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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
- Marco Racanelli; Tower Semiconductor; President

Participants:

- Cody Grant Acree; Investment Bank; Analyst
- Tavy Rosner; Barclays; Analyst
- Richard Shannon; Craig-Callum Capital Group; Analyst
- Mehdi Hosseini; SFG; Analyst
- Lisa Thompson; Zacks Investment Research; Analyst

PRESENTATION

Operator^ Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to today's Tower Semiconductor Third Quarter 2025 Earnings Conference Call. (Operator Instructions) I must advise you 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. Good day. Thank you, everyone, for joining us. Welcome to Tower Semiconductor's Third Quarter 2025 Financial Results Conference Call. With us today are Mr. Russell Ellwanger, our CEO, Dr. Marco Racanelli, our President, and Mr. Oren Shirazi, our CFO.

Before we begin, please note that certain statements made during this call may be forward-looking and are 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 Israeli Securities Authority, all available on our website. Tower assumes no obligation to update forward-looking statements.

Our third 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. For your reference, a supporting slide deck 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^ Hello, everyone. Thank you for joining this earnings call. We are in the best position growing our core technologies, Power Management, CMOS image sensors, 65-nanometer RF mobile, each of which demonstrating year-over-year revenue growth, providing an excellent foundation on top of which the extreme AI-driven data center demand for our silicon photonics and silicon germanium RF platforms is driving unprecedented company growth.

We ended our third quarter with revenue at $396 million, resulting in net profit of $54 million. We guide our fourth quarter to be a revenue record of $440 million, plus/minus 5%, fulfilling our beginning of year target of quarter-over-quarter growth throughout the year with strong acceleration in the second half. This underscores the increasing demand momentum we see in our served markets and is as well the result of further manufacturing capabilities, namely the very first step of a large ramp having repurposed with added capacity for factories towards new and/or stronger silicon photonics and silicon germanium capabilities. The fourth quarter guidance indeed demonstrates the burgeoning trajectory we are on. In the following minutes, we will present the successes that we share with our customers, driving top and bottom line growth over the years to come.

Now to review our third quarter of 2025 revenue breakdown and discuss the key trends, please see Slide four as reference. Our RF infrastructure business continues to deliver exceptional growth, increasing its contribution to corporate revenue from $67 million or 18% of corporate revenue in the third quarter of last year, to $107 million or 27% for the third quarter of this year. For the full year, we expect this business to grow by 75% with silicon photonics more than doubling from the 2024, $105 million. This significant expansion reflects the strong customer adoption of our advanced technology and validate our strategic investments in these markets. The momentum we are seeing positions RF infrastructure, silicon photonics and silicon germanium platform as a key pillar for our long-term growth, fortified and propelled by deep partnerships based innovations with the foremost industry titans.

Our silicon photonics business grew in the third quarter to $52 million approximately 70% growth as compared to the third quarter of 2024. Market demand for silicon photonics continues to surge driven by a stronger-than-anticipated RAP and 1.6 products on top of a robust 400G and 800G demand. We have expanded capacity with our advanced SiPho platform in Fab 9, San Antonio, having shipped revenue wafers in the third quarter and expecting multiple thousands to be shipped in the fourth quarter of this year. We are in advanced stages of qualifications in Fab two Israel, expecting our first production shipments in the first quarter of 2026. In 300-millimeter, we have started wafer production for the innovative receive products we announced last quarter and anticipate revenue contribution from 300-millimeter silicon photonics to start in the fourth quarter of this year.

Our capacity growth is fully aligned with and spoken to by our customer demand outlook. Silicon Photonics continues to increase market share over EML solutions given

its significant cost advantage. SiPho typically requires half the number of lasers as an equivalent EML product with performance benefits, especially seen at 1.6, as such, we anticipate this market share shift to be permanent. Hence, we are, at this point, going to add additional CapEx to address an even increase surging demand.

Looking at next-generation 3.2 T data rates, which will require a doubling of speed for each lane from the current 200 gigabit per second to 400 gigabit per second, we have multiple programs with industry leaders to both extend silicon capability, but we are also pursuing integrating indium phosphide modulators for our previous announcements with Open light and as well are investigating other material systems to ensure that our customer partnerships are not just ready, but leading the transition to next-generation requirements for 3.2T and 6.4T.

In the past quarter, in partnership with Escape Photonics and NVIDIA backed startup, we delivered the industry's first optically pumped on-chip multi-wavelength laser platform for AI data center fabrics. This innovation further expands our participation in the laser market, particularly for co-packaged optics applications, a significant adjacent opportunity, leveraging our high-volume SiPho platforms. We showcased these advancements, along with others at a highly successful Tower technical symposium event in China with approximately 300 attendees, where -- delivered the keynote addressing Tower's role in supporting phenomenal market growth. Later this month, we anticipate another great TGS event in Santa Clara with Broadcom's President, Charlie Cao, delivering the invited customer keynote.

Looking at silicon germanium, silicon germanium transimpeden amplifiers and laser drivers are essential components for optical transceivers. The growth in SiGe demand is a function of data center build-outs be it SiPho or EML-based solutions with an additional accelerator the adoption of linear pluggable optics. Due to the elimination of the DSP in the LPO module, LPO requires both the driver for transmit the TIA for receive to have an added function of continuous timelinear equalizer, which significantly adds to the silicon area of each of the TIA and drivers. Hence, nicely increasing the amount of silicon needed per unit. Multiple SiGe customers have begun material LPO production volumes, indicating a clear upward trend in this market.

We started silicon germanium production in Fab two of our most advanced ID platforms and are seeing eager adoption by lead customers, driving meaningful additional contributions to SiGe capacity and shipments projected to wrap throughout 2026 and delivering high volumes thereafter. In addition to infrastructure, we have secured a new filling a germanium, low noise amplifier designed for a Tier one handset customer with an initial ramp in Q4 '25 and then proceeding through 2026 and beyond, adding a significant new growth opportunity to our existing leading market share in optical transceivers as discussed, itself being a high-growth market.

Moving to RF Mobile. It represented about 26% of our Q3 '25 corporate revenue. RF SOI has shown steady quarter-over-quarter demand increases with our more advanced 65-nanometer three00-millimeter platform at higher than 20% increase second half 2025

over second half 2024. We released this quarter and updated RFSOI technology that not only provides double-digit that are on CF relative to our competitors as measured by multiple Tier one customers, but also reduces layer count by 15%, improving our customers and our margins, hence enhancing our market share. This technology also allows customers the freedom to make a trade-off between the better our (inaudible) off to enable a smaller die size or to have higher power handling. And as such, we are seeing strong customer traction, providing much confidence in multiyear growth.

This quarter, we made important advancement in our sensor and display technologies which represented 14% of our third quarter corporate revenue and expected to show mid-teens full year-over-year growth. We received our first production PO for Q1 '26 shipments for OLED display backplane silicon and continue to enhance this offering, having added high-speed logic and high-speed SRAM capabilities, enabling support for 120 Hertz refresh rates critical for next generation of VR and MR applications. Medical and photography, sensor revenue remained stable, while the majority of our growth and strongest position is in machine vision, we resupply the second largest player in this market, in addition to other key customers.

Power Management represented 17% of our third quarter corporate revenue. Our Power business has performed well targeting a year-over-year growth of 15%, with disproportionately higher growth for our advanced 300-millimeter platforms, one driver of which being the strong ramp of the handset envelope tracker ETC volume expected to continue through the next multi-years. Targeting the growing market of data center power, we have recently demonstrated 60-volt operating voltage devices with more than 40% lower RDSon than prior technology and as well introduced new elements to a 1.2 3.3 volt 65-nanometer BCD flow, improving power conversion efficiency aligned to our key customer needs.

The wireless charger IC market is growing rapidly and demanding higher voltage LDMOS. To that end, working closely with lead customers, we have provided a 40-volt extension to our 300-millimeter BCD process. Specific to automotive and battery management applications, we have multiple engagements for a differentiated 140-volt reserve flow allowing higher voltages without the need for the added high expense of SOI substrates. We've continued to add to the competitiveness of this platform, greatly reducing the cell size through added features and optimized architecture.

Moving to utilization. At years begin, we announced a repurposing of several of our factories predominantly towards higher capacities for our infrastructure, namely silicon germanium and silicon photonics. To update on the progress, qualification and initial ramps are going well with hundreds of silicon germanium wafers shipped in Q2 and thousands in Q3 from Fab nine in San Antonio. We met our first internal milestone of customer cycle shipments in Q3 from San Antonio, with several thousand plan to ship in Q4. Fab two Migdal Hani Israel is on track to ship our first and meaningful number of silicon germanium wafers in Q4 '25 and silicon photonics wafers in Q1 '26.

Additionally, we expect to see our first production revenue for SiPho at 300-millimeter in Fab seven in this present quarter, Q4. Therefore, while we are in the final qualifications and initial ramp of the repurposed fabs and added capacity, our third quarter utilization level, Fab two in Israel operated at about 65% utilization Fab three maintained our model full utilization of 85% with growing activities for SiPho capacity, Fab five was at 75% utilization. Fab 7, 300-millimeter was fully utilized well above our 85% utilization model. Fab nine was at 60% utilization.

In summary, what a position to be in with all our core technologies demonstrating year-over-year revenue growth, the right technologies, growing with the right customers. On top of this, our long-term silicon germanium leadership for optical transceivers, coupled with correct market insights, namely believing in the benefits of silicon photonics having begun eight years ago with the right partner and adding those who have become the most momentous adopters of this technology has enabled us, by far, to be in the lead position for silicon photonics manufacturing and development. This has proven timely to meet the soaring demand of data center technology, roadmap and build out. A present and future pathway for unprecedented growth for Tower.

In close collaboration with our customers, we have advanced both capacity increases and technology roadmap deliverables real time addressing the rocketing requirements for AI infrastructure. Specific to demand-driven capacity expansion, we target 2025 silicon photonics revenue to be above $220 million, up from $105 million in 2024. And very importantly, at a Q4 '25 annualized revenue run rate exceeding $320 million. The $320 million SiPho run rate is enabled by the very first steps in qualification and ramp of the previously announced $350 million investment.

We have begun an additional investment of $300 million for further substantial SiPho capacity expansion and next-generation capabilities in Fab 3, Fab 9, Fab two and Fab 7, this investment targeted to achieve full volume in wafer starts in the second half of 2026. The total capacity is fully aligned to and directly requested by our customers. The resulting capacity should increase our SiPho shipments by over 3x against our targeted fourth quarter '25 qualified utilized capacity.

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

Oren Shirazi^ Hello, everyone. Earlier today we released our quarterly financial results and balance sheet. For the third quarter of 2025, we reported revenue of $396 million reflecting a year-over-year revenue increase of 7% and a quarter-over-quarter revenue increase of 6%. Gross profit for the first quarter was $93 million, 16% higher compared to $80 million in the second quarter, and operating profit was $51 million, 27% higher sequentially compared to $40 million in the second quarter.

Net profit for the quarter was $54 million, 15% higher compared to net profit of $47 million in the second quarter. And earnings per share were $0.48 and $0.47 diluted as compared to $0.42 basic and $0.41 diluted earnings per share reported for the second quarter. Newport Beach fab lease extension.

As mentioned in today's press release, to address the continuous and growing 5G demand and given the full utilization of our Newport Beach Fab, we are extending the Newport Beach fab lease by up to an additional 3.5 years beyond its previous 2027 term. An upfront lease payment of $105 million will be recorded as cash used for operating activities in our Q4 '25 statement of cash flow, with corresponding impact on our balance sheet cash amount, while the resulted P&L impact would be, as announced earlier today $6 million per quarter to be recorded over a 5-year period as required by GAAP in the COGS line. Hedging, I would like now to describe our currency hedging activities.

In relation to the Japanese yen, since the majority of TPSCo's revenues is denominated in the end, and the vast majority of TPSCo cost are in hand, 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 dollar may fluctuate, there is limited impact on our margins. In relation to the Israeli shekel currency, while we have no revenues in this currency, since a portion of our cost in Israel is denominated in the shekel currency. We also hedge a large portion of such currency risk by engaging 0 cost cylinder transactions to mitigate this exposure. Hence, while the shekel rate against the dollar may fluctuate, the impact on our margins is limited.

Moving to our balance sheet and future cash and cash burn -- CapEx and cash burn. As I noted earlier, our balance sheet remains very strong as evidenced by the following indicators and financial ratio. As of the end of September 2025, our assets totaled over primarily comprised of $1.4 billion in fixed assets net, mainly comprised of Fab machinery and $1.8 billion of current assets. Current asset ratio is very strong at about 7x, while shareholders' equity reached a record of $2.8 billion at the end of September 2025.

Our strong financial position allows us to invest in strategic opportunities that support our corporate vision as follows: for our high-margin CPG business, we previously announced plans to invest $350 million to expand our capacity in our 8-inch fab in Israel and Texas and in our 12-inch (inaudible) Fab in Japan. This CapEx includes a large portion of comfortability CapEx for advanced development and high-end RF technology-related projects. 50% of this amount has been paid today while the remaining 50% are expected to be paid in the coming years.

In addition, as we announced earlier today we have decided to allocate an additional $300 million investment for capacity growth and next-generation capability, mainly for machinery for additional SiPho and SiGe capacity growth for our 8-inch fabs and for our 12-inch. This would put total SiPho and SiGe capacity and capability related CapEx plan at an aggregate of $650 million. All of these investments are fully reflected in our previously presented strategic and financial model. Under this model, we are targeting $2.7 billion in annual revenues at full loading of our existing fed and qualified capacity including the previously stated capacity expansion plan. $560 million in annual operating profit and $500 million in annual 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.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) First question, it comes the line of Cody Acree from Investment Bank.

Cody Grant Acree^ Congrats on the progress. Oren, if I can just get a quick clarification. You said that the 300 -- the (inaudible) incremental $300 million was already considered in your $2.77 billion total revenue expectations long term. Is that right?

Oren Shirazi^ Yes. Yes. It may mean that we will achieve this target earlier than somebody previously expected, but yes, it is included.

Cody Grant Acree^ Okay. So if no incremental upside, then what's the accelerated pace do you expect, I guess what's the give and take of that extra CapEx?

Oren Shirazi^ Acceleration of achievement towards the $500 million net profit emanate, which, as you know we are still not there. So we'll accelerate the achievement. Of course -- the accelerated achievement will enable higher profit sooner.

Cody Grant Acree^ Okay. Great. Then maybe, Russell can you just talk about some of the applications that you see driving the aggressive growth that you're seeing in RF infrastructure?

Russell Ellwanger^ Yes. The biggest and strongest is just really the need for build-out specifically, I think AI driven, but it continues for high volumes of 400 gigabit per second, very high volume of 800 gigabit per second in multiple formulations of it, both DR8 and two by FR4. Then as stated, a very high volume right now going into 1.6 gigabit where we're seeing somewhere about 30% of all of our starts being dedicated to that platform presently. So it's really just for the continual build-out of data center and a big movement right now going into the 1.6 G.

Operator^ We're going to take our next question Tavy Rosner from Barclays.

Tavy Rosner^ Congratulations on the strong results. I wanted to ask two quick ones on the silicon photonics, please. You mentioned the leading position of Tower. So who do you see as your main competitors these days? And -- given the supply-demand imbalance, at the moment, are you able or considering to raise prices?

Russell Ellwanger^ Able is probably the answer to that would be yes. But considering, no, we're very close with our customers. We understand what their needs are. We have long-term roadmaps, and we're not opportunistic, if you would look at it that way of because demand is very, very tight to gouge somebody for an extra couple of wafers. I think that's the surest way to losing goodwill and partnership. What we are seeing,

however is extremely strong demand. And having stated that, that's the reason for after having invested $350 million, which is -- we're seeing the first signs of that ramp right now to increase another $300 million of investment. I had stated that we're targeting a Q4 SiPho revenue shipment run rate of over $320 million. And against the qualified capacity that we're shipping the Q4 against, we're increasing that by over 3x in start capability within the next four quarters, expecting to have that entire 3x plus available for starts in the second half of 2026.

So that's quite a bit, if you were to say 3x of a $320 million run rate. That's quite a substantial growth in SiPho that we're projecting for ourselves. So having come from, what, plus minus $28 million in '23, to $105.4 million '24. So this year, we're targeting over $220 million for the full year, with the 320 plus run rate in Q4, but bringing that to well above $900 million by target. And that target is really spoken to by customers. That's not field of dreams, if you build it, they will come, that's customers saying, please build it, we need the capacity. So I think we sit very strong with our relationships with SiPho.

Now also as stated and that in the script, that we're doing quite a bit on capability, not just for present 1.6T generation but to make sure that our customers are in a leading position for the capabilities needed for 3.2T or for 6.4T specifically the needs for a faster capable modulator of 400G. Those activities are very real time. So we're investing real time on increasing capacity, which is really being demanded by the industry. And fortunately, as stated, we are by far in the leading position on manufacturing, but we believe also to be in the leading position as far as developing next-generation platform with the leaders so that we're both prepared well before the demand actually arises. Did that answer your question, I hope?

Tavy Rosner^ Yes. Just for the first part, do you see any changes in competitive dynamics, anyone else to growing capital in that field to try and take some share away from you guys?

Russell Ellwanger^ I believe that most people would like to take share from us. It's growth market with good, strong customers. The point is really to the question that you asked, to be opportunistic on pricing would be probably a good invitation for our customers to say hey, we don't want to be a long-term partner, go look for someone else that you could leverage us with pricing on and they don't have to do that. We're working very closely with our customers to be reasonable and to have win-wins on both sides. So -- but yes, I'm sure that there's others that are trying to eat into where we're at. It's very difficult to somebody to break into our position right now. Fortunately, and really for this call have with us Marco Racanelli, the RF activities report directly under him.

I don't know Marc, if you had any color you wanted to add to that?

Marco Racanelli^ Yes. I think on the pricing discussion, as you say we're not taking advantage of the situation just because capacity is tight in the industry today. but we are adding value in our advanced platforms. So in that regard, we do price higher

technologies that deliver more value to customers. So in that aspect, over time we do anticipate some price improvement as customers migrate to these more advanced technologies.

Russell Ellwanger^ And I will say as well that siph oSIFO is already very accretive in margin. So it's -- we do get paid for the value that we add, and that's how things should be based. We stated very strongly that SiPho has a very strong benefit for our customers against P&L. So for our customers to be using our platforms now. If you look at a having of lasers, it's a big deal. You have as well at this point then for the 1.6T, the use of silicon modulator that's inside of the PIC itself, first meeting an indium phosphide modulator that cost much more money in quite a bit of 3, 5 area. So there's value in the platforms. Obviously we both share in whatever value is created.

Operator^ Now we're going to take our next question and it comes the line of Richard Shannon from Craig-Callum Capital Group.

Richard Shannon^ Congrats on some very nice numbers here. Let me start off with a few questions here on silicon photonics. Russell you made an interesting comment that I probably didn't transcribe my own notes here very well but you mentioned something about a shift to silicon photonics, it's permanent. Can you explain what you mean by that, please?

Russell Ellwanger^ Yes. What we stated in the script, it's very cost-conducive against EML. It takes half the lasers. So if you look at twofold, the cost of 3.5 and also the capacity constraint of 3.5 in that's both a big benefit to be able to use silicon photonics at the 400, 800, 1.6T and potentially, depending on development, even at 3.2T going to SiPho you have a silicon modulator, which is also very cost-conducive against needing to have a 3.5 modulator. So yes, by stating that there's a cost benefit that certainly drives long-term stickiness. But in addition to the cost benefit, there's performance benefit as well. And when you combine cost and performance, that's really an absolute winning combination for market share stickiness, right?

Richard Shannon^ Okay. My second question is -- looking at 1.6 here. Obviously we're seeing module makers talk about some nice ramps here starting next year. What kind of mix do you expect to have a 1.6 versus slower speeds in your business, I don't know next year or a particular point? Just trying to get a sense of how fast this is scaling versus the older slower technologies.

Russell Ellwanger^ Right now, the 1.6 is close to a third of our starts. So that gives you a feel for where we're at right now and that's up from almost nothing this at the beginning of the year. So it's a very quick ramp movement to the 1.6T I would expect that will go to over 50% within the first multiple quarters of the next year.

Richard Shannon^ Okay. That is helpful. My last question on Silicon Photonics here is following up on your comments as well as one of the questions here about reaching 3x. I think it was a capacity comment in silicon photonics from the run rate of this current

fourth quarter. What kind of timeframe do you expect to be able to get to your full utilization level on that? It sounds like it could be this year -- or excuse me, '26, but I just want to get your sense of what you're expecting there.

Russell Ellwanger^ The demand is there or will be there by customer forecast. By planning, we should be fully installed within the first half of '26 and having all the tools up and running, being able to hit the full start capability within the second half. So the shipment level really depends at what point in the second half, we do the wafer starts. You'll typically be looking at somewhere of a 3 to 4-month cycle between the starts and the shipment given whatever the -- size of the POs are. So we certainly would foresee seeing a portion of this increased capacity coming into revenue within the second half of '26. But take into account that the first ramp that we're doing has not been realized yet either.

So the previous $350 million investment is right now in its first stages of ramping. So within the first half and predominantly in the second quarter, we should see a very big pickup in our silicon photonics shipments, revenue and that should continue in the third and fourth quarter. When we hit the full 3x or 3-plus x shipment capacity in 2026 that I really don't know The demand is there. It's a question -- and I do believe that we'll start the full amount within the second half of the year. The shipment could dragged on into Q1 plus/minus. But I think we'll see -- we should see a good amount of it. I mean that's why we're doing the investment. And certainly, that's why we're accelerating it.

Richard Shannon^ Okay. Perfect. One last question for me, I'll jump out of line. Oren, can you talk about kind of gross margin fall through in the next few quarters? Obviously knowing that Silicon Photonics is a margin-accretive business for you. And it sounds like that will be your major driver here. How do we think about this going forward here? And I want to get a sense of also when additional depreciation builds in here to think about that going forward.

Oren Shirazi^ Yes. So I think currently, the gross profit in Q3 was 24%, $93 million over $396 million, that's the actual number. It should be better as you see our long-term financial model and which has higher percentages. And usually, we speak about incremental margin of 50% and of course because of the SiPho. It will be higher, nicely. And it will be offset by two elements. One is the Newport Beach lease amount that we said that we will pay additional $6 million -- we'll pay a total of $6 million. The second is what you mentioned here correctly, the depreciation from the additional CapEx -- the total additional CapEx is $600 million over 15 years. So it's about $10 million a quarter. But some of that already started. So it's a gradual ramp to grow the $10 million.

Operator^ Now we're going to take our next question. It from the line of Mehdi Hosseini Rosen from SFG.

Mehdi Hosseini^ A couple of follow-up. I apologize I joined the call late, I apologize if I'm repeating some of the questions already covered. Russell when you look at the opportunities associated with transceiver, are you also baking in increased content -- in

other words, I'm under assumption that most of opportunities currently on the transmit side and whether receive side the transmitter would also give you opportunity to increase content.

Russell Ellwanger^ Certainly to increase volumes, both had stated that really a very nice immediate upside was a pretty advanced platform that's shipping at 300-millimeter received SiPho in the fourth quarter. We'll go into some several formulations beyond what we're doing in the fourth quarter in 2026. So yes, the receive is incremental served market that right now most -- well everything we're doing other than this first 300-millimeter activities is for transmit. So very good question.

Mehdi Hosseini^ Is there any way we could kind of think about how this SiPho capacity increased by would be split into increased content versus units of transceiver shipped to the end market?

Russell Ellwanger^ I'm not really sure exactly what you mean by increased content, but it is -- it's units being used in transceivers. So -- and at the 1.6 -- I'm sorry, go ahead.

Mehdi Hosseini^ Right, as you increase the mix of receive and transmit within the same transmitter, how much of that is baked into capacity increase of 3x?

Russell Ellwanger^ Right now the increase of 3x is including very little receive -- that's most all transmit.

Mehdi Hosseini^ So would you need to increase capacity again as your customers migrate to receive size with SiPho?

Russell Ellwanger^ Yes. And we'd be really thrilled to do so. We have platforms that are doing it. I mean it's not that we're not proactive against it. It's that right now the transmit demand is so high. But yes, receive -- but receive really comes into very strong capabilities with DMUX and that's a big area that we're focused on.

Mehdi Hosseini^ Okay. Just a quick follow-up. In the longer term, where are we with packaging? I think a couple of quarters ago, you highlighted doing R&D, so you would extend your addressable market to include some packaging. Is there an update you can share with us?

Russell Ellwanger^ We have an activity with a leading packaging house focused on formulating a CPO, a full, CPO. We certainly have other activities around NPO, big activities with through silicon via that's required for NPO and potentially for CPO as well. So we're making progresses there. It's not that there's a lot of CPO being used right now it's not, but we're making good progress. We also have other activities driving additional really strong capabilities. We're talking multiple generations down the road, but a really big program focused on 51.2T to have very, very advanced modulation that would possibly be required within a PIK structure or whatever CPO would be used.

Mehdi Hosseini^ Okay. These opportunities are more -- if they materialize into revenue more later be decade, it would take a couple of years for commercialization, right?

Russell Ellwanger^ I think it's a couple of years before CPO has strongly commercialized period, independent of Tower.

Operator^ And the question comes the line of Lisa Thompson from Zacks Investment Research.

Lisa Thompson^ I was wondering if you could talk a little bit about 3.2T. It seems like the technology may not be able to go from 1.6 to 3.2. Can you tell us kind of where they are specifically with trying to solve that problem? And is there still a risk that an entire new technology might be needed?

Russell Ellwanger^ I don't think an entire new technology will be needed. There are certain issues even around the DSP that's being worked on. But no, I don't think a new technology. From our standpoint, the thing that's really required is the modulation as mentioned at 400G. And as stated in the script, we're working on three different pathways, depending on customers' needs and desires to do the 400G modulator. So from the pure modulation standpoint, I think we're addressing it very strongly with very good progress. From the entire transceiver, the build-out or CPO, I mean those are other issues, but I don't think that they're not attackable or solvable. So I don't think that 3.2T will be held up now.

Lisa Thompson^ Okay. And let me just clarify, is the revenues from SiPho totally gated by capacity as the demand there if you can build it?

Russell Ellwanger^ Yes.

Lisa Thompson^ Okay. Then one small question. When are you going to start reporting Agrate utilization? Is that way far off?

Russell Ellwanger^ As need and be. We could start reporting it any time. We just haven't we were in the midst of the first ramp there. So -- but we could start reporting it. There's no reason that we wouldn't.

Operator^ And now we're going to take our last question for today. It comes the line of Richard Shannon from Craig-Hallum Capital Group.

Richard Shannon^ Great. Russell kind of big picture, looking across your business with the obvious angle also inclusive of silicon photonics. How do you think about 300-millimeter? You obviously have some through a couple of joint ventures or whatever the right term is there with Intel and ST and then have some capacity in Japan here. But how do you think about acquiring more of that? It seems very important for you to have here and obviously very important for Silicon Photonics, it's clearly our big growth driver here. Is this something where you can find more partnerships like you have with the two

partners you've already announced in the past? Or do you see greenfield? Or how do you intend to address that?

Russell Ellwanger^ Richard, it's an excellent question, and it's one that we're focused on. No. I don't think that we'll be addressing it through partnerships such as what we have with ST or what we have with Intel, we'd be addressing it somewhat organically should we go forward there. But I think it's an excellent presence to be excited for our Q4 release. We'll be talking more to it at that point.

Operator^ That does conclude our Q&A session. I would now like to turn the call to Mr. Russell Ellwanger for any closing remarks.

Russell Ellwanger^ Well Truly, thank you for continued interest in Tower. Thank you for the support of Tower. Certainly, appreciate the questions that were asked as well during the call. really, we're very excited to update you over the coming quarters as this more than 3x capacity that we talk about for the SiPho 5G growth as that comes online and to update you about the other progresses and activities. Again very good question, question about how this CapEx investment impacts the financial model, where Oren mentioned about it bringing in the timeline of reaching certain revenue levels. Then it's accelerating the timeline at -- due to the SiPho as mentioned accretive margins, doing it at a somewhat different financial model.

So we're very excited to update on all of these things. And as we get ready and prepare and give the end of year comments, which is always a summary of the year and an outlook of what we're doing in the coming years. I think there's many exciting things that we'll be talking about with you about the direction of the company and how all of these accretive actions really turned out to be a very strong benefit and a strong ROI.

If we look at what we're doing with SiPho as far as CapEx, the really nice thing with the SiPho and CapEx is that it's truly from the time that you start shipping wafers, you're dealing with the half year ROI on the CapEx that you put into the tool. So that's not from the time of ordering the CapEx. But from the time of actually being qualified and shipping wafers and doing that ramp, ROIs are very, very quick. So as Oren stated, knowing that we're doing a very big expansion, knowing that, that expansion is spoken to by customers requesting the capacities and seeing the quick turn with this market on an ROI, you can see then how the timing of revenue is really greatly accelerated. I hope to give -- well not hope, we will be giving much color on that as we get the end of year and the forward-looking statements when we release Q4.

So again, very looking forward to going over that with you. an extremely exciting time for the company, extremely exciting, I think for our customers and for us in the midst of customer partnerships with people that trust us and that look for us for their solution and for growing their own businesses. Very excited to host our 2025 Technical Global Symposium in Santa Clara next week, be November 18, open for all customers. Very happy that you would be coming and listening to us.

As stated, Dr. Charlie Coles from Broadcom will be giving the customer invited talk there. It should be extremely interesting. I've heard him speak at times before and a great speaker with a tremendous amount of knowledge and capability. Dr. Racanelli will be giving an in-depth overview. It sounds like contradictory, but an in-depth overview of all our technologies. And I'll give the introductory talk really talking about the culture of Tower where we're going and what is the basis of what I believe to be one of the kind customer partnership.

Now in addition to this technical symposium, on December 10, we'll be participating in the 23rd Barclays Annual Global Technology Conference in San Francisco; on January 13 and 14 in the 28th Annual Needham Growth Conference in New York. Of course any of you as investors or analysts that wish to have additional calls with the company. Please contact (inaudible) and very happy to accommodate those according to your needs and desires. So with that, I'll end the call. And again thank you. A very exciting time.

Operator^ This concludes today's conference call. Thank you for participating. You may now all disconnect. Have a nice day.