

TOWER SEMICONDUCTOR LTD

Form 6-K

May 15, 2014

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

For the month of May 2014 No 2.

TOWER SEMICONDUCTOR LTD.

(Translation of registrant's name into English)

Ramat Gavriel Industrial Park

P.O. Box 619, Migdal Haemek, Israel 23105

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

On May 15, 2014, the registrant presented an overview following the release of the results for the first quarter of 2014, as attached herein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TOWER SEMICONDUCTOR LTD.

Date: May 15, 2014

By: /s/ Nati Somekh
Name: Nati Somekh
Title: Corporate
Secretary

Corporate Overview
Following Q1 2014 Results
May 15, 2014

Disclaimers

Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act

of 1995. These statements are based on management’s current expectations and beliefs and are subject to a number of risks, uncertainties and

assumptions that could cause actual results to differ materially from those described in the forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. For example, statements of expected synergies from

Tower’s merger with Jazz, customer benefits, costs savings, financial guidance, industry ranking, execution of integration plans and management and organizational structure are all forward-looking statements. The potential risks and uncertainties include, among others, that expected customer

benefits, synergies and costs savings will not be achieved or that the companies are unable to successfully execute their integration strategies, as well

as other risks applicable to both Tower and Jazz’s business described in the reports filed by Tower and Jazz with the Securities and Exchange

Commission (the “SEC”) and, in the case of Tower, the Israel Securities Authority. These filings identify and address other important factors that could

cause Tower and Jazz's respective financial and operational results to differ materially from those contained in the forward-looking statements set forth

in this document. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur,

or if any of them do so, what impact they will have on the results of operations or financial condition of Tower or Jazz. Tower and Jazz are providing this

information as of the date of this presentation and neither Tower nor Jazz undertakes any obligation to update any forward-looking statements

contained in this document as a result of new information, future events or otherwise.

A more complete discussion of risks and uncertainties that may affect the accuracy of forward-looking statements included in this presentation or which

may otherwise affect Tower or Jazz’s business is included under the heading "Risk Factors" in Tower’s most recent filings on Forms 20-F, F-4, F-3 and 6-

K, as were filed with the SEC and the Israel Securities Authority and Jazz’s most recent filings on Forms 10-K and 10-Q, as were filed with the SEC. Actual

results may differ materially from those projected or implied by such forward-looking statements. Tower and Jazz do not intend to update, and

expressly disclaim any obligation to update, the information contained in this release.

Financial Highlights

Q1 2014 Financial Highlights
§Revenues of \$132.7
§EBITDA of \$27.5 million
§GAAP net profit of \$39 million

Q1 2014 Financial Highlights

§ Revenues of \$132.7 million as compared with \$112.6 million in the first quarter of 2013, an increase of 18%

– Organic (non Micron) growth of 27%

§ EBITDA of \$27.5 million or 21% of revenues, an increase of 84% as compared with \$15 million or 13% of revenues in Q1'13

§ GAAP net profit of \$39 million, representing \$0.81 per share, including:

– \$150 million one-time net gain from the high value of TowerJazz Panasonic Semiconductor (“TPSC”), the new company established by Panasonic in Japan

– One-time restructuring costs and impairment of \$71M relating to the Nishiwaki (Japan) facility cessation of operations

– One-time expense resulting from the restructuring of the Jazz’s notes of \$7M net

§ Cash, short-term deposits and designated deposits as of March 31, 2014 were \$183 million compared with \$123 million as of December 31, 2013

§ Shareholders' equity as of March 31, 2014 was \$200 million as compared with \$141 million as of December 31, 2013.

Q1 & 2014
Customer and Market vectors

* Data excludes Micron contract, expiring mid 2014 and any Panasonic revenues
TowerJazz revenue growth from top 10 customers
Only 2 customers exceeded 4%:
biggest customer 12%

Market Growth

§ Pure play foundry Y/Y market weighted average growth
in Q1'14: ~10%

§ TowerJazz Q1'14 Y/Y growth: 18%, organic growth 27%

Customer mask sets entering our foundries

A Revolutionary Foundry Concept

TowerJazz Announces Completion and Kick-off
of its Joint Venture with Panasonic
Corporation

Joint Venture to include three Semiconductor Factories in Japan, Manufacturing of
Panasonic and Additional Products

Will Enable Greater than \$900 Million Revenue Annual Run Rate Commencing Q2
2014, and Japanese Operations Consolidation which will Reduce Approximately \$130
Million of Present Annualized Fixed Cost
(April 1, 2014)

11

Enabling at least \$1B of annual revenues

Highlights of the Deal

- TowerJazz to hold 51% of the TowerJazz Panasonic Semiconductor Company (“TPSC”)
- Provides TowerJazz with incremental annual revenues of approximately \$400 million, initially can vary quarterly from approximately \$90-105 million
 - Substantial capacity for additional foundry business growth
- Added available capacity of about 1 million wafers per year (8 inch equivalent) in three manufacturing facilities in Japan
- Panasonic committed to acquire its products from the TPSC for a period of at least 5 years of volume production
 - Expanding TowerJazz leadership to include a state of the art 300 mm analog technology fab including best of class 65nm CMOS image sensor dark current and quantum efficiency performance and additional 45 nm digital technology
 - Transaction completed on March 31, 2014.

Corporate Ownership Structure
Ceasing by the
end of 2014
13

Ceasing Nishiwaki Operations

§ TPSC provides more available CMOS capacity than the
Nishiwaki factory

§ TPSC comes with strong and long term supply
agreement with Panasonic

§ Ceasing Nishiwaki operations will reduce ~\$130 million
of annualized fixed costs

§ All continuing business deals are being transferred to
TowerJazz or TPSC

14

Corporate Ownership Structure

15

TPSC Management

Mr. Yoshihisa Nagano, COO, TPSC

TowerJazz Panasonic Locations

18

* Location chosen due to very
clean water and geologic stability

TowerJazz Panasonic Plants Overview

Toyama Prefecture

Toyama Prefecture

Niigata

Prefecture

Niigata

Prefecture

Arai

Uozu

Sea of

Japan

Sea of

Japan

Tonami

22K WSPM* 45nm-65nm

- 45-65LP CMOS

- 65 RFCMOS

- MOS Image Sensor

* 200mm equivalent

15K WSPM 110nm-130nm

- 110nm Analog IC/SLSI

- MOS Image Sensor

- Thick Cu RDL Line

48K WSPM 150nm-350nm

- Power (BCD, FET, IGBT)

- Non Volatile Memory

- CCD Image Sensor

200mm

200mm

State-of-the-art

300mm

19

Various technologies including power devices with 1.2V-600V drive voltage.
TowerJazz Panasonic Strong Offering Serving
Many Device Applications

20

Very strong offerings tailored to meet variety of end
system integration applications

21

Image Sensor

Power Device/PMIC

MCU LSI DSP

System LSI

Analog IC

Optical Devices

Mobile

Comm

Automotive

Infocomm,

PC Peripherals

Security

Healthcare

AV

Multiple Innovative Technologies and Process
Solutions to support end market applications

TowerJazz Panasonic Combined Portfolio
22

Why did we want this?

- § Multiple world leading technology platforms
- § 300mm best in the world CIS Smart-FSI
- § High Capacity
- § Best of the best in quality
- § Analog system leader
- § Cost effective low mask count flows
- § Large CIS customer base, desiring Panasonic QE and low DC for their designs
- § Diversified customer base enabling high utilization
- § Flexibility and customization
- § Analog foundry leader

We trust TowerJazz

Complimentary capabilities creating excellent synergy

Financial Statements

TowerJazz - Balance Sheet (in millions of \$)

| | March 31, 2014 | December 31, 2013 |
|--|----------------|-------------------|
| CURRENT ASSETS | | |
| Cash, deposits & designated deposits | 183 | 123 |
| Trade accounts receivable | 83 | 80 |
| Other receivables | 13 | 11 |
| Inventories | 94 | 65 |
| Other current assets | 60 | 11 |
| Total Current Assets | 433 | 290 |
| Long-term investments | 14 | 14 |
| Property and equipment, net | 484 | 350 |
| Intangible assets, Net | 27 | 33 |
| Goodwill | 7 | 7 |
| Other assets, Net | 10 | 12 |
| TOTAL ASSETS | 975 | 706 |
| CURRENT LIABILITIES | | |
| Short-term debt | 46 | 36 |
| Trade accounts payable | 74 | 66 |
| Employee related liability, incl. Nishiwaki retirement allowance | 80 | 26 |
| Deferred tax liability | 17 | -- |
| Other current liabilities | 29 | 11 |
| Total Current Liabilities | 246 | 139 |
| Panasonic loan | 85 | - |
| Long-term debt | 302 | 317 |
| Employee related liabilities | 16 | 65 |
| Deferred tax liabilities | 73 | 14 |
| Other long-term liabilities | 46 | 30 |
| TOTAL LIABILITIES | 768 | 565 |
| Minority rights | 7 | -- |
| Shareholders' Equity | 200 | 141 |
| TOTAL LIABILITIES & EQUITY | 975 | 706 |

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
RECONCILIATION OF REPORTED GAAP TO NON-GAAP CONSOLIDATED STATEMENTS OF
OPERATIONS (UNAUDITED)

(dollars in thousands, except per share data)

| | Three months ended March 31, 2014 | | Three months ended March 31, 2013 | | Three months ended March 31, 2014 | | Three months ended March 31, 2013 | |
|---|---|------------|--|------------|---|------------|---|--|
| | non-GAAP | | Adjustments (see a, b, c, d, e, f below) | | GAAP | | | |
| REVENUES | \$ 132,653 | \$ 112,647 | \$-- | \$-- | \$ 132,653 | \$ 112,647 | | |
| COST OF REVENUES | 88,162 | 78,947 | 40,241 | (a) 31,125 | (a) 128,403 | 110,072 | | |
| GROSS PROFIT | 44,491 | 33,700 | (40,241) | (31,125) | 4,250 | 2,575 | | |
| OPERATING COSTS AND EXPENSES | | | | | | | | |
| Research and development | 7,155 | 9,347 | 288 | (b) 148 | (b) 7,443 | 9,495 | | |
| Marketing, general and administrative | 9,866 | 9,403 | 950 | (c) 642 | (c) 10,816 | 10,045 | | |
| Nishiwaki Fab restructuring costs and impairment | -- | -- | 71,459 | -- | 71,459 | -- | | |
| Amortization related to a lease agreement early termination | -- | -- | -- | 1,866 | (d) -- | 1,866 | | |
| | 17,021 | 18,750 | 72,697 | 2,656 | 89,718 | 21,406 | | |
| OPERATING PROFIT (LOSS) | 27,470 | 14,950 | (112,938) | (33,781) | (85,468) | (18,831) | | |
| INTEREST EXPENSES, NET | (8,113) | (8,027) | -- | (e) -- | (e) (8,113) | (8,027) | | |

| | | | | | | | |
|---|----------|---------|-----------|------------|-----|-----------|-------------|
| OTHER FINANCING INCOME (EXPENSE), NET | -- | -- | (20,117) | (e) 986 | (e) | (20,117) | 986 |
| GAIN FROM ACQUISITION | -- | -- | 149,926 | -- | | 149,926 | -- |
| OTHER INCOME (EXPENSE), NET | 139 | (260) | -- | -- | | 139 | (260) |
| PROFIT (LOSS) BEFORE INCOME TAX | 19,496 | 6,663 | 16,871 | (32,795) | | 36,367 | (26,132) |
| INCOME TAX BENEFIT (EXPENSE) | -- | (190) | 2,454 | (f) 3,171 | (f) | 2,454 | 2,981 |
| NET PROFIT (LOSS) FOR THE PERIOD | \$19,496 | \$6,473 | \$19,325 | \$(29,624) | | \$38,821 | \$(23,151) |
| NON-GAAP GROSS MARGINS | 34 | % | 30 | % | | | |
| NON-GAAP OPERATING MARGINS | 21 | % | 13 | % | | | |
| NON-GAAP NET MARGINS | 15 | % | 6 | % | | | |

History and Horizon

History and Horizon

Predominantly
a digital 2nd/
3rd source

2010-2013 established analog
leadership; growing revenues
above \$500M; acquire new 1st-
tier business (e.g. Samsung,
Skyworks, Avago)

Incremental new business models
outside of std capacity (infra red
commercial cameras in specialty
annex, high margin service
contracts (India)

Joined with Panasonic, an undisputed
analog systems leader:

Expanded offering

Best in the world high end camera
performance

Substantial added capacity to fulfill
over demand of organic growth,
including state-of-the-art 300mm
facility

Strong organic growth
and capability to fulfill
TowerJazz factories
Substantial customer
engagements in TPSC,
towards capacity
fulfillment within the
coming years

India consortium;
Possibility of additional
300mm capacity at low cost;
Infra red commercial
potential;
New knocking opportunities

