



Tower Semiconductor Reports 2024 First Quarter Financial Results

May 9, 2024 at 7:00 AM EDT

Reiterating Revenue Growth throughout the Year

MIGDAL HAEMEK, Israel, May 09, 2024 (GLOBE NEWSWIRE) -- Tower Semiconductor (NASDAQ: TSEM & TASE: TSEM) reports today its results for the first quarter ended March 31, 2024.

First Quarter of 2024 Results Overview

Revenue for the first quarter of 2024 was \$327 million as compared to \$352 million for the fourth quarter of 2023. Revenue for the first quarter of 2023 was \$356 million.

Gross profit for the first quarter of 2024 was \$73 million as compared to \$84 million for the fourth quarter of 2023. Gross profit for the first quarter of 2023 was \$96 million.

Operating profit for the first quarter of 2024 was \$34 million, as compared to \$45 million in the fourth quarter of 2023. Operating profit for the first quarter of 2023 was \$89 million and included \$32 million restructuring income, net from the previously disclosed reorganization and restructure of our Japan operations during 2022.

Net profit for the first quarter of 2024 was \$45 million, or \$0.40 basic and diluted earnings per share, as compared to net profit of \$54 million, or \$0.49 basic and \$0.48 diluted earnings per share for the fourth quarter of 2023. Net profit in the first quarter of 2023 was \$71 million, or \$0.65 basic and \$0.64 diluted earnings per share and included \$11 million restructuring income, net.

Cash flow generated from operating activities in the first quarter of 2024 was \$110 million. Investments in equipment and other fixed assets were \$98 million, net and debt payments totaled \$8 million, net.

In the fourth quarter of 2023, cash flow generated from operating activities was \$126 million, investments in equipment and other fixed assets were \$136 million, net and debt payments totaled \$9 million, net.

Corporate Credit Rating

In May 2024, Standard & Poor's Maalot (an Israeli rating company that is fully owned by S&P Global Ratings) completed its annual rating review for the Company and re-affirmed its corporate credit rating as "iIAA"/ stable.

Business Outlook

Tower Semiconductor guides revenue for the second quarter of 2024 to be \$350 million, with an upward or downward range of 5%.

Mr. Russell Ellwanger, Chief Executive Officer of Tower Semiconductor, stated: "As we move through the year, we remain focused on and confident about continuous growth, driven by the performance of several of our differentiated technologies, critical to present market needs with market leader customers who are true partners. This growth is against the landscape of a not yet robust market. Recent customer forecasts give reason to believe market recovery is forthcoming."

Teleconference and Webcast

Tower Semiconductor will host an investor conference call today, Thursday, May 9, 2024, at 10:00 a.m. Eastern time (9:00 a.m. Central time, 8:00 a.m. Mountain time, 7:00 a.m. Pacific time and 5:00 p.m. Israel time) to discuss the Company's financial results for the first quarter of 2024 and its business outlook.

This call will be webcast and can be accessed via Tower Semiconductor's website at www.towersemi.com or by calling 1-888-281-1167 (U.S. Toll-Free), 03-918-0610 (Israel), +972-3-918-0610 (International). For those who are not available to listen to the live broadcast, the call will be archived on Tower Semiconductor's website for 90 days.

The Company presents its financial statements in accordance with U.S. GAAP. The financial information included in the tables below includes unaudited condensed financial data. Some of the financial information, which may be used and/ or presented in this release and/ or prior earnings related filings and/ or in related public disclosures or filings with respect to the financial statements and/ or results of the Company, which we may describe as adjusted financial measures and/ or reconciled financial measures, are non-GAAP financial measures as defined in Regulation G and related reporting requirements promulgated by the Securities and Exchange Commission as they apply to our Company. These adjusted financial measures are calculated excluding the following: (1) amortization of acquired intangible assets as included in our operating costs and expenses, (2) compensation expenses in respect of equity grants to directors, officers, and employees as included in our operating costs and expenses, (3) merger contract termination fees received from Intel, net of associated cost and taxes following the previously announced Intel contract termination as included in net profit and (4) restructuring income, net, which includes income, net of cost and taxes associated with the cessation of operations of the Arai facility in Japan which occurred during 2022 as included in net profit. These adjusted financial measures should be evaluated in conjunction with, and are not a substitute for, GAAP financial measures. The tables may also present the GAAP financial measures, which are most comparable to the adjusted financial measures, as well as a reconciliation between the adjusted financial measures and the comparable GAAP financial measures. As used and/ or presented in this release and/ or prior earnings related filings and/ or in related public disclosures or filings with respect to the financial statements and/ or results of the Company, as well as may be included and calculated in the tables herein, the term Earnings Before Interest Tax

Depreciation and Amortization which we define as EBITDA consists of operating profit in accordance with GAAP, excluding (i) depreciation expenses, which include depreciation recorded in cost of revenues and in operating cost and expenses lines (e.g. research and development related equipment and/or fixed other assets depreciation), (ii) stock-based compensation expense, (iii) amortization of acquired intangible assets, (iv) merger contract termination fees received from Intel, net of associated cost following the previously announced Intel contract termination, as included in operating profit and (v) restructuring income, net in relation to the Arai facility in Japan, as included in operating profit. EBITDA is reconciled in the tables below and/or in prior earnings-related filings and/or in related public disclosures or filings with respect to the financial statements and/or results of the Company from GAAP operating profit. EBITDA and the adjusted financial information presented herein and/or prior earnings-related filings and/or in related public disclosures or filings with respect to the financial statements and/or results of the Company, are not a required GAAP financial measure and may not be comparable to a similarly titled measure employed by other companies. EBITDA and the adjusted financial information presented herein and/or prior earnings-related filings and/or in related public disclosures or filings with respect to the financial statements and/or results of the Company, should not be considered in isolation or as a substitute for operating profit, net profit or loss, cash flows provided by operating, investing and financing activities, per share data or other profit or cash flow statement data prepared in accordance with GAAP. The term Net Cash, as may be used and/or presented in this release and/or prior earnings-related filings and/or in related public disclosures or filings with respect to the financial statements and/or results of the Company, is comprised of cash, cash equivalents, short-term deposits, and marketable securities less debt amounts as presented in the balance sheets included herein. The term Net Cash is not a required GAAP financial measure, may not be comparable to a similarly titled measure employed by other companies and should not be considered in isolation or as a substitute for cash, debt, operating profit, net profit or loss, cash flows provided by operating, investing and financing activities, per share data or other profit or cash flow statement data prepared in accordance with GAAP. The term Free Cash Flow, as used and/or presented in this release and/or prior earnings related filings and/or in related public disclosures or filings with respect to the financial statements and/or results of the Company, is calculated to be net cash provided by operating activities (in the amounts of \$110 million, \$126 million and \$73 million for the three months periods ended March 31, 2024, December 31, 2023 and March 31, 2023, respectively (less cash used for investments in property and equipment, net (in the amounts of \$98 million, \$136 million and \$105 million for the three months periods ended March 31, 2024, December 31, 2023 and March 31, 2023, respectively). The term Free Cash Flow is not a required GAAP financial measure, may not be comparable to a similarly titled measure employed by other companies and should not be considered in isolation or as a substitute for operating profit, net profit or loss, cash flows provided by operating, investing, and financing activities, per share data or other profit or cash flow statement data prepared in accordance with GAAP.

About Tower Semiconductor

Tower Semiconductor Ltd. (NASDAQ/TASE: TSEM), the leading foundry of high-value analog semiconductor solutions, provides technology, development, and process platforms for its customers in growing markets such as consumer, industrial, automotive, mobile, infrastructure, medical and aerospace and defense. Tower Semiconductor focuses on creating a positive and sustainable impact on the world through long-term partnerships and its advanced and innovative analog technology offering, comprised of a broad range of customizable process platforms such as SiGe, BiCMOS, mixed-signal/CMOS, RF CMOS, CMOS image sensor, non-imaging sensors, displays, integrated power management (BCD and 700V), photonics, and MEMS. Tower Semiconductor also provides world-class design enablement for a quick and accurate design cycle as well as process transfer services including development, transfer, and optimization, to IDMs and fabless companies. To provide multi-fab sourcing and extended capacity for its customers, Tower Semiconductor owns two facilities in Israel (150mm and 200mm), two in the U.S. (200mm), two in Japan (200mm and 300mm) which it owns through its 51% holdings in TPSCo, shares a 300mm facility in Agrate, Italy, with ST, as well as has access to a 300mm capacity corridor in Intel's New Mexico facility. For more information, please visit: www.towersemi.com.

CONTACTS:

Noit Levy | Investor Relations | +972 74 737 7556 | noitle@towersemi.com

This press release, including other projections with respect to our business and activities, includes forward-looking statements, which are subject to risks and uncertainties. Actual results may vary from those projected or implied by such forward-looking statements and you should not place any undue reliance on such forward-looking statements. Potential risks and uncertainties include, without limitation, risks and uncertainties associated with: (i) demand in our customers' end markets, (ii) reliance on acquisition and/or gaining additional capacity for growth, (iii) difficulties in achieving acceptable operational metrics and indices in the future as a result of operational, technological or process-related problems, (iv) identifying and negotiating with third-party buyers for the sale of any excess and/or unused equipment, inventory and/or other assets, (v) maintaining current key customers and attracting new key customers, (vi) over demand for our foundry services resulting in high utilization and its effect on cycle time, yield and on schedule delivery, as well as customers potentially being placed on allocation, which may cause customers to transfer their business to other vendors, (vii) financial results may fluctuate from quarter to quarter making it difficult to forecast future performance, (viii) our debt and other liabilities that may impact our financial position and operations, (ix) our ability to successfully execute acquisitions, integrate them into our business, utilize our expanded capacity and find new business, (x) fluctuations in cash flow, (xi) our ability to satisfy the covenants stipulated in our agreements with our debt holders, (xii) pending litigation, (xiii) meeting the conditions set in approval certificates and other regulations under which we received grants and/or royalties and/or any type of funding from the Israeli, US and/or Japan governmental agencies, (xiv) receipt of orders that are lower than the customer purchase commitments and/or failure to receive customer orders currently expected, (xv) possible incurrence of additional indebtedness, (xvi) effect of global recession, unfavorable economic conditions and/or credit crisis, (xvii) our ability to accurately forecast financial performance, which is affected by limited order backlog and lengthy sales cycles, (xviii) possible situations of obsolete inventory if forecasted demand exceeds actual demand when we create inventory before receipt of customer orders, (xix) the cyclical nature of the semiconductor industry and the resulting periodic overcapacity, fluctuations in operating results and future average selling price erosion, (xx) obtain financing for capacity acquisition related transactions, strategic and/or other growth or M&A opportunities, including for funding Agrate fab's significant 300mm capacity investments and acquisition or funding of equipment and other fixed assets associated with the capacity corridor transaction with Intel as announced in September 2023, in addition to other capacity expansion plans, and the possible unavailability of such financing and/or the availability of such financing on unfavorable terms, (xxi) operating our facilities at sufficient utilization rates necessary to generate and maintain positive and sustainable gross, operating and net profit, (xxii) the purchase of equipment and/or raw material (including purchase beyond our needs), the timely completion of the equipment installation, technology transfer and raising the funds therefor, (xxiii) product returns and defective products, (xxiv) our ability to maintain and develop our technology processes and services to keep pace with new technology, evolving standards, changing customer and end-user requirements, new product introductions and short product life cycles, (xxv) competing effectively, (xxvi) use of outsourced foundry services by both fabless semiconductor companies and integrated device manufacturers, (xxvii) our dependence on intellectual property rights of others, our ability to operate our business without infringing others' intellectual property rights and our ability to enforce our intellectual property against infringement, (xxviii) the fab3 landlord's alleged claims that the noise abatement efforts made thus far are not adequate under the terms of the amended lease that caused him to request a judicial declaration that there was a material non-curable breach of the lease and that he would be entitled to terminate the lease, as well the ability to extend such lease or acquire the real estate and obtain the required local and/or state approvals required to be able to

continue operations beyond the current lease term, (xxix) retention of key employees and recruitment and retention of skilled qualified personnel, (xxx) exposure to inflation, currency rates (mainly the Israeli Shekel, the Japanese Yen and the Euro) and interest rate fluctuations and risks associated with doing business locally and internationally, as well fluctuations in the market price of our traded securities, (xxxi) meeting regulatory requirements worldwide, including export, environmental and governmental regulations, as well as risks related to international operations, (xxxii) potential engagement for fab establishment, joint venture and/or capital lease transactions for capacity enhancement in advanced technologies, including risks and uncertainties associated with Agrate fab establishment and the capacity corridor transaction with Intel as announced in September 2023, such as their qualification schedule, technology, equipment and process qualification, facility operational ramp-up, customer engagements, cost structure, required investments and other terms, which may require additional funding to cover their significant capacity investment needs and other payments, the availability of which funding cannot be assured on favorable terms, if at all, (xxxiii) potential liabilities, cost and other impact that may be incurred or occur due to reorganization and consolidation of fabrication facilities, including the impact of cessation of operations of our facilities, including with regard to our 6 inch facility, (xxxiv) potential security, cyber and privacy breaches, (xxxv) workforce that is not unionized which may become unionized, and/or workforce that is unionized and may take action such as strikes that may create increased cost and operational risks, (xxxvi) issuance of ordinary shares as a result of exercise and/ or vesting of any of our employee stock options and/ or restricted stock units, as well as any sale of shares by any of our shareholders, or any market expectation thereof, as well as issuance of additional employee stock options and/or restricted stock units, or any market expectation thereof, which may depress the market value of the Company and the price of the company's ordinary shares and in addition may impair our ability to raise future capital, and (xxxvii) climate change, business interruption due to flood, fire, pandemic, earthquake and other natural disasters, the security situation in Israel, global trade "war" and the current war in Israel, including potential inability to continue uninterrupted operations of the Israeli fabs, impact on global supply chain to and from the Israeli fabs, power interruptions, chemicals or other leaks or damages as a result of the war, absence of workforce due to military service as well as risk that certain countries will restrict doing business with Israeli companies, including imposing restrictions if hostilities in Israel or political instability in the region continue or exacerbate, and other events beyond our control . With respect to the current war in Israel, if instability in neighboring states occurs, Israel could be subject to additional political, economic, and military confines, and our Israeli facilities' operations could be materially adversely affected. Any current or future hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel, could have a material adverse effect on our business, financial condition and results of operations.

A more complete discussion of risks and uncertainties that may affect the accuracy of forward-looking statements included in this press release or which may otherwise affect our business is included under the heading "Risk Factors" in Tower's most recent filings on Forms 20-F and 6-K, as were filed with the Securities and Exchange Commission (the "SEC") and the Israel Securities Authority. Future results may differ materially from those previously reported. The Company does not intend to update, and expressly disclaims any obligation to update, the information contained in this release.

(Financial tables follow)

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(dollars in thousands)

	March 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 260,497	\$ 260,664
Short-term deposits	848,522	790,823
Marketable securities	133,611	184,960
Trade accounts receivable	159,398	154,067
Inventories	299,377	282,688
Other current assets	42,049	35,956
Total current assets	1,743,454	1,709,158
PROPERTY AND EQUIPMENT, NET	1,180,569	1,155,929
GOODWILL AND OTHER INTANGIBLE ASSETS, NET	11,666	12,115
OTHER LONG-TERM ASSETS, NET	41,226	41,315
TOTAL ASSETS	\$ 2,976,915	\$ 2,918,517
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	\$ 57,700	\$ 58,952
Trade accounts payable	169,526	139,128
Deferred revenue and customers' advances	19,732	18,418
Other current liabilities	76,947	60,340
Total current liabilities	323,905	276,838
LONG-TERM DEBT	151,699	172,611
LONG-TERM CUSTOMERS' ADVANCES	22,465	25,710
DEFERRED TAX AND OTHER LONG-TERM LIABILITIES	16,277	16,319
TOTAL LIABILITIES	514,346	491,478
TOTAL SHAREHOLDERS' EQUITY	2,462,569	2,427,039
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,976,915	\$ 2,918,517

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(dollars and share count in thousands, except per share data)

	Three months ended		
	March 31,	December 31,	March 31,
	2024	2023	2023
REVENUES	\$ 327,238	\$ 351,711	\$ 355,611
COST OF REVENUES	254,632	267,294	259,894
GROSS PROFIT	72,606	84,417	95,717
OPERATING COSTS AND EXPENSES:			
Research and development	19,951	20,849	19,331
Marketing, general and administrative	18,670	18,401	18,629
Restructuring income, net *	--	--	(31,655)
	38,621	39,250	6,305
OPERATING PROFIT	33,985	45,167	89,412
FINANCING AND OTHER INCOME, NET	3,984	16,682	6,997
PROFIT BEFORE INCOME TAX	37,969	61,849	96,409
INCOME TAX BENEFIT (EXPENSE), NET	5,078	(10,130)	(15,041)
NET PROFIT	43,047	51,719	81,368
Net loss (income) attributable to non-controlling interest	1,587	2,128	(9,966)
NET PROFIT ATTRIBUTABLE TO THE COMPANY	\$ 44,634	\$ 53,847	\$ 71,402
BASIC EARNINGS PER SHARE	\$ 0.40	\$ 0.49	\$ 0.65
Weighted average number of shares	110,840	110,796	109,961
DILUTED EARNINGS PER SHARE	\$ 0.40	\$ 0.48	\$ 0.64
Weighted average number of shares	111,627	111,308	111,071
* Restructuring income, net resulted from the previously disclosed reorganization and restructure of our Japan operations during 2022.			
RECONCILIATION FROM GAAP NET PROFIT ATTRIBUTABLE TO THE COMPANY TO ADJUSTED NET PROFIT ATTRIBUTABLE TO THE COMPANY:			
GAAP NET PROFIT ATTRIBUTABLE TO THE COMPANY	\$ 44,634	\$ 53,847	\$ 71,402
Stock based compensation	6,761	6,662	6,448
Amortization of acquired intangible assets	448	442	499
Restructuring income, net **	--	--	(10,974)
ADJUSTED NET PROFIT ATTRIBUTABLE TO THE COMPANY	\$ 51,843	\$ 60,951	\$ 67,375
ADJUSTED EARNINGS PER SHARE:			
Basic	\$ 0.47	\$ 0.55	\$ 0.61
Diluted	\$ 0.46	\$ 0.55	\$ 0.61

** Restructuring income, net resulted from the previously disclosed reorganization and restructure of our Japan operations during 2022, net of taxes.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
CONSOLIDATED SOURCES AND USES REPORT (UNAUDITED)
(dollars in thousands)

	Three months ended		
	March 31,	December 31,	March 31,
	2024	2023	2023
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	\$ 260,664	\$ 314,816	\$ 340,759
Net cash provided by operating activities	110,038	126,098	72,727
Investments in property and equipment, net	(98,018)	(136,426)	(105,245)
Debt repaid and others, net	(8,409)	(8,950)	(28,796)
Proceeds from an investment in a subsidiary	--	--	1,932
Effect of Japanese Yen exchange rate change over cash balance	(2,665)	2,101	(637)
Investments in short-term deposits, marketable securities and other assets, net of sale proceeds	(1,113)	(36,975)	24,194

CASH AND CASH EQUIVALENTS - END OF PERIOD	\$	260,497	\$	260,664	\$	304,934
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TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

	Three months ended		
	March 31,	December 31,	March 31,
	2024	2023	2023
CASH FLOWS - OPERATING ACTIVITIES			
Net profit for the period	\$ 43,047	\$ 51,719	\$ 81,368
Adjustments to reconcile net profit for the period to net cash provided by operating activities:			
Income and expense items not involving cash flows:			
Depreciation and amortization *	59,544	65,178	62,387
Effect of exchange rate differences and fair value adjustment	227	(6,852)	(926)
Other expense (income), net	5,993	(7,692)	815
Changes in assets and liabilities:			
Trade accounts receivable	(6,716)	(1,861)	7,413
Other assets	(13,454)	(6,418)	(1,138)
Inventories	(23,703)	27,310	(57,420)
Trade accounts payable	32,559	30,023	44,542
Deferred revenue and customers' advances	(1,931)	(9,902)	(15,470)
Other current liabilities	16,868	(15,745)	(45,053)
Other long-term liabilities	(2,396)	338	(3,791)
Net cash provided by operating activities	<u>110,038</u>	<u>126,098</u>	<u>72,727</u>
CASH FLOWS - INVESTING ACTIVITIES			
Investments in property and equipment, net	(98,018)	(136,426)	(105,245)
Investments in short-term deposits, marketable securities and other assets, net of sale proceeds	(1,113)	(36,975)	24,194
Net cash used in investing activities	<u>(99,131)</u>	<u>(173,401)</u>	<u>(81,051)</u>
CASH FLOWS - FINANCING ACTIVITIES			
Debt repaid, net	(8,409)	(8,950)	(28,796)
Proceeds from an investment in a subsidiary	--	--	1,932
Net cash used in financing activities	<u>(8,409)</u>	<u>(8,950)</u>	<u>(26,864)</u>
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGE	<u>(2,665)</u>	<u>2,101</u>	<u>(637)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(167)</u>	<u>(54,152)</u>	<u>(35,825)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>260,664</u>	<u>314,816</u>	<u>340,759</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 260,497</u>	<u>\$ 260,664</u>	<u>\$ 304,934</u>

* Includes amortization of acquired intangible assets and stock based compensation in the amounts of \$7,209, \$7,104 and \$6,947 for the 3 months periods ended March 31, 2024, December 31, 2023 and March 31, 2023, respectively.



Source: Tower Semiconductor