Zacks Small-Cap Research

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# TowerJazz

**(TSEM-NASDAQ)**

## TSEM: 2018 Revenue Forecasts Bumping Up Against Capacity Constraints

We believe that the stock could be worth $38.00 based on an industry average PE ratio of 18.4xs its 2018 adjusted non-GAAP EPS earnings of $2.07.

| | |
|---|---|
| Current Price (08/04/17) | $24.48 |
| **Valuation** | **$38.00** |

## OUTLOOK

TowerJazz is a pure-play analog semiconductor wafer foundry that manufactures SiGe, MEMS, RF, embedded flash-based memory, analog/mixed-signal, and CMOS image-sensor devices in the US, Israel and Japan. It has capacity to $1.6B in sales and is serving high growth markets such as RF High Position analog, CMOS image sensors, and power management. It is expected to grow because of the specific markets it addresses, by fab acquisitions, and by market share gains. We expect it to make a decision by year-end as to how to significantly increase capacity for future needs.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$27.39** |
| **52-Week Low** | **$13.69** |
| **One-Year Return (%)** | **61.2** |
| **Beta** | **1.0** |
| **Average Daily Volume (sh)** | **1,201,499** |
| **Shares Outstanding (mil)** | **96.4** |
| **Market Capitalization ($mil)** | **$2,360** |
| **Short Interest Ratio (days)** | **3.0** |
| **Institutional Ownership (%)** | **49** |
| **Insider Ownership (%)** | **1** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **20.0** |
| **Earnings Per Share (%)** | **25.8** |
| **Dividend (%)** | **0.0** |
| **P/E using TTM EPS** | **12.2** |
| **P/E using 2017 Estimate** | **12.8** |
| **P/E using 2018 Estimate** | **11.8** |
| **Zacks Rank** | **N/A** |

| | |
|---|---|
| **Risk Level** | **Average** |
| **Type of Stock** | **Mid-Blend** |
| **Industry** | **Elect. Comp-Semi.** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2015 | 226 A | 236 A | 244 A | 255 A | 961 A |
| 2016 | 278 A | 305 A | 326 A | 340 A | 1,250 A |
| 2017 | 330 A | 345 A | 355 E | 355 E | 1,385 E |
| 2018 | | | | | 1,474 E |

**Earnings per Share**
(Adjusted Non-GAAP Fully Diluted)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2015 | -$0.03 A | $0.14 A | $0.22 A | $0.29 A | $0.58 A |
| 2016 | $0.31 A | $0.40 A | $0.49 A | $0.52 A | $1.71 A |
| 2017 | $0.48 A | $0.52 A | $0.51 E | $0.50 E | $1.91 E |
| 2018 | | | | | $2.07 E |

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## WHATS NEW

TowerJazz reported another record quarter in terms of revenue and profitability and guided up on Q3 revenues but the stock fell as the company nears its capacity limitations anticipated next year even sooner. Investors are well aware that the company needs to have meaningful new capacity put online next year and the company's unexpected growth so far this year has moved that deadline forward. For the first half of 2017 the company grew revenues 16%, far in excess of the single digit growth anticipated at the start of the year. This quarter TSEM's revenues reflected organic growth, ex-TPSCo and Maxim, of 26%. As this success trickles into earnings models, revenues estimates start to bump up to physical capacity constraints, rather than demand. The operation has a run rate capacity of $1.6B, which is a $400 million quarter. Investors await an announcement as to the costs and benefits of a solution by year-end.

### Q2 Earnings on Target; Company Guides Up on Q3 Revenues

TowerJazz reported Q2 2017 revenues of $345 million versus last year's $305 million, **up 13%** and $330 million in Q1 2017. This was in line with guidance. The company gave midpoint guidance of $355 million in revenue for Q3 2017, pointing to revenue growth of 9%. This is $7 million higher than we had forecast, but indications are that some of this increase is from pulling some Q4 revenues forward.

Gross margins continue to improve with capacity utilization and product mix. Gross margin for the quarter was 26.4% versus 23.8% last year and 25.7% in Q1 2017. Importantly the sequentially additional $15 million in sales generated $6.3 million in gross margin dollars or 42%. This 42% is expected to trend higher with higher sales and by 2018, be aided by product mix. By then there will be sales of 12-inch product that can yield over 60% gross margin, moving the average up sequentially throughout the year.

While revenues grew 13%, gross margin grew 25% and operating income grew 26% to 17% of sales. Operating leverage from Tower's fixed cost structure should continue to propel earnings growth ahead of revenue growth going forward, until of course the company takes some major action to add to capacity.

Fully diluted GAAP EPS was $0.49 versus $0.40 a year ago. **Adjusted Non-GAAP EPS was $0.52 versus $0.40, up 25%.** Adjusted **EBITDA was $108 million** versus $87 million a year ago. At today's price, this is an enterprise value to EBITDA run rate of 6.2 times.

### 2017 Forecast

Giving the company's revenue guidance for Q3, we are tweeking our revenue forecast for the year from $1.378 billion to $1.385 billion. We are now looking for non-GAAP EPS of $1.91 versus our previous $1.89 due to the two-cent beat this quarter.

### Capacity Utilization and Plans

The company continues to accumulate cash and now has net cash of **$131 million versus a negative $48 million a year ago.** Its quick ratio is high at 2.6xs and it has $553 million in working capital. The company is no doubt stockpiling cash for potential acquisitions of fabs or other ventures to increase capacity. By Q3 or Q4, TowerJazz will have to make a decision how to increase capacity. It needs to have something in hand by the end of the year to meet 2018 capacity needs. If it were to build a fab, we believe it is having discussions with a municipality in China that would fund the project while Tower provides the equipment and expertise. Alternatively it could seek out a fab for sale from an owner that would still guarantee to use some production capacity much like Panasonic or Maxim did. There is some hope that industry consolidation in the client base could create some opportunity. A third possibility is an acquisition of an undervalued asset where TowerJazz's ownership could add value and provide it entry to new markets.

Panasonic continues to represent between $90-105 million in revenues per quarter and third party revenues at TPSCo. It ended Q4 2016 at a $100 million run rate. So Panasonic plus Maxim total approximately $500 million of the company's estimated $1.4 billion in 2017 revenues. TPSCo generated $400 million in revenue; Panasonic owns 49% of that business.

The company continues to expand incremental capacity in the fabs it owns and cross certify among fabs to provide more flexibility. Its current fabs have achieved the following capacity utilization:

| | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 | Q1 2017 | Q2 2017 |
|---|---|---|---|---|---|---|---|
| **Fab1 Migdal Haemek, Israel 6"** | 65% | 71% | 70% | 70% | 78% | 87% | 90% |
| **Fab2 Migdal Haemek, Israel 8"** | 91% | 91% | 91% | 91% | 87% | 89% | 85% |
| **Fab3 Newport Beach, California 8"** | 91% | 91% | 88% | 88% | 84% | 87% | 86% |
| **Three TPSCo factories** | 41% | 41% | 42% | 42% | 50% | 50% | 50% |
| **San Antonio, 8"** | NA | NA | NA | NA | NA | 60% | 60% |

The current fab capacity will allow the company to grow revenues and improve margins through capacity utilization. The following table shows the **operating leverage** the company has. It shows that without improvements, the capacity of TowerJazz is currently $1.6B. Based on its experience, that revenue is projected to yield gross margin of $489 million, EBITDA of $547 million and net profit to TSEM (after subtracting Panasonic's minority interest) of $261 million.

**Present Capacity Financial Model**

| $M | Q3'16 Annualized | Incremental Model | Total |
|---|---|---|---|
| **Revenue** | 1,305 | 295 | 1,600 |
| **Gross Profit** | 324 | 165 | 489 |
| **R&D** | 62 | 5 | 67 |
| **SG&A** | 67 | 0 | 67 |
| **EBITDA** | 387 | 160 | 547 |
| **Net Profit** | 160 | 101 | 261 |
| **Cash from operations** | 344 | 121 | 465 |
| **Cap-Ex** | 168 | 0 | 168 |
| **FCF** | 176 | 121 | 297 |

Going forward the automotive sector looks to be a big part of future growth given the amount of sensors and cameras required for collision avoidance and self-driving cars. The LiDAR market for Autonomous Autos and Small Trucks/SUVs was valued at $13 million in 2016 and is expected to reach $9.9 billion by 2023 according to Wintergreen Research. TowerJazz should be able to capture high market share in this marketplace due to its leading-edge technology.

## INVESTMENT THESIS

- Although the semiconductor market is typically considered cyclical, we believe that based on the end-user markets for which TowerJazz's products used, revenues should continue to grow steadily.
- As a foundry, the company has natural operating leverage given its high fixed costs. Every dollar in revenue tends to add about $0.45 to gross margin. When the company adds 12" revenues, that blended percentage will trend higher as 12" can sell at 60+ gross margins.
- Its largest market segment, RF, was 30% of the first half of 2017. While this segment grew 23% in 2016, the company expects overall growth 10% in 2017 based on current business and customer expectations. The remaining 70% of the business ex-Panasonic and Maxim is expected to have double-digit growth between 10-30%. This quarter that growth was 26%. The company has exceeded expectations by growing 16% in the first half of 2017.
- The company has a strong market position in high quality imaging and 3D, which is increasing being used for gesturing controls, machine vision, security anti-crash systems and self driving cars, as well as smartphones with high megapixel cameras. In this area its primary competition is Sony, which makes it a preferable source for many companies that compete with Sony.
- Having Panasonic as a partner gives the company increased stature in the industry and has attracted new customers who have a favorable disposition to working with a trusted and known company with high quality product and leading edge expertise in imaging.
- The major risk to the stock is the need to add capacity, which is currently $1.6 billion in revenue. The company should be making a decision on how to increase that capacity by year-end. This is expected to make a change to earnings estimates, require capital and increases expenses no matter what methodology is chosen either: increasing current fab capacities, buying a new fab either outright or in a joint venture, or partnering with another entity to build a brand new fab.
- We believe the stock is currently undervalued on a PE basis versus its peers, as well as by PE to growth rate. Peer companies trade at an average PE of 18.4 times 2018 estimated earnings. At an industry average PE, TSEM's stock should trade at $38.00 per share.

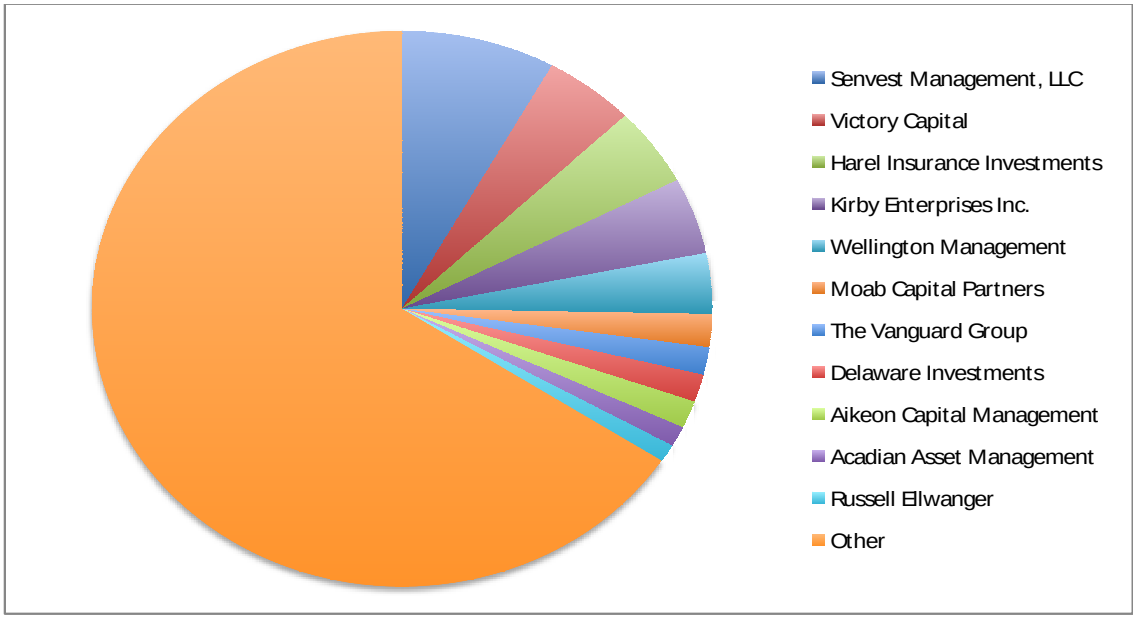
## VALUATION

TSEM's public foundry comparables have a PE range of 12.9 to 22.8 times 2018 estimated EPS. Our Fully diluted non-GAAP EPS estimate for 2017 for TSEM is $1.91 and our 2018 EPS estimate is $2.07. Given SMI's outlying PE of 60.9 in 2017, we choose to use the 2018 PE average. **Using the average PE of 18.4 times for estimated 2018 EPS the group gives a future stock price of $38.00 per share**. The biggest risk to the stock is that the company will have to move to increase capacity by year end which cold result in a reduction in earnings estimates as any major capacity add would be expected to reduce earnings in the short term.

**Foundry Companies**

| Company | Ticker | EPS 17E | EPS 18E | Price | PE 2017 | PE 2018 | Growth Rate |
|---|---|---|---|---|---|---|---|
| Advanced Semiconductor | ASX | $0.44 | $0.51 | $6.56 | 14.9 | 12.9 | 16% |
| Semiconductor Manufacturing | SMI | 0.09 | 0.24 | 5.48 | 60.9 | 22.8 | 167% |
| Taiwan Semiconductor | TSM | 2.15 | 2.32 | 35.79 | 16.6 | 15.4 | 8% |
| United Microelectronics | UMC | 0.11 | 0.13 | 2.21 | 20.1 | 17.0 | 18% |
| **Average** | | | | | 28.1 | 18.4 | 64.3% |

## OWNERSHIP




Source: E*TRADE and SEC filings

## BALANCE SHEET

| $ in thousands | June 30, 2017 | Mar. 31, 2017 | Qtr-Qtr % Change | June 30, 2016 | Yr-Yr % Change |
|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | **$483,603** | **$432,113** | 11.9% | **$311,062** | 55.5% |
| Trade accounts receivable | 150,731 | 133,539 | 12.9% | 126,839 | 18.8% |
| Inventories | 139,010 | 140,734 | -1.2% | 136,125 | 2.1% |
| Other current assets | 34,391 | 27,235 | 26.3% | 21,581 | 59.4% |
| **Total current assets** | **807,735** | **733,621** | 10.1% | **609,600** | 32.5% |
| | | | | | |
| LONG-TERM INVESTMENTS | 27,291 | 26,661 | 2.4% | 11,861 | 130.1% |
| PROPERTY AND EQUIPMENT, NET | 628,279 | 629,554 | -0.2% | 625,163 | 0.5% |
| INTANGIBLE ASSETS, NET | 23,848 | 26,164 | -8.9% | 34,807 | -31.5% |
| GOODWILL | 7,000 | 7,000 | 0.0% | 7,000 | 0.0% |
| OTHER ASSETS, NET | 4,355 | 4,403 | -1.1% | 4,586 | -5.0% |
| TOTAL ASSETS | 1,498,508 | 1,427,403 | 5.0% | 1,293,017 | 15.9% |
| | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| **Short term debt** | **55,295** | **43,331** | 27.6% | **38,174** | 44.8% |
| Trade accounts payable | 95,328 | 104,084 | -8.4% | 98,829 | -3.5% |
| Deferred revenue | 25,689 | 24,945 | 3.0% | 18,802 | 36.6% |
| Other current liabilities | 78,051 | 65,469 | 19.2% | 87,386 | -10.7% |
| **Total current liabilities** | **254,363** | **237,829** | 7.0% | **243,191** | 4.6% |
| | | | | | |
| **LONG-TERM DEBT** | **297,609** | **303,152** | -1.8% | **320,444** | -7.1% |
| LONG-TERM CUSTOMERS' ADVANCES | 29,061 | 34,369 | -15.4% | 48,999 | -40.7% |
| EMPLOYEE RELATED LIABILITIES | 14,652 | 14,447 | 1.4% | 14,029 | 4.4% |
| DEFERRED TAX LIABILITY | 88,808 | 91,715 | -3.2% | 107,585 | -17.5% |
| Total liabilities | 684,493 | 681,512 | 0.4% | 734,248 | -6.8% |
| | | | | | |
| SHAREHOLDERS' EQUITY | 814,015 | 745,891 | 9.1% | 558,769 | 45.7% |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $1,498,508 | $1,427,403 | 5.0% | $1,293,017 | 15.9% |
| | | | | | |
| Current Ratio | 3.2 | 3.1 | 2.9% | 2.5 | 26.7% |
| Quick Ratio | 2.6 | 2.5 | 5.5% | 1.9 | 35.0% |
| Working Capital | 553,372 | 495,792 | 11.6% | 366,409 | 51.0% |
| Debt Percent of Assets | 24% | 24% | -3.0% | 28% | -15.1% |
| Debt to Equity | 0.4 | 0.5 | -6.7% | 0.6 | -32.5% |

## INCOME STATEMENT

| | March Q1 16 | June Q2 16 | Sept Q3 16 | Dec Q4 16 | March Q1 17 | June Q2 17 | Sept Q3 17E | Dec Q4 17E | 2016 | 2017E | 2018E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | | | | |
| Net Revenue | 278.0 | 305.0 | 326.2 | 340.4 | 330.1 | 345.1 | 355.0 | 355.0 | 1,249.6 | 1,385.1 | 1,473.7 |
| Yr-to-yr Gr. | 23% | 29% | 34% | 34% | 19% | 13% | 9% | 4% | 30% | 11% | 7% |
| | | | | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | | | | |
| Cost of goods sold | 216.7 | 232.3 | 244.9 | 252.6 | 245.3 | 254.0 | 259.2 | 259.2 | 946.5 | 1,017.6 | 1,061.0 |
| Gross Margin | 61.3 | 72.7 | 81.3 | 87.7 | 84.8 | 91.1 | 95.8 | 95.8 | 303.1 | 367.5 | 412.7 |
| % of Sales | 22.1% | 23.8% | 24.9% | 25.8% | 25.7% | 26.4% | 27.0% | 27.0% | 24.3% | 26.5% | 28.0% |
| | | | | | | | | | | | |
| R&D | 15.2 | 16.0 | 15.5 | 16.3 | 15.8 | 16.4 | 16.4 | 16.4 | 63.1 | 65.0 | 66.5 |
| M, G&A | 15.9 | 16.5 | 16.8 | 16.2 | 16.2 | 17.2 | 17.3 | 17.8 | 65.4 | 68.6 | 74.0 |
| One-time charges | (0.6) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (0.6) | 0.0 | 0.0 |
| | | | | | | | | | | | |
| Tot Operating Exp. | 30.5 | 32.6 | 32.3 | 32.5 | 32.0 | 33.7 | 33.7 | 34.2 | 127.9 | 133.6 | 140.5 |
| | | | | | | | | | | | |
| **Operating Income** | 30.8 | 40.2 | 49.0 | 55.2 | 52.8 | 57.4 | 62.1 | 61.6 | 175.2 | 233.9 | 272.2 |
| **Operating Margin** | 11% | 13% | 15% | 16% | 16% | 17% | 18% | 17% | 14% | 17% | 18% |
| Yr-to-yr Gr. | 1445% | 87% | 104% | 61% | 44% | 26% | 17% | 7% | 113.9% | 33.6% | 13.1% |
| | | | | | | | | | | | |
| Net Interest | (3.4) | (3.0) | (3.3) | (2.2) | (2.2) | (2.1) | (2.0) | (2.0) | (11.9) | (8.3) | (8.3) |
| Other non-cash financing expense | (4.0) | (7.5) | (2.2) | 1.2 | (2.0) | (1.1) | (2.0) | (2.0) | (12.5) | (7.1) | (8.0) |
| Other income | 0.0 | 4.4 | 5.1 | (0.9) | 0.5 | 0.1 | 0.0 | 0.0 | 8.5 | 0.7 | 0.0 |
| Gain from acqusiition | 41.1 | 10.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 51.3 | 0.0 | 0.0 |
| **Profit before tax** | 64.6 | 44.2 | 48.6 | 53.2 | 49.0 | 54.4 | 58.1 | 57.6 | 210.6 | 219.2 | 255.9 |
| | 23.2% | 14.5% | 14.9% | 15.6% | 14.9% | 15.8% | 16.4% | 16.2% | 16.9% | 15.8% | 17.4% |
| | | | | | | | | | | | |
| Taxes | (0.1) | (3.8) | 3.5 | (1.0) | (2.0) | (2.7) | (4.0) | (5.0) | (1.4) | (13.7) | (25.0) |
| Tax Rate | 0.1% | 8.7% | -7.1% | 1.9% | 4.1% | 4.9% | 6.9% | 8.7% | 0.7% | 6.2% | 9.8% |
| | | | | | | | | | | | |
| Profit before non-controlling | 64.5 | 40.3 | 52.0 | 52.3 | 47.0 | 51.7 | 54.1 | 52.6 | 209.2 | 205.5 | 230.9 |
| Minority Income | 1.3 | (1.9) | (0.8) | (4.0) | (1.5) | (1.7) | (4.0) | (4.0) | (5.3) | (11.2) | (28.0) |
| | | | | | | | | | | | |
| GAAP Net income | 65.9 | 38.5 | 51.2 | 48.3 | 45.5 | 50.0 | 50.1 | 48.6 | 203.9 | 194.3 | 202.9 |
| Yr-to-yr Gr. | -190% | 394% | 278% | 119% | -31% | 30% | -2% | 1% | NM | -5% | -5% |
| Non-GAAP Net Income | 31.6 | 39.8 | 49.4 | 53.4 | 52.1 | 54.6 | 54.7 | 53.2 | 174.2 | 203.35 | 221.93 |
| | | | | | | | | | | | |
| GAAP primary EPS | $0.78 | $0.45 | $0.58 | $0.53 | $0.48 | $0.52 | $0.51 | $0.50 | $2.33 | $2.01 | $2.07 |
| Fully diluted GAAP | $0.69 | $0.40 | $0.52 | $0.49 | $0.45 | $0.49 | $0.47 | $0.45 | $2.10 | $1.83 | $1.89 |
| **Adj Non-GAAP EPS-Fully dil.** | **$0.32** | **$0.40** | **$0.49** | **$0.52** | **$0.48** | **$0.52** | **$0.51** | **$0.50** | **$1.71** | **$1.91** | **2.07** |
| | -1198% | 190% | 125% | 77% | 42% | 25% | -4% | -12% | 195% | | |
| | | | | | | | | | | | |
| Primary Share Out | 84.5 | 86.3 | 87.8 | 91.2 | 93.9 | 96.4 | 98.0 | 98.0 | 87.5 | 96.6 | 98.0 |
| Fully Diluted GAAP | 98.8 | 100.2 | 101.8 | 103.6 | 104.9 | 105.6 | 107.2 | 107.2 | 101.3 | 106.2 | 107.2 |
| All in shares | 106.9 | 107.1 | 107.1 | 107.1 | 107.2 | 107.4 | 107.4 | 107.4 | 107.0 | 107.3 | 107.4 |
| | | | | | | | | | | | |
| **EBITDA** | **77.7** | **87.0** | **96.8** | **105.2** | **101.0** | **108.3** | **113.1** | **112.6** | **366.7** | **435.1** | **476.2** |
| EBITDA Margin | 28% | 29% | 30% | 31% | 31% | 31% | 32% | 32% | 29% | 31% | 32% |
| Yr-to-yr Gr. | 51% | 48% | 53% | 39% | 30% | 24% | 17% | 7% | | 19% | 4% |

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## CASH FLOW

| | Year 2015 | 3-months 31-Mar-16 | 3-months 30-Jun-16 | 3-months 30-Sep-16 | 3-months 31-Dec-16 | Year 2016 | 3-months 31-Mar-17 | 3-months 30-Jun-17 |
|---|---|---|---|---|---|---|---|---|
| **CASH FLOWS - OPERATING ACTIVITIES** | | | | | | | | |
| Net profit (loss) | $ (29,127) | $ 64,548 | $ 40,347 | $ 52,018 | $ 52,253 | $ 209,166 | $ 47,046 | $ 51,727 |
| **Income and non-cash expense items:** | | | | | | | | |
| Depreciation and amortization | 168,032 | 48,584 | 48,117 | 49,194 | 51,711 | 197,606 | 49,698 | 52,389 |
| Financing expense associated with debentures series F | 87,973 | 0 | 0 | 0 | 150 | 150 | 0 | 0 |
| Effect of fair value measurement on debt | 16,078 | 1,401 | 6,700 | 2,808 | (2,617) | 8,292 | 6,888 | 4,873 |
| Financing costs relating to Jazz notes exchange | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other expense (income), net | 190 | 0 | (4,362) | (5,081) | 121 | (9,322) | (511) | (142) |
| Gain from acquisition | 0 | (41,140) | (10,158) | 0 | 827 | (50,471) | 0 | 0 |
| | | | | | | | | |
| **Changes in assets and liabilities:** | | | | | | | | |
| Trade accounts receivable | (11,115) | (8,519) | (1,916) | (1,469) | (18,200) | (30,104) | 9,529 | (17,242) |
| Other receivables and other current assets | (14,979) | 822 | (5,476) | 4,328 | 61 | (265) | (4,439) | (7,307) |
| Inventories | (17,908) | (9,224) | (6,300) | (6,245) | (300) | (22,069) | (1,421) | 1,688 |
| Trade accounts payable | (26,162) | 10,143 | 130 | 2,624 | (7,347) | 5,550 | (4,128) | (6,530) |
| Deferred revenue and customers' advances | 32,725 | 15,030 | 8,294 | (5,377) | 5,634 | 23,581 | (8,735) | (4,564) |
| Other current liabilities | 8,454 | (1,953) | 11,194 | (6,938) | (2,448) | (145) | (9,090) | 12,866 |
| Employee related liabilities | 0 | (245) | 0 | 0 | (385) | 0 | (257) | (234) |
| Deferred tax liability, net | (4,173) | (2,005) | (4,789) | 548 | 2,375 | (3,703) | (2,440) | (3,230) |
| Other long-term liabilities | (14,775) | 0 | 0 | 0 | 0 | (798) | 0 | 0 |
| **Net cash provided by operating activities** | **195,213** | **77,442** | **81,781** | **86,410** | **82,220** | **327,468** | **82,140** | **84,294** |
| | | | | | | | | |
| **CASH FLOWS - INVESTING ACTIVITIES** | | | | | | | | |
| Investments in property and equipment, net | **(165,370)** | **(57,533)** | **(54,323)** | **(54,947)** | **(42,821)** | **(209,624)** | **(40,348)** | **$ (41,312)** |
| Investments in other assets | (119) | 0 | 0 | 0 | 0 | 0 | 0 | $ 0 |
| Acquisition of subsidiary consolidated for the first time (a) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | $ 0 |
| Interest bearing deposits, including designated deposits | (30,000) | 10,000 | 19,600 | (12,500) | (34,201) | (17,101) | (5,118) | $ 0 |
| Net cash provided by (used in) investing activities | (195,489) | (47,533) | (34,723) | (67,447) | (77,022) | (226,725) | (45,466) | (41,312) |
| **CASH FLOWS - FINANCING ACTIVITIES** | | | | | | | | |
| Excersize of warrants and options | 14,424 | 5,881 | 360 | 21,918 | 10,644 | 38,803 | 12,756 | $ 14,254 |
| Proceeds from long-term loans | 70,592 | 17,000 | 27,444 | 8,554 | (52,998) | 0 | 0 | $ 0 |
| Short-term loan repayment to Panasonic | 0 | 0 | 0 | 0 | 0 | 0 | 0 | $ 0 |
| Debt repayment | (18,200) | (10,254) | 0 | 0 | 47,345 | 37,091 | (11,805) | $ (5,655) |
| Debenture repayment | (51,489) | 0 | 0 | 0 | 0 | 0 | 0 | $ 0 |
| TPSCo dividend to Panasonic | (1,570) | (2,563) | 0 | 0 | 0 | (2,563) | (4,378) | $ 0 |
| Net cash used in financing activities | 13,757 | 10,064 | 27,804 | 30,472 | 4,991 | 73,331 | (3,427) | 8,599 |
| Effect of foreign exchange rate change | (166) | 9,029 | 11,623 | 2,336 | (17,353) | 5,635 | 4,371 | $ (91) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (11,592) | 49,002 | 86,485 | 51,771 | (7,549) | 179,709 | 37,618 | $ 51,490 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD | 187,167 | 175,575 | 224,577 | 311,062 | 362,833 | 175,575 | 355,284 | 432,113 |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | 175,575 | 224,577 | 311,062 | 362,833 | 355,284 | 355,284 | 392,902 | 483,603 |

## HISTORICAL STOCK PRICE




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