

Tower Semiconductor(Q4 2025 earnings)
February 11, 2026

Corporate Speakers

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

Participants

- Mehdi Hosseini; Susquehanna Financial Group; Analyst
- Tavy Rosner; Barclays; Analyst
- Cody Grant Acree; Benchmark StoneX; Analyst
- Unidentified Participant; Unknown; Unknown
- Lisa Thompson; Zacks Investment Research; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to the Tower Semiconductor Fourth Quarter 2025 Earnings Conference Call and Webcast. (Operator Instructions) Please note that today's conference is being recorded. I would now like to turn the conference over to your first speaker Noit Levy, Investor Relations and Corporate Communications. Please go ahead.

Noit Levi-Karoubi^ Thank you. Good day. And thank you everyone, for joining us today. Welcome to Tower Semiconductor's fourth quarter and full year 2025 financial results conference call. With us today are Mr. Russell Ellwanger, our Chief Executive Officer; and Mr. Oren Shirazi, our Chief Financial Officer.

Before we begin, please note that certain statements made during today's call may be forward-looking and subject to risks and uncertainties that could cause actual results to differ materially. These risks are detailed in our SEC filings, Form 20-F and 6-K as well as filings with the Israeli Securities Authority -- all available on our website. Tower assumes no obligation to update any such forward-looking statements.

Our fourth quarter and full year 2025 results are prepared in accordance with U.S. GAAP. Some that are 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^ Thank you, Noit. Hello, everybody. Thank you for joining our call today. Very pleased to share our results for the fourth quarter and full year of 2025. Additionally, we are extremely excited to present how these results have redefined our financial milestones and accelerated the timeline for achievement of the same.

The updated financial model which we will present is the result of already strong partnerships with our lead customers having grown into deeply trust-rooted supplier customer partnership technical alliances. We ended our fourth quarter of 2025 with a company revenue of \$440

million, an 11% quarter-over-quarter growth, 14% year-over-year growth, fulfilling our beginning of the year target of quarterly sequential growth.

In addition to the top line, we achieved bottom line growth throughout the year. Fourth quarter net profit was \$80 million or 18% net margin, up from 11% in Q1 '25, 13% in Q2 '25, 14% in Q3, indicative of a value-based growth being driven by technology mix enrichment. The revenue growth from Q1 to Q4 of 2025 was \$82 million, of which there was a \$40 million net profit drop down and almost 50%, to be exact 48.78% and this due to the high value of the incremental Photonics revenue. Revenue for the full year was \$1.566 billion, \$130 million or 9% increase as compared to 2024 revenue.

Now to review our 2025 revenue breakdown and discuss the key trends, please see Slides five and six as referenced. We achieved year-over-year growth across our key technology platforms, namely power management, image sensors and 300mm RFSOI on top of which record achievements and unprecedented growth of our market-leading optical transceiver offerings, silicon germanium and SiPho advanced platforms has propelled us into a favored and unique position, both driving our growth for 2026 and additionally, giving us the ability to redefine our financial model which I will present at the end of my comments.

RF infrastructure showed a 75% revenue increase, 2025 over 2024 being our fastest-growing application in '25 driven by hyperscaler rapid adoption of silicon photonics in 800G and 1.6T pluggable transceivers. Silicon germanium and silicon photonics revenues represented 27% of our corporate revenues were \$421 million, up from \$241 million or 17% in 2024.

SiPho revenues alone were \$228 million in 2025, up from \$106 million in 2024. Specific to the fourth quarter, RF infrastructure revenues were 32% of corporate revenue, with SiPho having achieved \$95 million or a \$380 million annual run rate. Included in this number is some non-wafer NRE to enhance future developments for Gen+1 and Gen+2.

As highlighted in our recent announcement with NVIDIA, the insatiable demand for compute bandwidth in both scale-up and scale-out architectures and Tower's exceptional ability to scale the capacity flawlessly in partnership with our customer has made 1.6 terabyte per second, the fastest-growing silicon photonics node in the industry to date, with Tower being by far the majority supplier of 1.6T silicon PICs. The partnership announced with NVIDIA as with all our direct module customers, underscores our commitment to deliver best-in-class technology and the manufacturing agility required to meet such an exceptional demand trajectory.

In addition to Fab three Newport Beach, this past year, we successfully ramped silicon photonics production in Fab nine San Antonio, Fab 7, Uozu, Japan, and are on track to ship the first production, a very large SiPho ramp in 2026 and from Fab two Migdal Haemek. Given an even stronger customer demand than was known at our last quarterly release, we have increased our CapEx plan for 2026 and with multiple customer requests to enter into capacity reservation agreements through 2028, enabling our customers to, in turn, give firm commitments to their customers having ensured their supply.

For next-generation 400-gigabit per lane, we continue to make strong progress with heterogeneously integrated indium phosphide on silicon and other material systems. We are playing a key role, partnering with our lead customers to define the material systems that will

be chosen, refining the flow and hence ensuring manufacturability readiness and immediate ramp capability upon 3.2T market introduction.

We also see co-packaged optics as a substantially incremental opportunity for us in the coming years, as optics gets adopted and scale-up interconnects as well as XPU to high-bandwidth memory interconnects that are today largely copper.

In Q4 '25, we announced the expansion of our mature 300 millimeter wafer bonding technology to enable wafer to wafer integration of silicon photonics ICs and silicon germanium electrical ICs. In addition, we continue to work with several customers on dense wavelength division multiplexing laser sources which are a critical component of many CPO implementations and can significantly expand our served optical market by now including the laser source.

Beyond optical transceivers, our silicon photonics platform continues to be the technology of choice for physical AI applications, particularly frequency modulated continuous wave LIDAR.

Ahead of CES, two of our FMCW LIDAR partners, AVA and LightIC publicly announced their collaboration with us in bringing to market disruptive products. The proven robustness of our silicon photonics platform supported by many tens of thousands of high-yielding, high-quality wafers ship to date is enabling silicon photonics to capture growing share in the LIDAR market, unlocking new automotive and robotics opportunities.

Our silicon germanium platform delivered strong growth year-over-year in 2025 of 43%, remaining the optimal platform solution for low-power, low-latency, high-performance components such as drivers, trans-impedance amplifiers for pluggables, LPOs and active copper and active optical cables. Alongside our silicon photonics production, our silicon germanium platform is now running in high volumes across Fab three Newport Beach, Fab nine San Antonio, Fab two Migdal Haemek, and we have shipped 300 millimeter prototypes from Fab seven in Uozu. RF mobile represented 23% of our 2025 corporate revenue and 24% of our Q4 25 revenues.

300mm RFSOI was up 5.5%, while the RF mobile as a whole was down 15% year-over-year. Those are primarily due to our proactively working with our customer partners to responsibly reduce exposure to lower margin controller offerings in favor of higher-value optical and RF mix in the fabs and also influenced with the front-end module market shift from 200 millimeter to the higher digital content better served with more advanced nodes in 300 millimeter.

Our latest technology which we presented last quarter, with substantial improvement of our (inaudible) relative to the competition and reduced layer count, therefore higher overall value per customer dollar continues to see robust customer adoption. Lead customers have recognized it as best-in-class and are preparing to ramp to high volumes. Across the board, we continue to see strong design win momentum that positions our 300mm RFSOI platform for sustained secular growth.

In 2025, we achieved major wins, namely three of the top four Tier one RF front-end module providers. One has begun production with all planning for strong ramp in 2027 towards achieving appreciable revenue volumes in 2028. Power Management grew 20% year-over-

year, demonstrating strong year-over-year revenue growth in both 200 millimeter and 300 millimeter offering, representing 16% of our 2025 corporate revenues and 15% of our Q4 '25 revenues.

In 300 millimeter, this includes the ramp of the Tier one handset envelope tracker previously announced which is expected to continue to gain share in the years to come. Overall, our revenue growth in 300 millimeter power has significantly outpaced the rate of growth for both the power market as well as the mobile handset market, demonstrating the strength of our offering and share gains in this significant space.

Sensors and Displays grew 10% year-over-year, representing 16% of our 2025 corporate revenue, 15% of the fourth quarter revenue. We have seen strength and continue to see strength in the machine vision market with new advanced products ramping to production alongside existing products that continue to gain share. We also expect our first ramp in the AI -- I'm sorry, in the AR display segment with our silicon back plane for OLED on silicon which has started production this past quarter.

We are tracking this first adoption and its overall market carefully and with optimism as it may have significant value for Tower in the following years. Mixed signal CMOS represented 7% and Discrete represented 11% of our 2025 corporate revenues.

Year-on-year, we've seen decreases of 18% and 14%, respectively, supporting our value-driven growth strategy, allowing additional capacity for the higher margin and the highest margin platform to replace these two application sets. Regarding capacity expansion.

During our previous earnings release in November '25, we announced an increase of investment for silicon photonics and silicon germanium growth targeting a tripling of SiPho capacity against our targeted Q4 '25 silicon photonics actual shipments having stated a target that this would be online to begin silicon starts in the second half of 2026. Due to continued growth in demand, we are announcing today additional CapEx investment of \$270 million on top of the previously announced \$650 million capacity expansion plan.

This total capacity is targeted to yield capacity growth greater than five times of the actual fourth quarter monthly wafer shipments -- silicon photonics wafer shipments to be compared to the three times target that we gave during the Q3 public release. And over 70% of the total SiPho capacity is either presently reserved or in the process of being reserved through 2028, firmly backed with customer prepayment.

For the fourth quarter, utilization rates were Fab two operated at about 60% utilization as we are now in the final stages of silicon germanium and silicon photonics capacity qualification for a variety of flows. Fab three maintained our model full utilization of 85% and still adding capacity for increasing silicon photonics capability. Fab five was a 75% utilization. Fab seven was fully utilized, well above our 85% utilization model. Fab nine was at 65% utilization, presently in the silicon photonics and silicon germanium ramp.

As stated in our press release, Intel has expressed its intention not to perform under the September '23 Fab 11X agreement. We are presently in a mediation process. All flows which have been transferred or are in the process of being transferred to Fab 11X were originally qualified in our Japanese 300 millimeter factory Fab 7. Customers are being redirected to be supported by this fab in Japan. For guidance, we guide our first quarter of 2026 midrange

revenue to be \$412 million plus/minus 5%, representing a 15% increase as compared to the start of 2025.

We target quarter-over-quarter revenue and profitability growth throughout 2026. Based upon the thriving corporate ecosystem we've developed intertwined with deeply trusted customer partner alliances, we are pleased to provide a revised financial model. This new model demonstrates our value-driven growth strategy.

Please refer to Slide 7. First, the assumptions. Beyond the \$920 million CapEx plans that have been released, no additional CapEx, clean room space or otherwise additional monies are required to achieve this model. This model is based on utilizing Tower-owned capacity at an 85% utilization level. Intel Fab 11X is not included in this model.

Revenue, \$2.84 billion which will create 39.4% gross margin, 31.7% operating margin, a 7.7 point drop from gross to operating margin, demonstrating a highly efficient business and if not the very best, certainly among the best in our industry. Such efficiency is seen in more than just margin dollars. It is reflective to the speed of decision-making and execution.

Speed is a sustainable differentiator. Net profit is \$750 million or 26.4% net profit margins. All tools and customer qualifications are planned to be fully completed within 2026. Hence, and most importantly, we target to achieve this model in the calendar year 2028. Now I'd like to turn the call to our CFO, Oren Shirazi. Oren, please.

Oren Shirazi^ Hello, everyone. Earlier today, we released our financial results for the fourth quarter of 2025 and for the full year and also released our balance sheet and cash flow reports. Now I will review the results highlights as well as the highlights of our CapEx investment and afterwards, I will present our updated target financial model, resulting in higher revenue and profit margins than the prior model.

Let's first look into the P&L. In 2025, we achieved quarter-over-quarter revenue increase during the year which has accelerated in the second half of 2025, resulting in record revenue of \$440 million in the fourth quarter of 2025, reflecting a year-over-year revenue increase of 14% and a quarter-over-quarter revenue increase of 11%.

Gross profit for the fourth quarter of 2025 was \$118 million, an increase of \$25 million or 26% compared to the prior quarter. And operating profit was \$71 million, 40% higher as compared to the prior quarter. Net profit the fourth quarter of 2025 was \$80 million, an increase of \$26 million or 49% compared to net profit of \$54 million in the prior quarter. And earnings per share were \$0.71 basic and \$0.70 diluted per share compared to \$0.48 basic and \$0.47 diluted earnings per share reported for the prior quarter.

Please note that income tax expenses line in the P&L includes a nonrecurring tax benefit recorded in the fourth quarter of 2025, resulting in an all-in 2% effective tax rate. For 2026 and beyond, as required by Pillar two regulation, we estimate all-in tax effective rate to be at least 15% in all our manufacturing sites.

For the full year 2025, we reported revenue of \$1.57 billion, 9% higher as compared to \$144 billion in 2024. Gross profit and operating profit for '25 were \$364 million and \$194 million, respectively, compared to \$339 million and \$191 million in 2024 respectively. Net profit for

2025 was \$220 million or \$1.97 basic and \$1.94 diluted earnings per share, compared to \$208 million net profit in 2024.

Moving to our balance sheet. Our balance sheet is very strong, evidenced by the following indicators and financial ratios. As of end of December 2025, our assets totaled over \$3 billion, primarily comprised of \$1.5 billion in fixed assets, predominantly comprised of fab machinery and \$1.7 billion of current assets.

The recent increase in other long-term assets as compared to past periods is mostly attributed to the Newport Beach Fab lease extension prepayment as was announced in November 2025 and paid which is presented as an asset as required by GAAP. Current assets ratio is very strong at about 6.5x, while shareholders' equity reached a record number of \$2.9 billion at the end of December 2025. Hedging, I would like now to describe our currency hedging activities.

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

Similar concept goes to the Israeli shekel. In relation to the Israeli shekel currency, while we have no revenue in this currency since a portion of our cost in Israel is denominated in shekel, we also hedge a large portion of such currency risk by engaging zero-cost cylinder transaction to mitigate this exposure. Hence, while the shekel rate against the dollar may fluctuate, the impact on our margins is limited.

Now moving into our CapEx investment plan and its impact on our financial model. As we announced today, in order to support the increasing SiPho and SiGe demand, we are allocating an additional \$270 million of cash to invest in capacity and capability side for equipment which would result in a total of \$920 million cash investments in CapEx including the \$650 million we already announced during 2025.

These \$920 million CapEx investment will expand our Fab's capacity in our 8-inch fabs in Israel, Newport Beach, Texas and also in our 12-inch Uozu Fab in Japan. This CapEx plan includes a large portion of capability CapEx for advanced development and high-end RF technology-related projects. Approximately 28% of the above-stated \$920 million CapEx investments were already paid to date while the remaining 72% of the \$920 million are expected to be paid in 2026 and 2027.

Moving to the financial model. Following these investments which are expected to drive greater revenue and incremental margins as compared to our prior model which we released more than two years ago, we are providing an updated target financial model resulting in significantly higher revenue, profitability and margin targets.

Please note, the model is based on many forward-looking operational business and financial assumptions including the assumption that all our fabs will operate at 85% utilization post installation and qualification of the \$920 million equipment tools we are investing in. Assumptions considering a modest average wafer selling price reduction of existing products and/or flows that we target will be offset by new products and/or flows introductions.

Assumptions that our cost estimates will not differ significantly from our current assumptions. And lastly, please note that the model does not include Fab 11X capacity, revenue and margin.

Now any possible additional fabs and/or new capacity that has not yet been obtained, established or announced to date. Under this model which you may see in the slide for your reference, we are targeting \$2.84 billion in annual revenue which is \$1.27 billion higher or 81% higher in revenue than our actual full year 2025 revenue. \$1.12 billion in gross profit which is more than tripling our 2025 gross profit. This level of gross profit reflects approximately 40% gross margin which reflects a 59% incremental gross profit that are derived from the incremental revenue when comparing the model to FY 2025 actual results.

It also states \$900 million in annual operating profit which is 4.6x our actual FY '25 operating profit, reflecting 32% operating margin. This reflects 55% incremental operating profit margins that are derived from the incremental revenue when comparing the model to FY 2025 actual results.

And lastly, on net profit, \$750 million, more than tripling the full year 2025 net profit, reflecting 26% net margin, like Russell stated which reflects 42% incremental net profit margins that are derived from the incremental revenue when comparing the model to FY 2025 actual results.

To summarize, comparing this updated financial model to the prior financial model that we presented more than two years ago, gross profit, operating profit and net profit are much higher, 50%, 60% each higher as compared to the prior model, mostly driven by the higher SiPho and SiGe mix and the additional value we bring to our customers. 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) We are now going to proceed with our first question. And the questions come from the line of Mehdi Hosseini from Susquehanna Financial Group. Please ask your question.

Mehdi Hosseini^ Yes thank you. A couple of questions from me. Russell I want to dive into the announcement that you had last Thursday, increased collaboration with NVIDIA. The press release was making a reference to module. And I want to better understand what that implies. Does this mean that you will be manufacturing a transceiver for NVIDIA or the module is more of a broader -- a reflection of a broader services that you would provide for this customer? And I have a follow-up.

Russell Ellwanger^ No. The part of our role in the module is the output parameters of our photonics or of the TIA or of the drivers or of the -- for the pluggable or as well for the copper or optical cable. But the partnership is referring to the fact of alignments and needs directly and through our module customers and understandings of supply needs and commitments on supply shipments.

Mehdi Hosseini^ On your five times capacity increase for silicon photonics, silicon germanium, is that -- does that include incremental demand from NVIDIA and partners?

Russell Ellwanger^ Yes. That's referring to total demand. Well I wouldn't say it's necessarily referring to total demand. It's an answer to demand, but it's the actual capacity that we're building. So if you look at what we had referred to as the \$380 million run rate that we had in Q4, take off of that some small amount of NRE which we don't specify, the silicon wafers that we shipped for the fourth quarter, that exact amount of silicon wafers by capacity, we plan to have five times more of that in the fourth quarter of 2026.

Mehdi Hosseini^ Got it. Okay. And then on your power business line, does -- would you be able to also help prospective customers on the high voltage, especially as the next generation of AI server rack will require 800-volt DC?

Russell Ellwanger^ We have a variety of roadmap activities. We don't, at this moment, have an 800-volt platform on an IC. We do have 800-volt capabilities in Fabs but not in an IC. But we do have higher voltage IC capabilities with and without SOI.

Mehdi Hosseini^ Got it thank you. And I'll go back to the queue.

Operator^ Thank you. We are now going to take our next question. And the next questions come from Tavy Rosner from Barclays. Please ask your question.

Tavy Rosner^ Hi thanks for taking my questions. Much appreciated. Just following up on the NVIDIA question. So just to clarify, you're not actually shipping directly to NVIDIA, you're shipping through resellers that will just send your technology on to them.

Russell Ellwanger^ That is correct. We -- as far as the photonics itself, we do not ship that directly to NVIDIA.

Tavy Rosner^ Okay.

Russell Ellwanger^ And as far as specifics of projects or activities that we're doing with NVIDIA, that anything that was not specifically stated in the PR, I would not be at liberty to talk about. But as far as the present photonics -- silicon-based photonics ICs, they are all being designed by and shipped through other module makers or integrators.

Tavy Rosner^ Okay. Understood. And then around CPU, I mean you spoke about the opportunity. I think I recall last quarter, maybe it was a different conversation. You guys spoke about the ability to add value to the ecosystem through lasers, power connectors and you guys also doing any R&D on the actual CPU as well maybe through like third-party packaging in order to have your kind of own end-to-end offering at some point?

Russell Ellwanger^ Direct packaging of the CPU, no, we're certainly working on multiple architectures of CPO and certainly, the XPU would be or could be incorporated into the CPO. But the specific activity right now of our engagement, well that's not even 100% true. Yes. I mean we're certainly working with XPU makers on CPO strategies.

Tavy Rosner^ Okay. Understood. And then very last one for me. The rollout of additional CapEx, I think I recall you saying it's going to be all live by end of 2026. Is there any chance

that it can come in sooner depending on several factors, maybe some of them beyond your control, but like is there any chance or you have the certainty that that's not going to be online before the end of the year?

Russell Ellwanger^ The capacity qualification ramp will be happening throughout the year. So it will -- the biggest portion of this \$920 million should easily be online, I mean fully qualified within the third quarter -- on or before the third quarter with growth happening in the first and the second quarter as well. The most recent orders that we've done also have tools that are coming in, in the second quarter.

So -- but what we've stated is that what I just stated is that expect and target that by December, everything will be fully qualified in order to be able to do customer starts. In order to have everything fully qualified by December, the tools really have to arrive before the end of the third quarter and nominally by mid-third quarter. So that's where you could be thinking of is that linear or not, there will be a distribution of tools. Some have already arrived and the bulk of this \$920 million will be arriving between now and mid-third quarter.

Tavy Rosner^ Undertstood thank you. I'll get back to the queue.

Russell Ellwanger^ Thank you. Great question.

Operator^ We are now going to proceed with our next question. And the question comes from the line of Cody Acree from Benchmark StoneX.

Cody Grant Acree^ Congrats on the steady and impressive progress. Russell maybe could you just give us a little more color on your expectations for your silicon photonics contribution in '26 and '27, specifically with the 70% commitment already talking about prepaid. It looks like your visibility should be pretty solid for the next couple of years.

Russell Ellwanger^ Yes, definitely. The demand is there. Certainly, we're very aware of the demand. Right now -- if your question is really on the ramp profile, the ramp profile is pure operational execution at this moment. I mean there's some technical execution still. There's some flows that still would need to be qualified, be it San Antonio or be it Migdal Haemek that are not yet qualified that are in the first order -- not the first order, but solely qualified in Newport Beach as that was the fab that most all of this development was done at.

So you have some more technical work has to be done, but that's, for the most part, behind us on the technical work. From the time that everything is ready to be qualified, you still have several months for live testing in order to have customers qualify the flow themselves, if you know what I mean. So in some cases, it goes through HTOL and whatever other live tests the customer requires in its own commitments to their end customers, but the bulk of this is just operational execution.

I think that's one reason that we're so bullish and confident on where we're at and where we're going on this model that we just gave of the 2.8 -- what was it 2.84 and the \$750 million net profit. When your target and your plans are to have everything online, for wafer starts in December. Okay, let's say, worst case, you miss it by one month, two months, three months, okay, maybe, but it's there. So if it's -- will you have the full start capability in December, we target to have that, and I believe that we will.

Can it push out that one or two tools isn't fully qualified for whatever reason. Obviously this is a lot of equipment coming from suppliers. And although we're very good and the suppliers are very good at doing a final test at the supplier site, the tools are all disassembled and shipped. During the disassembly and shipment, there can be something that's broken or goes wrong, that isn't identified immediately during the, what's called Tier 1, Tier two start-up at our site.

So it's possible that, that could take a little bit longer and one or 2, three tools can be delayed beyond the plan. It's also possible that for whatever reason, the supplier themselves misses their initial target, and that can happen. The same as not that tower would ever do it, but sometimes wafer manufacturers miss their commitments -- to just a joke there. But the point being, whether it's December or January, maybe February, I don't know. It could also be -- I mean we've released that we tend to have everything up and running in December. People that want to make sure that future commitments will always give targets where they believe they have some leeway.

So the internal target should probably be more aggressive than the express target to the street, right? But the big point I'm trying to make in maybe too many words is that whether we hit the full qualification of start capability in December or whether it's November or whether it's January or February, it will be hit. And the demand is there, it's committed, and it will be used. So the model will be hit.

Now from the time that you start all the starts, it's some period of time to get everything ramped and qualified. And then it's some amount of months before you can ship and get the revenue. So we feel very comfortable in talking about the 2028 to hit our model because the demand is there. Customers have committed to that demand to the extent we did not ask customers for reservation fees, they wanted it.

They know how precious, especially from tower, SiPho demand is as we are truly by far, the leader in silicon PICs. So they want the wafers and it's just really in our hands as far as operational execution. Now I'd like to say it's 100% in our hands. It also is in the hands of our suppliers. But they're good suppliers. And we have a good relationship with our suppliers.

We really focus on having strong relationships with our customers. To have a good relationship with the customer, you must also have that same model with your suppliers, right? I mean what goes around comes around. So you can't easily be someone that has a mentality to not treat a supplier well and expect a customer to treat you well and vice versa. So I think, Cody, maybe any -- too many words. But our plans are very firm, very strong.

Can something be impacted by a month or two, one way or the other, of course. But the plans are there. And if it is impacted by a month or two, it's not impacted by the bulk of the capacity growth there will be one or two tools or I don't know a handful of tools that sometimes are called a lemon tool. It's not necessarily a lemon tool. It means that there's a problem that wasn't found immediately. That can delay something. But there will always throughout this year, we will definitely have incremental capacity growth.

Cody Grant Acree^ Thank you for that color. Thank you very much. Maybe can I just continue on with your mobile business. Any concerns about the ongoing memory shortages or the increased prices that have been called out by some of your peers in the industry and the impact to potential unit volumes in the handset market?

Russell Ellwanger^ Cody, I mean there's always a concern when you have something in the market that you yourself have no say in or control of. So yes, there's definitely a concern there. We work with our customers closely to understand what their inventory levels are. They try to understand what their customer inventory levels are. And to be as convinced as possible that the plan that we have for -- our start plan for the year can be hit.

But are we -- I'd love to be able to say that there's no concern we're impervious to it. We're not -- there's -- there are factors in the market that always play that you never want to be a victim, so you try to do as good a planning as you can. And in the best case to have alternatives should a certain capacity not be used in the fab that it can be replaced with something else where we talked about the fact of intentionally working out some lower-margin products to allow room for higher-margin products.

The lower-margin products are still in demand and there's always the possibility if there is a gap in the fab because a demand of what you thought would be there is not there, we have the opportunity to backfill it with something else. And that something else is maybe not preferred because it's not the same margin profile, but it can be done. So at least you're absorbing your fixed cost.

Cody Grant Acree^ Thank you for all the color Russell.

Russell Ellwanger^ Very welcome. Good question.

Operator^ We are now going to proceed with our next question. the questions come from the line of Richard Shannon from Craig-Hallum Capital Group. Please ask your question.

Noit Levi-Karoubi^ Hi Roger.

Unidentified Participant^ Hi guys this is Tyler on for Richard. Sorry to disappoint. I have a question. I had a question on this model that you gave and the 2028 timeline. Is this a run rate in 2028? Or is this the full year?

Russell Ellwanger^ Yes. No, certainly, we will achieve it by run rate and we target to get a full year. But what we stated is that it would be achieved within the year. So we're -- our target and what I've stated is that is our target. One could definitely believe that we will hit it by run rate. And nominally, we'd love to hit it for full year. And it's possible.

Unidentified Participant^ Okay. Great. And then the silicon photonics, I know you just mentioned you could backfill other things. But at this point, with all of the CapEx investments that you make is this going to put the fabs at fully utilization for that model?

Russell Ellwanger^ No. Silicon photonics would not bring any of the factories to the full photo utilization. But it's not the silicon photonics that I was talking about as far as backfilling. That question was the specific question with regard to the RF mobile because of fear of the high-bandwidth memory manufacturers focusing on that for data center rather than supplying it elsewhere.

And without the memory that it might not that there could be a decline in the overall mobile integrator by not having the memory they need for their phones. That was what the question was. So I was saying if that was the case, that capacity is fungible.

Unidentified Participant^ Got it. But with this, I think what I'm really getting at is with this CapEx spend that you're adding today does that bring us to the 85% utilization?

Russell Ellwanger^ It does providing that the other flows are used to the prescribed capacity that we allotted to them. So no, it's not -- if it was only silicon photonics, it would not be 85% utilization. But must understand as well and this is an important point. We're focusing on the silicon photonics, our commitments around the silicon photonics where I say that the RFSOI, if you will, for the most part, that's pretty fungible to power.

I mean there are some layers that are different, but relatively fungible for power, relatively fungible for imaging. The silicon photonics is under different ratios, but it's very fungible to silicon germanium.

Unidentified Participant^ Got it. Thank you. I appreciate the (inaudible) there. I'll head back in the queue.

Noit Levi-Karoubi (Inaudible).

Russell Ellwanger^ (Inaudible) your questions. I hope.

Operator^ We are now going to proceed with our next question the questions come from Lisa Thomson from Zacks Investment Research. Please ask your question.

Lisa Thompson^ Thank you. Good morning. I have a few accounting questions for Oren. First off, could you tell us exactly what the dollar amount was for the onetime tax benefit in Q4?

Oren Shirazi^ It's approximately the difference between if we had 15% tax or 16% or 17% by the model which is about from the \$81 million pretax income we should have like have a tax expense of about 15% to 17% of that. So about like \$12 million, \$13 million. Instead of that, we have \$1.5 million. So the gap is about \$10 million.

Lisa Thompson^ Okay. And can you explain exactly what did you get for the \$105 million for the lease extension?

Oren Shirazi^ We got additional 3.5 years of lease of Newport Beach facility. We announced on 13 November 2025 press release. Instead of that it was supposed to be ending in the beginning of '27, it is now until the end of 2030.

Lisa Thompson^ Okay. And you paid the \$105 million upfront cash?

Oren Shirazi^ Yes. Yes. Yes. And it's included in the cash flow operations of Q4 which is the reason why it is a onetime lower by \$105 million than any model. But we announced it in November. So it's not new, no.

Lisa Thompson^ Right, right, right. And then I'm just curious as the change in the U.S. depreciation rules of what you can write off -- has that changed your model at all or changed your depreciation expectations going forward?

Oren Shirazi^ No. No impact on us.

Lisa Thompson^ No. Not at all. Okay. Great. Thank you. That was my question.

Operator^ This concludes the question and answer session. So I will now turn back to Russell for closing remarks. Thank you.

Russell Ellwanger^ Thank you very much. 2025 marked the completion of my 20th year at Tower. So I thought I would give a little bigger picture view of what Tower is about where we're going, what we're doing. And for the year 2025, we had a corporate theme and the theme was bold growth, limitless impact, infinite reach. I love that theme and put a lot of thought into it and truly would be my great honor if my life's journey would be worthy to have those words in my epitaph included, obviously to loving, honorable, loyal, husband, father, grandfather and friend.

But if that was written on my epitaph, wow, what a value-add life I would have led. If you look at bold growth, at least to me, it means being undaunted and creating a legacy much accretive to one's birth situation. In the case directly of corporate leadership, it would mean expanding the enterprise much, much beyond the situation from when one arrived.

If you talk about limitless impact, that would mean that the individual or the corporate leader has been successful in importing knowledge and creating opportunities for employees, colleagues, community for one family to have an advancing growth trajectory much beyond what they otherwise would have had, what otherwise would have been. Infinite Reach is a very interesting concept. I first encountered the term in David Deutsche's book, the beginning of infinity and the meeting that he put it forward meant that truth discovered in any sphere if indeed a truth holds in all spheres.

And it is very interesting. If you look at learning, there are many things which truly cannot be taught, but rather must be learned and where the learning comes only through doing. And I thought about that quite a bit. It really -- many, many things can be taught, but those things that can be told are tools. Things that can be learned are principles and values and it really only is learned through the doing.

I have a very, very fervent belief that work is the laboratory where one can and should learn and develop themselves in all capabilities, principles and values needed to become the person that they aspire to be. Anybody worth their salt spends the bulk of their wakened dollars at work.

What a meaningless activity if that isn't the place where one develops as a person. And I thought very much that a good company must allow for financial and professional growth, but a great company allows for the same with the addition of personal growth. Years back, earlier in my career, I had the great pleasure to reflect and thank Dr. Dan Medan at the time the President of Applied Materials, and this is directly what I wrote in.

When I came to Applied I believe I was a good person. Thank you for creating an environment that has allowed me to become a better person. Tower aspires to be such a high - - such a company. We focus on hiring most capable and passionate people and of equal importance to develop and nurture an environment where passionate and capable people can further grow in capability, in passion and as well in virtue.

We acknowledge and drive an understanding that the strongest catalyst for increased capability and enhanced passion or close collaborations with our customers and the excitement enjoy that is earned and truly earned from sharing in each other's successes. There's a quote of uncertain origin.

If two people agree on everything, one of them is unnecessary. We treasure diversity. We treasure diversity of opinions, but only if it's directed to single miss and purpose and actions. Organizational anarchists do not do very well at Tower. But no matter what and how diverse the opinion is, if it's directed towards making things better, it's highly appreciated.

I don't think a much different than anyone else. I don't like it when people disagree with me but I truly value it. And it's a very strong thing, and that's the culture that we have. So we have worked hard to be a company that really does allow people to grow. And if you allow people to grow, you have an environment and a spirit in the company where the company has become truly a masterpiece.

Now I don't know the attraction of any single piece of art or music to those on the call but I can say that I cannot walk by a da Vinci without being drawn to it. That's the impact of a masterpiece. It's the same thing with the company. If a company has extremely passionate people and they're of the highest character and they are capable, knowledgeable people, they are a magnet for the customer and the customer wants to be with them.

And that's what allows for corporate growth. That is one of the things that allows for bold growth that allows a company to have limitless impact, and it's based on the infinite reach of people as soon as you take on big responsibilities, and you take full ownership on those responsibilities you learn so many truths. And what is true in one sphere is true in everything. The principles that allow you to be a successful business leader, allows you to be a successful father, a successful husband, a successful mother, successful wife, successful daughter, successful and value-added friend.

So those are the things that Tower has truly worked on that we continue to work on. Ex U.S. President, Bill Clinton, had a quote that on first hearing sounds very nice, and it says old age is when your memories outweigh your dreams. I'm not a spring chicken, so those are the type of things that I think about. And at first, again, it sounds very good, but certainly, having dreams in no way define vibrant youth.

So the statement maybe is correct as far as if your memories outweigh your dreams, it shows that you're old. But having dreams does not show that you're youthful. Many, many people, even at a young age, only have dreams, they do nothing to try to make the dreams real. So I added to this quote and took the liberty.

Old age is when your memories outweigh your dreams and consequent actions to achieve them. Tower is in no way an aged company. We work off of the experience and knowledge that comes only through age, but with the full vibrance and excitement of use, and that's a

combination that's unbeatable and is truly a catalyst for customers to want to engage with your company.

We showed this new financial model which as having stated multiple times and being questioned about as well it's our target to achieve it, be it by run rate or be it in the full year, but to achieve this model in 2028, relatively short term. The model or went through all of the incremental margins, but what it is, it's a revenue CAGR of 22%. It's a very nice CAGR in our industry, a very nice foundry CAGR.

So a three-year CAGR of 22%. But it's a net profit CAGR of 50.5%, and that's really incredible to have a 2.5% off of the 22% CAGR -- to have a 2.5% increase on the CAGR of the net profit which isn't something that's talked about often because most people don't have CAGRs on net profit. But from the present state to achieving this model, it's 50.5%.

That is not an aged company. That is a company that is full, full of youthful exuberance based upon the capability of age, based upon experience, based upon having developed multiple years of strong, extremely strong relationships with customers. So to close, we entered 2026 with very strong momentum towards bold growth, limitless impact and infinite reach. Thank you for being with us. Thank you for continuing to be with us as we track towards the achievement of the \$750 million net profit model. Thank you very much.

Operator^ This concludes today's conference call. Thank you all for participating. You may now disconnect your lines. Thank you.