEx in '25 would trend flat to up on a year-over-year basis?

Is that a fair assumption? And I have a follow-up.

Oren Shirazi^ Yes. Yes. That's -- we consider the fixed cost and OpEx should remain flat at the current run rate of about \$40 million a quarter.

Mehdi Hosseini^ Okay. Then going back to the previous question regarding cash flow. You've actually done a good job of funding the CapEx and actually maintaining a stable net cash per share.

Is there any plans for the cash?

Or should I just assume that you would rather be conservative and just accumulate cash beyond funding the CapEx.

Any additional thoughts you can share with us?

Oren Shirazi^ Yes. Like you mentioned, we -- the destination that we believe for our cash is for CapEx growth, which is why we approved in the last few years, the \$1.15 billion CapEx spend for the [interfab], for the Agrate fab, and for the SiPho and SiGe total of \$1.15 billion.

We believe that's the best returns for the shareholders that we invest in CapEx and see the revenue growing like Russell described, amazing growth this year quarter-over-quarter.

That's the purpose that we plan for our cash.

Operator^ Dear speakers, there are no further questions for today.

I would now like to hand the conference over to Russell Ellwanger for any closing remarks.

Russell Ellwanger^ Thank you. Really to everyone on the call thank you for your interest in the company. Thank you for the good questions that were asked.

We did deliver a good second quarter.

We guide a strong third quarter with a target of an even stronger best ever revenue fourth quarter.

I spoke to some length, and there were some questions about increases in our Silicon Germanium and Silicon Photonics capacity. The third quarter and fourth quarter are expected to begin to see the benefits of these activities.

But I wanted to kind of frame what can be expected as all of this capacity that's coming online is qualified and shipped. The end-state capacity, which should be realized in the second half of 2026 will be a capacity that is 33% higher in Silicon Germanium and 2.2x larger in Silicon Photonics than the fourth quarter '25 targeted shipments, which total revenue is targeted to exceed \$435 million. And very importantly, these increases in capacity track well with our customers' forecasted demand.

So it's -- I think for us, a very strong story.

We believe that the markets that we chose to work in were, are and continue to be the right markets.

Our models, I think are strong and the incremental revenue to margin, net profit ratios are good and will continue to grow.

So I thank everybody for their interest in the company. It's been extremely exciting.

There's multiple activities that we're involved in the next quarters. I wanted to just mention some of them.

In the short term, we would hope to see you at some of these conferences.

We're excited to host our 2025 Technical Global Symposium in China this September and in the U.S. in November.

TGS, this Global Symposium is our flagship technology event, bringing together customers and ecosystem partners, serving as a critical platform for showcasing our specialty analog platforms from SiPho, SiGe, RF-CMOS to power management and imaging while aligning on future roadmaps and enabling stronger co-development partnerships.

We'll be participating in the following conferences and truly look forward to meeting and engaging with all of you at these events.

On August 20, we'll attend the sixth Annual Needham Virtual Semiconductor & SemiCap 1x1 Conference. August 26 will participate in the Jefferies Semi, IT Hardware Comms Technology Conference in Chicago.

On August 27, we'll attend the 2025 Evercore ISI Semiconductor, IT Hardware & Networking Conference in Chicago.

On September 3, will participate at the Benchmark 2025 Tech, Media and Telecom Conference in New York.

On September 10, we will attend the Jefferies TechTrek 2025 Conference in Israel. Again very much appreciate your interest in our company.

We look forward to providing you with updates on our progress towards achieving our long-term goals in the coming quarters and in the very short term, updating our achievements in Q3 and Q4. Thank you, very, very much.

Operator^ This concludes today's conference call. Thank you for participating.

You may now all disconnect.

Have a nice day.