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TSEM.OQ - Q4 2024 Tower Semiconductor Ltd Earnings Call

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PRESENTATION

Operator

Welcome to Tower Financial Resource conference call for the 4th quarter and fiscal year of 2024.

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 Israeli Securities Authority. They are also available on our website. Tower assumes no obligation to update any such forward-looking statements.

Please note that the 4th quarter and fiscal year of 2024 financial results have been prepared in accordance with US GAAP. The financial tables and data in today's earning release and in this earnings call also includes certain adjusted financial information that may be considered non-gap.

Financial measures under Regulation G and related reporting requirement is established with the Securities and Exchange Commission. The financial table includes a full explanation of these measures and the reconciliation of these non-gap measures to the get financial measures.

We have a supporting slide deck that compliments today's conference call. The 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.

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

Hello everyone, thank you for joining our call today.

During today's call, we'll provide our financial highlights for the 4th quarter and the fiscal year of 2024, reviewing strategic developments of the year.

And outlining our vision for the future, including steps we are taking to ensure sustained growth, now having entered into 2025.

Please find the 2024 financial details in the supporting slide deck.

At the onset and looking back at 2024, I take this opportunity to express gratitude to our employees for their dedication and hard work, to our customers and supplier partners for their collaboration.

And to our shareholders for their continued trust and support.

Together we have built a strong company enabling us to capitalize on the great opportunities that lie before us.

We concluded 2024 with an annual revenue of \$1.44 billion a net profit of \$208 million and fourth quarter revenue of \$387 million representing a year Q1 to Q4 revenue growth of 18% and fourth quarter to 4th quarter, year over year growth of 10%.

We guide the first quarter of 2025 to the midpoint of [\$358 million](corrected by company after the call) plus minus 5%.

Which midpoint represents about 10% first quarter, year over year growth.

We target year over year growth for the for 2025 with sequential quarter over quarter revenue increases within the year.

With an acceleration in the second half of the year, as our capacity and investment continue to progress through customer qualifications with the ensuing production shipments.

We will now present the 2024 revenue breakdown for major technology platforms and the expected trends for 2025.

Later in the call, we will provide summaries of the technical advancements achieved in 2024 which continue at this time in order to not just maintain but to grow these specific market shares. The revenue breakdown by technology and by end market application is shown in slides 5 and 6 respectively.

RF infrastructure revenue was about \$241 million or 17% of our corporate revenue in 2024.

In 2025 we target strong growth in the RF infrastructure revenue, quite significant, as this is on top of a near doubling in 2024 over 2023.

With a more than tripling of SiPho revenues in 2024 to \$105 million for that year.

RF Mobile revenue was approximately \$418 million 29% of our corporate revenue in 2024.

After achieving strong growth in the segment in 2024 over 2023, we anticipate some decrease in RF mobile in 2025.

And as a result in the present Android market as forecasted by our customers.

However, within this context, we target growth in our more advanced 300 millimetres platforms, signifying market share wins for us and our customers, promising continued growth as the market recovers.

Power management and discrete revenue was about \$426 million or 36% of our corporate revenue in 2024, broken down evenly between IC and discrete revenues.

Based on the current customer forecast, we target growth for the power management business unit in 2025.

With the highest growth for advanced 300 millimetre platforms.

Due to the impact of having discontinued Feb one, larger margin, I'm sorry, lower margin, Legacy 150 millimeter activities, discrete business is expected to decrease in 2025, verse 2024.

Sensor and display revenue was about \$221 million or 15% of our corporate revenue in 2024.

Based on the current customer forecast, we target 2025 moderate growth for this business unit.

Mixed signal and CMOS revenue was about \$105 million or 7% of corporate revenue in 2024, targeted with moderate growth in 2025.

Now we'll provide additional color for a major business platforms.

RS infrastructure. Our infrastructure was our fastest growing segment in 2024, riding on the mega trend of scale up and scale out of cloud computing and AI clusters.

Even before the announcement of the Stargate program by the US President last month, several hyper scalers had committed to significant investments, driving strong demand for electronic and optical components that require advanced silicon germanium and silicon photonics technology.

To that effect, our silicon germanium platform has seen rapid growth throughout 2024 and is forecasted to continue so in 2025.

We take pride in being the founder of choice, the leaders in this industry, building components such as CDRs, drivers, and TIAs for optical transceivers and pluggable.

And re-timers for active cables.

While we have recently received a reduced forecast for active copper cables, silicon germanium components, we have at the same time received upside orders for silicon germanium optical transceiver components, and as such we see continued growth in silicon germanium without interruption.

To support all customer growth in 2025 and beyond, we are bringing up our high demand silicon germanium platform in both our San Antonio and Migdal Haemek factories, while adding incremental tooling to Newport Beach factory as part of our announced \$350 million investment in capacity. In addition, we have released 300 millimeter sillimaninium PDKs in our Wozo Japan factory. And have a lead customer already in product design. 300 millimeter tools will add additional silicon germanium capacity at larger wafer form factors.

Our silicon Photonics platform continues to gain strong market share at 400g to 800g and is now in volume production at 1.6T. We're working closely with our partners, including 6 out of TOP10 leading optical transceiver module makers in the world, of which the TOP2, mainly in the light and coherent, press released or multi-generation co-development partnerships.

We highly value these customer partnerships, yielding continuous world-leading, best in class technological advancements.

To support the strong growth, we are bringing up our SiPho platform in our San Antonio factory, and I've also released a full PDK for a 300 millimeter loo factory.

300 millimeter enables our SiPho customers to more easily address the future potential needs of CPO architecture that combine advanced SiPho technology with 2.5D integration of optical and electrical components.

The added capacities mentioned for SiGe and the SiPho are in various stages of customer qualification.

With expected shipments and result in high value incremental revenues in Q3 and Q4 of this year.

Finally, we continue to work with our customers to bring to market next generation 400 gigabit per lane technology targeting the upcoming 3.2T standard. To note, we have already demonstrated with a lead customer bandwidths consistent with the 400 gigabit per lane speed requirements needed for the 3.2 standard.

We see further application of our leading SiGe and the SiPho technologies outside of the optical transceiver markets. For example, we announced our partnership with Renaissance in the emerging SATcom market where phased array ICs for terrestrial disk antennas built using SiGe technology promised strong growth with the proliferation of satellite-based internet services.

With CIO, we are working with several customers in emerging areas of automotive, LIDAR, photonic space, ergometers, and photonic quantum computing.

In our RF mobile market, despite some headwinds with weaker customer forecasts in 25 verse 24, particularly for Android-based devices, we see a strong positive trend towards higher end 300 millimeter RF SOI technologies which not only offer improved performance to address higher performance markets but also dye shrinkage, allowing both tower and the customer to maximize margin.

In addition to existing markets, we continue to invest in new technologies such as the triple play process announced with Broadcom for Wi-Fi 7, which offers industry leading integration of a power amplifier, low noise amplifier, and switch onto the same die.

In the single die form factor to support high-end Wi-Fi functionality, hence a much smaller footprint than previously possible.

Looking at our power management business during 2024, we executed the transfer of flagship Advanced 65 manometer BCD platform to Albuquerque to take advantage of the large capacity available to us as part of the previously announced agreement with Intel.

In the 4th quarter, we delivered successful prototypes to elites to lead customers and based on the success, have received our first production PO, a major milestone achieved ahead of plan.

We have extreme customer interest in these flows well beyond what could be supplied in Mozu, Japan.

Additionally, in Q4, we announced the release of our next generation 300 millimeter power management platform, which promises as much as 60% lower conduction losses first prior platforms critical for power management ICs used within lithium ion battery operator products such as smartphones, tablets, wearables, a large and growing market presently at about \$6 billion.

Turning to sensors and displays, there are several trends shaping this market.

That have given and continue to give impetus to our priorities and investments among which Industrial senses are transitioning to 300 millimeter platforms enabling denser logic, smaller form factors, and higher resolution pixels.

We demonstrated 100 megapixel and 300 megapixel, high-speed global shutter stack sensors with 2.47 micron charged domain pixels.

Medical and dental sensors, some 200 millimeter CMOSs products are shifting to lower cost exo platforms.

Whilst high performance applications, mammography and extra dental X-ray drive demand for 200 and 300 millimeter stitch CMOSs.

Hence, our development activities in medical and dental are focused on next generation CD detectors.

200 millime extraoral X-ray and 300 millimeter X-ray, including having released a 300 millimeter more cost effective layer reduced lean flow PDK enabling our customers to battle on price as well as with performance.

OIED on silicon is a significant large incremental business growth opportunity.

For CMOS backplane for high resolution micro-OIED displays, known as OIED silicon for AR, VR, and XR applications.

Our expertise.

And long performance history in large format images position us as a leader.

First OLED on silicon prototypes are targeted to ship the second half of this year, featuring unique ultra-low leakage transistors combined with high k capacitors.

Looking at utilization.

We are strategically repurposing certain capacities across multiple fabs to further enhance our SiGe and SiPho capabilities.

While this may result in lower overall utilization rate in the near term, there's a crucial step towards aligning our production with the evolving needs of our customers. By focusing on these advanced process technologies, we are positioning the company for sustainable long-term growth, ensuring we meet increasing demands.

This initiative optimizes our production portfolio and underscores our commitment to innovation and fast execution to maintain market leadership in a rapidly evolving industry.

In the 4th quarter, Fab 1 operated at 70% utilization with all activities now fully consolidated into Feb 2.

Feb 2 and Feb 9, where we are driving SiGe and SiPho capabilities activities, operate at approximately 55% utilization.

Feb 3 was at 70% utilization, Feb 5 at 60%, and Feb 7, 300 millimeter at 90% founder utilization.

With the highest process layers to date.

Non-CapEx projects are ongoing in Feb 7 to maximize shipments.

From [Fabic] changes and with the agreement with NTCJ utilizing some of their capacity.

To summarize, in 2024, we've shown our commitment to innovation, excellence and growth.

We've made significant progress and built a strong foundation for the future.

Looking ahead, our investments and focused efforts are already delivering positive results.

Positioning us to target year over year growth with sequential quarter over quarter growth in the year. We're actively engaged in seizing new opportunities to grow our share markets and provide continued leadership.

Thank you for your continued trust and support. We look forward to sharing with you our achievements throughout what will be an exceptional year ahead. With that, turn the call to our CFO, Oren Shirazi . Oren.

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

Hello, everyone.

Earlier today, we released our financial results for the 4th quarter and for the full year and also released our balance sheets. For the 4th quarter of 2024, we reported revenue of \$387 million a 10% increase over the same quarter of the previous year, thereby achieving the target we provided one year ago, demonstrating quarter over quarter revenue growth for each quarter in 2024 against the previous 2024 quarter.

This resulted in an 18% revenue increase from Q1 24 to Q4 24. For Q125, we got \$358 million dollar revenue plus minus 5%, which represents 10% year over year revenue increase.

Gross profit for the fourth quarter of 24 was \$87 million higher as compared to \$84 million in the fourth quarter of the prior year.

Despite being impacted by the headwinds resulting from added fixed cost and depreciation that the company took on for the first time following the commencement of operations in the Agra twelve-inch fab facility.

That the company and SD Marco share in Italy.

Operating profit for the fourth quarter of 24 was \$46 million compared to \$45 million in the fourth quarter of the prior year.

Net profit for the fourth quarter of 24 was \$55 million or \$0.49 basic undiluted earnings per share.

Net profit for the fourth quarter of the prior year was \$54 million or \$0.49. Basic and \$0.48 diluted earnings per share.

For the full year, 2024, revenue was \$1.44 billion dollar.

Gross profit was \$339 million operating profit was \$191 million and net profit was \$208 million or \$1.87.

Basic.

And \$1.85 diluted earnings per share.

Tax expenses are recorded in our (P&L) for full year 24 and for the fourth quarter of 24, where at a low all in tax rate of 5% and 4% respectively.

Much lower than our long term financial model, mainly due to tax benefits recorded during 24 following a statute of limitations expiration and other tax-related benefits which impacted 2024.

However, please note that for the long term model planning needs, one should continue to assume 15% will be our only ineffective tax rate as previously communicated.

For the full year 2023, revenue was \$1.42 billion dollar, gross profit was \$354 million and operating profit was \$547 million. This high operating profit included \$314 million net from the Intel merger.

Contract termination.

And \$33 million of net restructuring income from the reorganization and restructure of our Japan operations.

Net profit for the full year 2023 was \$518 million or \$4.70 basic and \$4.66 diluted an per shares and included \$290 million net income from Intel due to the merger contract termination and the \$11 million dollar net of restructuring.

Moving to the balance sheet and future CapEx and cash plans, as of the end of December 2024, our balance sheet assets totaled \$3.1 billion dollar as compared to \$2.9 billion dollar at the end of 2023.

Primarily comprised of \$1.3 billion dollar in fixed assets net of depreciation, predominantly comprised of heavy equipment, and \$1.8 billion dollar of current assets.

The current assets ratio, reflecting the multiple by which current assets are larger and then the short term liabilities is very strong at about 6 X.

Additionally, shareholders' equity reached a record of \$2.64 billion at the end of December 2024.

A strong financial position enables us to plan the following investments in strategic opportunities that support our corporate vision.

One, we have committed to invest up to \$300 million to acquire equipment and other CapEx that tower we own in Intel's new Mexico Feb facility, enabling us to ramp up Feb capacity and capabilities for our customers.

About 15% of this amount has already been paid.

And the remaining 85% of these CapEx amounts are forecasted to be paid in instalments during the upcoming two years.

In addition, \$500 million of total cash has been allocated to make investments in equipment that tower is to own in the 12-inch feb in Agra, Italy following the previously announced SD Micro partnership. To date, we have already invested 80% of this amount, placed purchased orders for all the equipment and other capexs required, and the remaining amounts are expected to be paid in the upcoming year.

In addition, we are executing a \$350 million investment plan to expand and 5G capacity and capabilities for the qualification and ramp up of those technologies in our eight-inch and 12-inch facilities in Israel, Texas, and Japan to serve our growing customer demand.

Payments towards this CapEx investment plan are expected to be made in installments during the upcoming 2 years.

Lastly, I want to know that all above investments, including the SiPho and SiGe CapEx investments are included in the business strategy and financial model previously presented by the company.

And are required steps to achieve it. In this model, we outlined a revenue target of \$2.66 billion per annum that could be achieved by fully loading our existing facilities, including the above mentioned Saho and 5G CapEx investments, and our newly built and to be built capacity at The Agra and New Mexico facilities, which revenue level could result in \$560 million of annual operating profit and \$500 million of annual net profit.

Now I'd like to turn the call back to the operator.

QUESTIONS AND ANSWERS

Operator

Thank you, dear participants. As a reminder, if you wish to ask a question, (Operator Instructions)

Cody Grant Acree, Benchmark company LLC.

Cody Grant Acree - Benchmark company LLC. - Analyst

Thank you guys for taking my questions and congrats on the progress.

Excuse me. Maybe if we could start Russell with your thoughts about the mobile market, your comments there, if you can maybe help to size your expectation. For contraction, and then, just you mentioned Android, you didn't specifically talk about, your Apple customers and just comments recently from Skyworks that they'd lost about 25% of their dollar content. I wonder if that had any impact or that was factored into your thinking as well.

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

No, specifically, for what we believe that we're supplying Into Apple, we don't see any reduction. As far as. Serving into Android, predominantly.

We have customers that are serving multiple markets within Asia, and their forecasts are down. It's not wildly down and as stated, we have. Within a 300 millimeter portion of it.

We do see growth this year. For high-end activities, what we see is some of the 200 millimeter having been reduced.

If you're asking for to what degree it would be reduced. I don't like giving a yearly guidance, but it's not overly substantial. It would be somewhere probably in the upper [10s] that I would say we would have a reduction in the RF mobile business.

Cody Grant Acree - Benchmark company LLC. - Analyst

All right, thank you for that, Russell, and then maybe or if you could talk about the incremental, margin, just the contraction that you saw this quarter, if you can maybe help to frame how much of that was the gross ramp and then what is that impact for the rest of the year.

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

Yeah, thank you.

For the rest of the year we don't expect any additional headwinds because like we explained previously from this new baseline that we presented in Q4 24, we expect the incremental model to work according to the past with the 50% incremental margin.

Because all the headwinds were already included in this report. If you ask how much, so you see that if you compare Q4 24 to Q3 24, you see an increase of \$16 million in the revenue, which by the 50% incremental model should have resulted in an additional \$8 million dollar gross margin. However, there is a 6. So the difference between plus \$8.06 most of that is attributed to the headlines.

Cody Grant Acree - Benchmark company LLC. - Analyst

All right, thank you very much.

Operator

Thank you.

Mehdi Hosseini, Susquehanna International Group

Bastian - Susquehanna International Group - Analyst

This is Bastian, filling in for Mehdi Hosseini. Hi, so Russell and Lauren, thank you for taking my question. The guide of Q1 of \$358 million implies revenue, down.

A single digit sequentially, which is in line with seasonality but still growing year on year. I would assume that your RF infrastructure grows above seasonality while discrete business should be impacted by discontinuation of the Feb1.

Could you elaborate on which segment do you expect to be above or below seasonality? And my follow up is you started the production ramp on the 1.6 terabyte at several lead customers. Could you give us an update on the timing of revenue and when should we expect material contribution to revenue? Is it still on track for material contribution in the second half of 25?

Thank you.

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

It's already a reasonable amount of revenue in in the fourth quarter. I don't have at this point.

A strong visibility in the specific POs that will be receiving 2nd, 3rd quarter for second half shipments, so I can't really predict what the mix will be. I have a much greater granularity on overall forecast.

As far as your first question on what segments are stronger seasonally than the Q4 to Q1 seasonality.

Certainly If we were to look at it, you would have the SiGe and SiPho

And Yeah, I would say also the mixed signal and the power as far as the entirety of them, they're staying about at the same CIS is actually a little bit stronger.

Where we're seeing the biggest seasonality is within the mobile.

Bastian - *Susquehanna International Group - Analyst*

Very helpful, thanks.

Operator

Richard Shannon, Craig Hallam Capital Group LLC

Richard Shannon - *Craig Hallam Capital Group LLC - Analyst*

Hey Richard.

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

Russell hi how are you?

Richard Shannon - *Craig Hallam Capital Group LLC - Analyst*

Excellent thank you thanks for let me ask a couple questions here maybe on kind of RF infrastructure, I guess probably a multi-part question here.

Want to try to maybe pin you down isn't the right terminology. Get a little bit more specificity on your thought process for growth in the infrastructure business this year, as one proxy, one of your customers, talked about this last week here about seeing what seems like an acceleration in their data center related business.

I know it doesn't have a complete overlap with you, but I think since you're a supplier to them, it makes a, it seems like a good proxy. So maybe if you can kind of talk about what you're seeing. Growth this year anywhere near what you saw last year was obviously very strong and then maybe as a follow on to that specifically you talked about silica batonics in the context of share gains when you get to 400 and 800 SiGe maybe you should just provide more specificity on that please.

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

I don't think I said share gains in 400 and 800 SiGe, in general, there's certainly a share gain in that.

SiPho really didn't exist very strong at all at 100 SiGe. So if you were to look at 400 and 800, that's where SiPho first came into the play. And it was put in there, although there's, some back feet at 100 gige as well.

I suppose a corollary there is that FIFO has equal benefits for 100 gige as it does at 400 and 800, meaning the ability to have very high scale by not having to have discrete indium phosphide.

Components versus having a SiPho component with germanium and silicon, but. The fact that not until 400 and 800 did SiPho really come into the market, that's why you would say that. If you were to say share of optical transceivers, obviously it only started to grow at that level.

There was some thoughts and, internal playing around that if, for example, Large learning model software would be driving.

A step back in data center speeds which I don't believe, but if it did, probably SiPho now that it's proven, would have big growth in 100 gige as well. So I don't. But if I understood your question specifically, SiPho really only started to gain market at 400, but as well it came into and backfilled into 100, but the biggest use of it is 400 and 800 and then going into 1.60.

But it's not intrinsic that it has no benefit at 100, has the same benefits there as well. I don't know if that answered your question, Richard, but.

Richard Shannon - *Craig Hallam Capital Group LLC - Analyst*

I'll follow up on that. I clearly made some incorrect, notes, when I heard that. So let me follow up on that one. Let me touch on, RF mobile here. Obviously delineated the dynamic here between the apple or iOS and Android ecosystem.

Maybe you can also delineate it, in terms of wafer size here. Sounds like we're going to see a fairly strong shift, particularly with the [Agrate] capacity coming online this year. How do we see your exit rate of this RFSOI capacity, towards 300 when you exit this year?

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

When I exit 2025.

Richard Shannon - *Craig Hallam Capital Group LLC - Analyst*

Yes please.

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

Let me look at the numbers so I don't give you any wrong information. If we look at the RFSOI. 300 and 200. There was probably. 2/5 of it was 200 in 2024, 3/5 of it plus minus was 300. And if we were to look at our Forecast for. 2025 it's probably more on the order of 4/5 and 1/5.

Richard Shannon - *Craig Hallam Capital Group LLC - Analyst*

Okay, that is helpful to think about that.

Last question for, Oren. Orrin, if you could help us out, think about your depreciation load here. Obviously had to step up in the 4th quarter. I expect we'll see some more here going throughout the year. How do we think about the depreciation number for the year and all.

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

Just to clarify, what I just gave you was revenue breakdown. It wasn't wafer units, right?

Richard Shannon - *Craig Hallam Capital Group LLC - Analyst*

Okay, all right, thanks for that clarification.

Or in depreciation. How do we think about that for the year as well as the exit rate, particularly as we add in from both grata and New Mexico?

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

Oh, okay. In New Mexico, you should not expect any depreciation this year because we are just qualifying the factory. We, like I mentioned, we only so far invested 15% of the \$300 million. So obviously if we only paid for 15%, only part of the 15% will have been arrived. And installed and qualified and start depreciation, so it will not be at all this year.

Agra, it's already baked in into Q4 depreciation number and so you can see, I mean, we have a disclosure of depreciation is actually you can also learn it from the reports which total depreciation is about, including the amortization of RSUs and everything is \$65 million a quarter.

So it's, but it's already in the number. So whatever Q4 will continue.

Richard Shannon - *Craig Hallam Capital Group LLC - Analyst*

This 65 will continue. Okay, fair enough. That is all from me. I'll jump on the line, guys.

Thank you.

Operator

Lisa Thompson, Zacks Small-Cap

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

Hi, good morning. My question is about your, expectations for revenue growth this year. You said to expect it sequentially. Do you expect it to do similar or better than the 18% from Q1 to Q4?

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

Yeah, we didn't guide for the exact revenue from Q1 to Q4. We said three things. We said that we target the yield to be higher than 2024, and we target sequential revenue growth, and we target that H2 will be strong.

So stronger, but we cannot talk about specific numbers for Q4.

Lisa Thompson - Zacks Small-Cap - Research - Analyst

Okay and.

And in the second half you said revenues would be helped by added capacity. Can you just list maybe in order of what capacity is coming online that's going to be the biggest contribution to revenues?

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

I think it's mainly the SiPho and SiGe, capacity also [Agra] capacity.

But mostly the 5.5 SiGe from the \$350 million dollar plan, not that everything will be qualified and installed this year, but that's main driver.

Lisa Thompson - Zacks Small-Cap - Research - Analyst

Okay, great, thank you, that's my only question.

Operator

Matthew Bryson, Wedbush

Matthew Bryson - Wedbush - veteran Equity Research Analyst

Yeah, I have a couple questions if that's okay. First one is, I think heading into Q4, you said you thought you'd be able to get to roughly \$150 million dollar run rate on your silicon photonics. Business and previously I think you targeted doubling that business in total in 2025. I did you hit that target? I guess is that assumption still valid for the silk and Photonics business?

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

Yes, we At least hit the \$150 million annualized run rate on Q4, so that was definitely the case.

What we said that we targeted wasn't a doubling against the Q4 run rate. We had targeted a doubling of the 2024 revenue. Right, so it's not that we targeted at any given point a \$300 million dollar SiPho 2025, but understood.

But yes, that was statements that we made and that's still within our targets absolutely, but yes, we did achieve or exceed the 150 run rate.

Matthew Bryson - Wedbush - veteran Equity Research Analyst

That that's great to hear. And then, just, you were talking about [igy] for active cables being down a little bit in in 2025, there, there's been some conjecture that you know as there's a shift to optics, that there may be. Less demand for active copper cables it is there anything fundamental going on like that, or do you think it's just inventories or something, with your specific customers, I guess longer term how do we think about that business?

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

I think in the very short term, it was stated in the Macom financial release that Nvidia's change from a 2 by 36 to 1 by 72 had an impact on the ACC.

Although I believe that.

There's many other needs and drives of ACC for the architecture, so I don't think that active copper cable and active optical cable for that matter, is going to reduce in the long term. I think it'll grow, but there was, reductions in forecasts, at least, and this is, I'm not speaking out of turn. It was in the Macom release, related to that change of architecture.

Matthew Bryson - *Wedbush - veteran Equity Research Analyst*

Awesome, and my last one, Russell is just, you talked to a couple different places where you're seeing, some shift from 200 millimeter to 300 millimeter, wafers. I mean, how do we think about that, impacting your model? Is there, I'm assuming you get some step up in ASP, but there's, some required step up investment or is that production already there and so the net's just an improvement in ASP.

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

I think it's within the model that Oren has spoken with you about in in the meetings that you've had with other of our finance, certainly the 300 millimeter has a higher selling price, but it also has a higher substrate price.

So the margin impact is very similar, the revenue impact is a bit higher.

But the big thing is that at 300 millimeter at this point we're having greater integration of more advanced components such as the LNAs, which in and of itself then can drive higher incremental margin, but those are only within the models that we've given when we get the \$2.7 billion model, and we did forecast within the next year that the bulk of everything we're doing with RFSOI specifically would be a 300 millimeter.

Matthew Bryson - *Wedbush - veteran Equity Research Analyst*

Awesome, and I guess last one for me is just on the RF side of things, you talked about, your expectations, related to the downtick in in Android.

Contribution just want to clarify when you were saying kind of teams down or I think it was high [10s] down was that the entire RF piece or just the Android piece and then also when you're looking at that business is that more inventory right sizing is it more customer base? Is it something that's changed structurally, in that business TRY just trying to figure out how to model it.

Beyond the next few quarters.

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

It's really an excellent question.

The We really do serve leading customers into the Android market, specifically into Asia. When there's a good year, Fortunately within that year customers build greater inventory. Because they never want to be short and the minute that they're short to.

A lead. Phone maker, they open the door to be losing market share. So, and then you have the knee jerk reaction that if demand goes down for this or that reason. The impact in the short term is a big correction with our customer. So, I believe that there's weakness within Android, in Asia, specifically in China.

But within that, I think it's not necessarily that the market is as is as far down as far as what The Leading makers are selling, I think it's that it is down, but the inventory of our customers is more than is needed for the short term.

The expectation. Internally is that it will recover within this year, but that I honestly cannot forecast. I can only state where we're sitting now with customers and that's you know the very honestly answer of where we sit so the.

What we're doing with mobile itself is down about, upper 10s this year by our forecast, but. I speak specifically with our lead customers on a very regular basis. And that's their present forecast. They don't want to. Give us numbers that they cannot meet, but the general belief and consensus is that numbers can be substantially better.

Awesome I really appreciate the call. Oh thank you very much. Very good question.

Thank you.

Operator

Cody Grant Acree, Benchmark company LLC.

Cody Grant Acree - *Benchmark company LLC. - Analyst*

Yeah, thanks guys for taking my follow ups. Maybe Russell, if I can just get a quick clarification there on mobile and then I'll get another one. The mobile.

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

You said, Cody, it broke up a little bit. Just.

Cody Grant Acree - *Benchmark company LLC. - Analyst*

Just a quick clarification on your statements on mobile, into the high 10s, is that just your Android piece or your Android plus your iOS piece?

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

And that's everything. I don't have it broken down right in front of me, but that's everything that we serve.

Cody Grant Acree - *Benchmark company LLC. - Analyst*

Okay, and then, any help with your comments about first half to second half acceleration, any way to help wait the year?

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

Yeah, more highly weighted in the second half.

Just joking, Cody.

Yeah, I think. The Q1 reasonable quarter year over year, certainly. Meeting slightly above expectations whatever, but, in Q2 we said, quarter over quarter growth, but then we expect. Very notable, measurable growth in the 3rd and 4th quarters.

As Orin had stated, we don't really want to give a long term guidance at this point. As far as revenue increase.

When we went into 2024, you were in that, the same call a year ago and I was asked if I expected year over year growth, and I said I would be highly disappointed if we didn't, and last year was a very tough year, but, and that was off of a Q1 that was not so robust.

And we did have the year over year growth. If you were to ask me about year over year growth this year, I certainly expect year over year growth and market year over year growth, if it's not, clearly a reasonable amount of number that's adding to the revenue this year would be more than disappointed. So the second half should be very strong, how strong, it's not going to be.

Breaking this orbit, but it'll be, market increases against the first quarter for sure and.

Something that I think we'll all be proud of to be able to report.

Cody Grant Acree - Benchmark company LLC. - Analyst

Very good, very helpful. And then maybe for [Oren], if you could just talk about your OpEx expectations, especially as we go into the first half of spending, but, any comments on the full year would be helpful as well.

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

No, I would expect the baseline of OpEx as was released in Q4 to stay flat during the year it's fixed cost.

And Agrata is already baked in the numbers, so we don't expect increase.

Cody Grant Acree - Benchmark company LLC. - Analyst

Any, seasonal increases?

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

No, it's fixed cost, so they are pretty much linear over the year.

Cody Grant Acree - Benchmark company LLC. - Analyst

So no pay raises, that's what.

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

I'm hearing.

2 employees.

Should be if there will be, there should be offset by cost efficiencies, right?

Cody Grant Acree - *Benchmark company LLC. - Analyst*

Okay, excellent.

Operator

Richard Shannon, Craig Hallum Capital Group LLC.

Richard Shannon - *Craig Hallam Capital Group LLC - Analyst*

Great, thanks for taking my follow up here it's in the a power bucket here.

Russell, if I took good notes here, and clearly I haven't in parts in other parts of the call here, but I think you said you were targeting growth in the power management business. Does this include both the power IC and discrete that you've previously talked about separately, or is it just in the power IC bucket? I'm not sure what the terminology means here.

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

No, I said that the discrete business would be down year over year and the power I see itself will be up year over year, that's our target.

Richard Shannon - *Craig Hallam Capital Group LLC - Analyst*

Okay, and then we.

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

Power discrete would be.

Richard Shannon - *Craig Hallam Capital Group LLC - Analyst*

Okay, and if we put those together collectively?

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

Should be up.

Richard Shannon - *Craig Hallam Capital Group LLC - Analyst*

Should be up okay.

Fair enough. That's all for me.

Thank you.

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

Thank you very much.

Operator

Thank you.

There are no further questions for today. I would not like to hand the conference over to your speaker Russell Ellwanger for any closing remarks.

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

Yes, thank you for your interest.

Thank you for the good questions. Enjoyed them. It really is a very exciting time and we're, I think.

Performing very well to market needs and market changes. So, much has happened, so much news just recently impacting data center, impacting, Potential data center architectures.

In general Where we're at and what we're doing within the infrastructure space is leading edge with very key customers we expect that'll maintain being.

A very strong market for us. With really Multiple generation activities going on with the leaders to maintain leadership there. We backfill that with very strong power management activities that will continue to grow. Very strong demand.

Now being qualified and further generation developments in a very high capacity factory in Albuquerque, New Mexico. And then we have other Base technologies that continue to provide good margin revenues such as the CIS, not necessarily huge growth engines, but also not necessarily something that's requiring a lot of resources.

Within that, a new serve market with backplane for all it on silicon. We expect that to be a very big growth engine for us in coming years and prototyping this year, as I had stated. Earlier in the transcript.

We have strong customers, extremely good technologies within RF Mobile, specific the RFSOI, and we look forward to that continuing to grow, very excited about the activities in [Agrate], the customer qualifications, continuous qualifications there and hitting high-level utilizations in that factory within this year. So all in all, I think we're. In very good position.

Maybe one bit of added color that I can give. It's maybe obvious from the call, but when we talked about sequential quarter over quarter growth, we also see within that Q1 greater than Q1 '24, Q2 greater than Q2 '24, Q3 greater than Q3, and Q4 greater than Q4. So within that, if that helps your modeling, that's something very real, and that shows that, it is.

Market increases where we think again the greater than for Q3 and Q4 should be substantially greater than.

So with that, I'd like to end the call and say, truly, we're very excited about where we're at, where we're going, opportunities in front of us.

And to continue to share the excitement and achievements with you throughout this year.

Thank you very much.

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