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# EDITED TRANSCRIPT

TSEM.OQ - Q1 2025 Tower Semiconductor Ltd Earnings Call

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**Matt Bryson** *Wedbush Securities Inc - Analyst*

**Lisa Thompson** *Zacks Small-Cap Research - Analyst*

## PRESENTATION

**Noit Levy** - *Tower Semiconductor Ltd - Senior Vice President - Investor Relations and Corporate Communications*

Welcome to Tower financial results conference call for the first quarter of 2025. Before we begin, I would like to remind you that some statements made during this call may be forward-looking and are subject to uncertainties and risk factors that could cause actual results to be different from those currently expected. These uncertainties and risk factors are fully disclosed in our Forms 20-F and 6-K filed with the Securities and Exchange Commission as well as filings with the Israel Securities Authority. They are also available on our website.

Tower assumes no obligation to update any such forward-looking statements. Please note that the first quarter of 2025 financial results have been prepared in accordance with US GAAP, the financial tables and data in today's earnings release and in this earnings call also include certain adjusted financial information that may be considered non-GAAP financial measures under Regulation G and related reporting requirements as established with the Securities and Exchange Commission. The financial tables include a full explanation of these measures and a reconciliation of these non-GAAP measures to the GAAP financial measures.

We have a supporting slide deck that complements the conference call. This presentation is accessible on our company's website and is also integrated into today's webcast for your convenience.

Now I'd like to turn the call to our CEO, Mr. Russell Ellwanger. Russell, please go ahead.

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

Hello, everyone. Thank you for joining our call today. It is a pleasure to have the opportunity to update on our activities and progress. We opened 2025 with a quarterly revenue of \$358 million with a net profit of \$40 million. We guide the second quarter of 2025 to a midpoint of \$372 million, plus or minus 5% and affirm our target for year over year growth with sequential revenue increases throughout 2025 and with strong acceleration in the second half as our multi-fab capacity investments complete customer qualifications and ramp into production.

The overall market experienced uncertainty due to tariffs and related policy shifts. However, Tower offers a clear advantage to our customers through our global footprint and proactive cross-qualification of all major process flows across our sites. Our global manufacturing flexibility, combined with the strength of our wide technical offerings, give us an immediate opportunity to grow wherever demand emerges or constraints occur.

We will now present first quarter 2025 revenue breakdown whilst adding some flavor for the year. Please reference slide number 4. In looking at our first quarter revenue breakdown, we see two significant year over year shifts. Firstly, RF infrastructure has grown from 14% of our total revenue in Q1 '25 to 22%, and this at a higher corporate revenue level.

Secondly, power grew from 10% to 18% of our corporate revenue, a very important shift resulting from a share gain in a new served market, which we will refer to shortly. In our RF infrastructure business, we continue to see growth driven by data center and AI expansions served by our Silicon Photonics and Silicon Germanium technologies for optical fiber communications. The first quarter of 2025 continued record revenue levels for these two technologies. As we look toward the second quarter, we see further strong sequential increases with continued growth forecasted in the third and again in the fourth quarter of the year.

Silicon Photonics continues to displace traditional EML solutions at 800 gigabit per second and is anticipated to increase further at 1.6 terabit per second, for which we are presently in a production ramp. The market shift to Silicon Photonics, combined with the expected 800G and 1.6T optical transceiver five-year CAGR of 49% based on Lightcounting reports, provides ample opportunity for Tower revenue and blended margin growth in the years to come.

Please reference slide number 5. In addition to being a driver within these strong market dynamics, we continue to invest in next generations of technology to maintain our very high market share in Silicon Photonics. For example, this past quarter, we announced a new technology that enabled InnoLight to reduce the number of external lasers used for 800G module by a factor of two and hence, substantially reducing the transceiver cost. We also announced with OpenLight the achievement of a 400 gigabit per lane modulator performance, enabling next generations of 3.2T products. To our knowledge, this is the first demonstration of a 400 gigabit per second modulator integrated on an 8-inch silicon wafer.

Please reference slide number 6. Along with Silicon Photonics, Silicon Germanium is growing strongly with continued adoption for TIAs and drivers and optical modules, which are benefiting from the same strong market dynamics. Longer term, we see adoption of Silicon Germanium and satellite terrestrial receivers as well as in low-noise amplifiers for the most advanced handsets, providing additional growth vectors for this high-margin segment of our business.

In 2024, the handset market demonstrated about 7% growth with Tower's RF-SOI year over year growth being at about 30%. This year, the handset market is currently forecast to see flat to minimal growth, creating a situation where our RF-SOI customers are now burning off some inventory. However, our handset market saw overall growth being more than compensated by a new served market for Tower, namely Envelope Tracker served by our highly differentiated custom-developed power management 300-millimeter BCD platform. We expect this to continue to grow and provide a strong revenue stream for multiple years.

Finally, in power management, we are seeing a strong rebound in both our high-voltage 200-millimeter platforms as well as continued strong growth in our 300-millimeter BCD platforms. Our higher-voltage 200-millimeter power business serving automotive, industrial and consumer applications are in the midst of a strong ramp. In 300-millimeter BCD, we are primarily benefiting from the strong ramp of new business serving the handset market, namely Envelope Tracker, as previously mentioned.

An Envelope Tracker is used in advanced handsets to improve battery life by interacting closely with the baseband to dynamically adjust the operating point of the power amplifier, minimizing wasted energy. Our current ramp is in support of a major new handset with a newly introduced custom baseband that is coupled with our direct customers Envelope Tracker.

The 300-millimeter business is expected to grow strongly as we continue to qualify additional products and ramp the large capacity we have available in the Albuquerque facility. We are seeing a market rebound in our machine vision sensor business, both in 200-millimeter and 300-millimeter.

Customers have consumed their inventories and are placing orders not just for existing SKUs, but also for new sockets, demonstrating refreshed vibrance in this market. This includes not only the traditional machine vision market using our global shutter pixel technology, but also 3D depth centers direct time of flight based on our SPAD pixel technology for robotics and autofocus applications. The impact of this rebound is expected to be seen in the revenue of the second half of this year.

Utilization. In the first quarter, Fab 2, we continued to build the additional SiGe capacity operated at approximately 55% utilization. Fab 3 is at 80% utilization, Fab 5 at 65%, growing with the increased high-voltage power management demand. And Fab 7 300-millimeter was fully utilized with the highest process layers to date, with additional activities allowing us to be well above our 85% utilization model. Fab 9 was at 70% utilization.

To note, as previously stated, Fab 2 and Fab 9 are in the midst of repurposing towards Silicon Germanium and Silicon Photonics with available capacity awaiting full customer qualification.

In summary, we are pleased with progress across all areas. We reaffirm quarter over quarter revenue growth for the year. Silicon Photonics and SiGe demand remains strong, in fact, very strong with Tier 1 customer alignment on next-generation co-development in 200 and 300-millimeter. Our 200-millimeter high-voltage power is experiencing high demand with continued strong interest in 300-millimeter 65-nanometer and final line BCD programs. The industrial image market is rebounding on top of a stable medical and camera imaging business, and we remain confident in the realization of high-volume display activities.

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

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**Oren Shirazi** - *Tower Semiconductor Ltd - Chief Financial Officer, Senior Vice President - Finance*

Hello, everyone. Earlier today, we released our financial results for the first quarter of 2025. For the first quarter of 2025, we reported revenue of \$358 million, representing a \$31 million or 9% year over year revenue increase compared to the same quarter in 2024.

Gross profit and operating profit for the first quarter of 2025 were \$73 million and \$33 million, respectively, similar to the same quarter in 2024. This gross profit and operating profit benefited from the year over year revenue increase. This benefit was offset by the Agrate fab fixed cost, which, as previously communicated, commenced operations during the fourth quarter of 2024.

Net profit for the first quarter of 2025 was \$40 million, reflecting \$0.36 basic earnings per share and \$0.35 diluted earnings per share. Net profit for the first quarter of 2024 was \$45 million or \$0.40 basic and diluted earnings per share and included a nonrecurring income tax benefit.

Moving to our balance sheet and future CapEx and cash plans. Our balance sheet remains very strong, evidenced by the following indicators and financial ratios. As of the end of March 2025, our assets totaled \$3.1 billion, primarily comprised of \$1.3 billion in fixed assets, predominantly comprised of fab machinery and \$1.7 billion of current assets.

Current assets ratio is very strong at about 7x, while shareholders' equity reached a record of \$2.7 billion at the end of March 2025. An additional indication of our financial strength has been awarded to us last week by Standard & Poor's Israel recent annual rating review, which reaffirmed our rating as iIAA stable, endorsing a stable outlook for the company.

Our strong financial position allows us to invest in strategic opportunities that support our corporate vision as follows. One, we've committed to pay up to \$300 million to acquire equipment and CapEx in the 12-inch New Mexico fab, 15% of which has been paid and the remaining 85% is forecasted to be paid as we ramp up qualifications by end of 2026. As part of the STMicromicro partnership, \$500 million in cash are allocated for this Italy 12-inch fab equipment. We've already invested 80% of such amount and the balance is expected by the end of 2025.

And three, for our high-margin SiPho and SiGe business, we announced we will 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. 25% of such amount has been paid to-date. The remaining 75% is expected to be paid by end of 2026.

All of these investments, including the SiPho and SiGe 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 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)

Cody Acree, the Benchmark Company.

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### **Cody Acree** - *The Benchmark Company - Analyst*

Congrats on the progress. Russell, congrats on the new Envelope Tracking business. Maybe we can just start there. Can you just maybe help us size that business revenue-wise today and then your expectations for the year and maybe as you look into the next few quarters?

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### **Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

I'm not sure I really should, being that it's very specific to a certain customer, and I think not difficult to find out who that customer is. It has reached very high volumes and will continue at even higher volumes. I mean we're talking thousands of wafers per month. But I don't think it would be proper for me to give more color than that, especially with your own reporting. I think you would specifically know exactly who we're talking about.

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### **Cody Acree** - *The Benchmark Company - Analyst*

And this is going to be accounted for in your RF Mobile business. Is that correct?

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### **Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

The Envelope Trackers in the power management.

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### **Cody Acree** - *The Benchmark Company - Analyst*

In power management, okay.

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### **Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

That was when I talked about the increase from the 12% to the 18%.

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### **Cody Acree** - *The Benchmark Company - Analyst*

In the 300-millimeter, right. Okay. Awesome. Can you maybe help us with the size of your SiPho business this quarter and your expectations for the rest of the year?

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### **Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

Certainly. I think this is just in line with what we talked about when we entered the year, and there's no difference right now and what we're seeing in the growth. We finished the previous year with SiPho at about \$105 million, and we said that we would see a doubling of that within 2025. And that's everything pretty much on track for that to occur.

**Cody Acree** - *The Benchmark Company - Analyst*

Okay. Great. And then lastly, can you maybe just -- actually two more questions. Can you just talk about the tone of business that you may be getting from customers in your conversations, both officially and unofficially, I guess, as you're just talking to them and getting their read on the impact of the current tariff landscape?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

There's certainly discussion about tariffs and a potential impact. We've not seen any yet, and our customers aren't really seeing an impact. There's potentially some fear, not as far as our manufacturing, which is stated. We do have the ability through cross qualification to manufacture in many different global locations depending on customer needs or desires.

But there's some potential fear that if you look at the very end market, for example, some of the power management going into power tools that are being produced in China, that potentially could have a softening in the end market of the China products being sold into the US. None of that has been realized yet, but there's some concern there.

However, we have not seen any pullback in orders nor a discussion of pullback in orders due to any concerns on tariffs. And some of that, again, is because of our ability to support our customers in manufacturing and shipping from various global locations.

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**Cody Acree** - *The Benchmark Company - Analyst*

Great. Thanks for the help there. And then just lastly, any thoughts or comments around the Indian project that was in the media last couple of weeks about the possible tabling of that project?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

Very good question, Cody. Let me just think for a second so that I answer it properly and ethically correct. So I did read the article. It came as a surprise because we stopped the project. And at our request, we withdrew from the project some five, six months ago. I will say without breaking any type of confidentiality agreement that we had that the article itself was 100% baseless, really no truth in anything that it said. It was Tower that withdrew from it.

The reasons we withdrew are very good reasons. But again, out of confidentiality, it would not be proper for me to go into those reasons. However, we never press released anything about the India project. That was released by others, not by us, even during the time that we were engaged. But why we didn't press release anything is we never had any formal agreement to go forward.

We were working on an opportunity as one should always look at and develop every opportunity that's good for your customers, good for your shareholders, good for your business, and it could have been a very good thing. But ultimately, for reasons that we thought were very good, we withdrew from the project, unlike anything that was in the article. It was Tower that withdrew.

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**Operator**

(Operator Instructions)

Richard Shannon, Craig-Hallum.

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**Richard Shannon** - *Craig-Hallum Capital Group - Analyst*

Maybe I'll start with the first one on Silicon Photonics. I prepared to ask you about the competitive dynamics here, and I think you made a brief remark to that. I guess I'd love to get your sense of -- given a few other founders have started talking a little bit about Silicon Photonics for transceivers, whether you're seeing anything specifically?

And then maybe as a follow-on in this general topic, Silicon Photonics, how do you see the 1.6 generation shaping up from a revenue point of view versus the 800-gig generation that you're already obviously doing very well in?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

So I didn't honestly follow the first part of your question. Maybe you could restate it, but I'll answer the second part. The 1.6T, we are in a ramp right now with additional customers saying that they will be ramping strongly in the second half. So we are -- it's very real. We're supplying it in a good fashion, and these are 8 x 200 channels. So moving along very well. And I wanted to -- if you could really just restate the first part of the question because I didn't pick up what the question was?

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**Richard Shannon** - *Craig-Hallum Capital Group - Analyst*

Sure. It was just based on competitive dynamics in Silicon Photonics. We've seen a couple of other foundries talk about either in earnings calls or in other events about getting into the transceiver part of the market here. So I just wanted to get your sense of whether you're seeing any of that?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

We would estimate our market share is somewhere about 80%. Now, any time that you have a very strong market share, you have to work very hard to protect it. And the best way to do that is shipping wafers that perform well on time and having customer-aligned road maps that their next-generation needs are ready and available before they need them. So that's where we're engaged right now. It's a very big growing market, as I stated. If you look at the analyst report, it's looking to have a 49% CAGR. A 49% CAGR. So it's a very big growth market. Our point will be to maintain very strong share as that market is growing. But it is a very big market. It's also a very high-value product. High-value products drive very high margins.

So hopefully, that answers your question. But at present, we are serving four of the top five producers as far as optical integrators and I think in a sole position with four of the top five.

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**Richard Shannon** - *Craig-Hallum Capital Group - Analyst*

Okay. Excellent. I appreciate that feedback. My next question, Russell, is regarding utilization. It sounds like you're cross-fertilizing processes across multiple fabs, which you described already here today, which makes total sense here. But I want to get a sense of when we start to see this complete and start to see greater capacity available here? And I guess my question is specifically oriented towards Silicon Germanium and Silicon Photonics. I want to know whether -- is that utilization pretty much 100%? And when does that spigot open up here to see -- it sounds like you have great demand here. I'd love to get a sense of when we start to see acceleration there?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

Yes. To restate what I said during the prepared remarks, for the SiGe and SiPho as a combined infrastructure business, we see continued growth, record revenue presently, and we see that growing in Q2, growing additionally in Q3 and growing additionally in Q4. So if you were talking about capacity opening up, that's the only way that could happen when there's big demand. Obviously, we're running as many as we can presently, but

the cross-qualifications as well as even within Newport Beach, additional capacity capability being added. So that's happening real time. And you'll see it as -- we anticipate that you'll see it in Q2 and then incrementally higher Q3 and again, incrementally higher in Q4.

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**Richard Shannon** - *Craig-Hallum Capital Group - Analyst*

Okay. Last question, I'll jump on the line here. Just want to ask kind of big picture longer term, thinking out a couple of years or if you want to pick a different time frame here. And looking at some of the big picture or the biggest drivers of your top line here. Obviously, RF infrastructure with the two segments we talked about today is going to be one, I would imagine, fit in their power, RF-SOI with the new capacity. And then your last earnings call, you specifically mentioned in your closing remarks about OLED on silicon backplanes here. I wonder if you could kind of rank order which ones you think are going to be the biggest dollar contributors over a two-year time frame or whatever you'd like to pick Russell?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

On incremental dollar growth and especially the margin impact of it, the biggest contributor will be RF infrastructure. Power on absolute dollars should continue to be a big growth driver. RF Mobile, as stated, has pulled back a bit within the first quarter as compared to where we were at during 2024, but we expect that as well to snap back and have very strong growth in '26 and '27. So I think that those will be the biggest. The display, we're confident of display realizing big revenue growth. There's activities happening, customer forecasts that are happening, but it has not been accomplished yet. So I don't want to overstate that.

The biggest confidence in the future of what's happening presently, the activities are there, the revenue not yet. So upon starting to get into a few thousand wafer per month of backplane shipment, that's when I'll be much more confident on the growth driver of the display. But to get to the few thousand wafer a month, I'm confident in that presently on display itself. And again, what we do with the OLED is the backplane, the silicon backplane.

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**Operator**

Matt Bryson, Wedbush.

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**Matt Bryson** - *Wedbush Securities Inc - Analyst*

Just with the RF Mobile business, I think it's either at the lowest point or close to the lowest point that it tends to hit. Can you tell us whether or not this might be a bottom, how far customers are in terms of reducing their inventories? And I guess, is it all inventory reduction? Or I think there's been a bit of effort in China to ramp up domestic production on the RF side. Is that affecting the business at all?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

So by forecast, we see the mobile business growing throughout the year, the RF Mobile, so RF-SOI specifically in the front-end module. So it should be growing throughout the year against the Q1. So I would -- at least from forecast, I would say that, yes, this Q1 was the lowest point. Now, on the base business itself, you are correct, there has been a drive in China.

And possibly something that came as a little bit of a surprise and maybe a negative impact of trying to get the Chinese regulatory approval was needing to show them our customers and different numbers from our customers. And potentially, that drove some further drive for some of our very big Chinese customer to give more market share into China. So that is part of what we're seeing as well. We have one customer to where they are sourcing more of their volume percentage inside of the country itself.

**Operator**

Lisa Thompson, Zacks Investment Research.

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**Lisa Thompson** - *Zacks Small-Cap Research - Analyst*

I'd just like to ask a little bit more about your sales and how it relates to tariffs? I know at the year-end, you said 42% of revenues go to the US. But I believe that just means that's where you send the bill. Do you actually have -- what percent of product or so do you have coming from outside the US to the US?

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**Oren Shirazi** - *Tower Semiconductor Ltd - Chief Financial Officer, Senior Vice President - Finance*

We -- like we said in the financials, you're right, 42% of our revenues about -- are for US customers. Usually, the shipping of the goods is not done to US. It's done to where the customer ask us to send -- to send it for continued work, which usually is -- I mean, it's not usually, there is a lot of regions in the world, according to the customer request. It can be Philippines, Thailand, in order to package them and test them and put them into a final end product according to the customer request. It doesn't matter that the corporate is in the US for this case.

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**Lisa Thompson** - *Zacks Small-Cap Research - Analyst*

So the 42% is just who you bill, right? It's not where it goes?

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**Oren Shirazi** - *Tower Semiconductor Ltd - Chief Financial Officer, Senior Vice President - Finance*

It's the headquarter of the parent company that we bill. That's how we do it. It's not the place that we ship to, the product. Because again we ship what we are doing to the next -- to packaging houses and to the next station in the supply chain, right?

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**Lisa Thompson** - *Zacks Small-Cap Research - Analyst*

Correct. So that would mean possibly that very little of that revenue actually goes physically to the US and would be captured by tariffs, right?

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**Oren Shirazi** - *Tower Semiconductor Ltd - Chief Financial Officer, Senior Vice President - Finance*

Yes, exactly. Yes. A very small part of that physically enters the US, yes.

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**Lisa Thompson** - *Zacks Small-Cap Research - Analyst*

All right. That's good to know. And just one small question. Do you expect operating expenses to stay above the \$40 million level from the rest of the year?

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**Oren Shirazi** - *Tower Semiconductor Ltd - Chief Financial Officer, Senior Vice President - Finance*

We expect it to remain about flat at the current levels of \$40 million a quarter, right? Yeah.

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**Operator**

Cody Acree, the Benchmark Company.

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**Cody Acree** - *The Benchmark Company - Analyst*

Just a couple of quick questions. The volume that you're seeing from Agrate, has that started in earnest?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

Yeah. In Q4, it actually started in earnest.

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**Cody Acree** - *The Benchmark Company - Analyst*

Any thoughts on that ramp, Russell, throughout the year?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

Q2 will be a reasonable number. Q3, Q4, we expect will be higher by forecast. That was something that had mentioned previously that we see the Q1 revenue as the low. The bulk of our RF-SOI at this point is 300-millimeter, not 200-millimeter. And by design, we've tried to move all of the 300-millimeter into the Agrate factory for multiple reasons, not the least of which is allowing then more capacity in Fab 7 for the SiGe and Silicon Photonics growth for new 300-millimeter platforms.

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**Cody Acree** - *The Benchmark Company - Analyst*

Okay. Thanks. That's very helpful. And then you mentioned the Envelope Tracking, Power Management business, and you mentioned New Mexico in the same breath. You're not ramping that in New Mexico yet. Is that right? Or is that the plan? Are you ramping wafers in New Mexico already?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

That specific project is being worked in New Mexico. It is not yet ramped in New Mexico. Right now, that is coming out of the Uozu factory in Japan.

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**Cody Acree** - *The Benchmark Company - Analyst*

Okay. Great. And then lastly, could you just -- I'm sorry, I'm going slow on this update. But can you cover your conversation or your explanation about what's happened in China in the RF Mobile business? You mentioned a customer, the qualification process and some regulatory approval movement with a customer. Can you just rediscuss that a bit?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

During the diligence and working to get Chinese approval for the Intel acquisition, we were very careful about not opening up anything about customers that were not Chinese-based, but we had very little choice but to be open about revenues and activities of Chinese customers with the Chinese government. We think potentially as a result of that at least one customer got a lot of pressure to start sourcing in China. And that happened, and some of their market share is now going internally into China. Presently, it's not the most advanced platforms. The capability doesn't sit there to do that, but volumes of older platforms are now being manufactured in China and not with us.

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**Cody Acree** - *The Benchmark Company - Analyst*

Okay. But that does not change your expectations of the RF Mobile business is still troughing in Q1 and should improve through the year?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

Correct.

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**Operator**

Richard Shannon, Craig-Hallum.

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**Richard Shannon** - *Craig-Hallum Capital Group - Analyst*

I'm going to follow on Cody's last question here on mobile. And specifically, I think it was in response to my question here about improvements kind of longer term. I think you talked about a snap back in '26 and '27 in RF-SOI and mobile. I guess I wanted to get some sense of the dynamics? Are you expecting a much better market or what I would guess is some share gains here, but maybe you can kind of clarify how and where this -- you expect this to occur?

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**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

We have brought on multiple newer customers, some relatively new entries into the market that have grown remarkably fast. One specifically I don't believe that we've press released with, we intend to, but it's a customer that was very strong in antennas that then went into making their own antenna switches. And they've been very successful. They've grown very strong. We have multiple other customers that as well are gaining share very quickly. So that's a lot of what we're talking about within the growth of the remaining quarters of 2025.

These customers because of their big share gains during a time that the market was being built at a reasonable rate, the 7% improvement, and they got share gains in it, they certainly bought as many products as they could. As you're initially ramping and gaining share, the one thing that you cannot do is undersupply to customers' demand.

So the handset integrators that we're buying from them, they themselves built relatively big inventory, so they wouldn't let them down. When the market then started to pull back with the forecasted no to very low single-digit growth in 2025, they were stuck with inventory that's burning off now. So for the existing SKUs that we had shipped last year, they have inventory that's being burned off. But there's continual new designs for more advanced models.

So that's what we're really counting on for the growth in this year. As far as getting into 2026 and beyond, there's more established, very large customers that we have reengaged with or newly engaged with, that their ramps are planned to start in the fourth quarter of '25 and go throughout 2026 or to begin in the first quarter of 2026. So if you look at '26, we see it as a very big growth year for our RF Mobile business, mainly front-end module serving handsets. Hopefully, that gives the color you're asking for.

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**Richard Shannon** - *Craig-Hallum Capital Group - Analyst*

That was very helpful. My next question is related to the New Mexico fab with Intel here. And I guess maybe I had a little bit of confusion that Cody asked on as well here. But maybe I'll ask in a slightly different way here is when do we expect to qualify equipment here, start to see depreciation and then also go to production? And this last part of the question, Russell, I asked because last call, you talked about a large PO you got in power management, I think, very early this year that -- we're not talking about ramping until next year. It seems like very early to award a PO for. So I just want to make sure I understand that well?

**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

As far as the first part of your question, we would start seeing production shipments within this year, which is what we've -- had stated in the third, fourth quarter of this year. Upon hitting a certain level of production shipments is when you begin depreciation of tools. So that's when we would start seeing depreciation. You'd have to refresh me, though, on the second part of the question. I talked about a big PO for power management?

**Richard Shannon** - *Craig-Hallum Capital Group - Analyst*

Yes. In the last earnings call. In fact, I can pull that up here and find it real quickly. I think it was in your prepared remarks, actually. If you give me a second, I can locate it here. Yes. So last quarter, you said we delivered successful prototypes to lead customers and based on that received our first production PO related to 65-nanometer BCD.

**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

Yeah, that was in Feb 11x. I didn't say that it was big volume. But we did receive our first production PO. Before we start recognizing revenue, we have certain milestones on the volume that we ship. And those volumes, we would believe will hit Q3, Q4.

**Richard Shannon** - *Craig-Hallum Capital Group - Analyst*

Okay. That's helpful to give some perspective there. And then my last quick question, Russell, is related to Silicon Photonics. I think you've mentioned additional platforms that do laser attach with the Silicon Photonics you're delivering today. Wondering when we might see that into production? And then also, how do we -- when -- general time frame, when do we expect to intersect with the CPO market?

**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

It's a very good question, the latter part. The bigger question is when will the CPO market actually be realized. And it's thought to be probably at least four years out. So I am not sure the exact timing of when CPO will be there. What we're doing with CPO are very good active programs to ensure that our customers that are really, as I stated, the big players on the optical integrator side, that they know they can stay with us for multiple generations and that we're well prepared and they're well prepared at the time that it would be if it does get adopted, that will be their supplier.

So -- and we have many forms of how we're pursuing that. If that answers the CPO question. And what was the other part of the question, I'm sorry?

**Richard Shannon** - *Craig-Hallum Capital Group - Analyst*

Laser attach.

**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

Exactly. That's where we do the integrated laser, that's with the OpenLight platform. When will that start seeing volume shipments? By forecast, we have multiple customers that are saying it's 2026. We'll see if that occurs, but that is what's being stated on it.

**Operator**

That does conclude our Q&A session. I would now like to turn the call to Mr. Russell Ellwanger. Please go ahead.

**Russell Ellwanger** - *Tower Semiconductor Ltd - Chief Executive Officer, Director*

Thank you. This past month, Dr. Preisler, the VP of RF Technologies; Dr. Racanelli, Tower's President and I, attended the Optical Fiber Conference, OFC, in San Francisco. We have developed quite a strong reputation in the optical transceiver field. And candidly, it was almost embarrassing we were greeted as rock stars. During the conference, we met with over 60 customers with discussions and real-time activities in multiple areas. For example, programs for further platform efficiencies, multiple form factors for next-generation 400G modulators and co-package optics.

As executive management, we continuously meet with our lead customers and new customers, both groupings either already creating or with the potential to create a large industry impact. In my most recent multi-week customer visits, I was thrilled with the extreme capability, character and passion of our existing customers as well as newer customers, spanning not just data center, but also our mobile front-end module, power management and imaging offerings.

It really is the most exciting time for Tower. There's an interesting quote from former US President, Bill Clinton. He stated, old age is when our memories outweigh our dreams. Myself, not being a spring chicken, I pondered these words. I specifically pondered what defines vibrant inspired youth. My thought is that it's not just a high weighting of dreams and maybe better wording than dreams is high and noble aspirations, but as, or even more importantly, that these aspirations are tied to consequent actions.

At Tower, we have many high and challenging aspirations, but most importantly, are the real-time consequential actions we are taking to achieve them. Extremely capable people with boundless passion in an environment that promotes and inspires both the capability and passion is unstoppable, especially when this environment is based upon customers with equal capability and passion that are dedicated to partner towards mutual success.

We thank you for your interest in the company. We look forward to updating you over the next quarters as we continue our progress towards achieving our multiyear aspirations.

In the short-term, we will be attending the following conferences and look forward to seeing you face-to-face as possible for your schedules. On May 18, we will participate in the Oppenheimer Annual Israeli Conference in Tel Aviv. On May 28, we will participate at the Craig-Hallum 22nd Annual Institutional Investor Conference in Minnesota. On May 29, we will participate at the TD Cowen 53rd Annual Technology, Media and Telecom Conference in New York.

Again, thank you for your interest. Thank you for your support, and best wishes to you.

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## Operator

Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.

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