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Navitas Semiconductor Corp. (NVTS)

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Kelsey Chia
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MANAGEMENT DISCUSSION SECTION

Kelsey Chia

Analyst, Citigroup Global Markets, Inc.

Welcome to the Citi Day One TMT Conference. My name is Kelsey, one of the analysts here at Citi covering US Semis. We are very pleased to have Chris Allexandre from Navitas Semiconductor here with us today.

So, Chris, it's been roughly a year since you stepped in as CEO and launched the Navitas 2.0, shifting Navitas away from lower margin consumer markets to higher power, higher value applications. So, perhaps you can start there. Tell us where are we in the transformation strategy.

Chris Allexandre

President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

Okay. So, thank you for having me and welcome, everybody.

As you said, when I came on board a year ago, the prime goal was to transform and pivot the company from mobile, low-end consumer to high power, right? And what I would say today is that pivot is pretty much done. So, now the job is to basically, from there, scale the company to, of course, bigger, scaled, more valuable, and profitable company ultimately. The change was first go-to market as we move from mobile essentially focused on China OEM/ODM moving to the hypermarket, which are AI data center, grid infrastructure, high-performance compute, and industrial electrification with complete pivot the go-to market, right? So, focusing on the hyperscalers, the xPUs companies, the ODM/OEM merchant power companies, as well as anybody in the ecosystem. So, that was a big change.

The other change was capitalizing on the underlying technology of the company, i.e., GaN, because we were one of the leader or pioneer in GaN, as well as high-voltage and ultra-high-voltage SiC to basically use those technologies to drive the disruption that we're going to talk about in the AI infrastructure. That was fundamentally more accelerating some of the investment that we already made partly in getting GaN pivoted from mobile, as I said, to AI infrastructure as well as the ultra-high-voltage SiC.

The last thing was to kind of make sure that the team is in place. So, a lot of work was done into upgrading the application team and the leadership team to build the culture. I said earlier that essentially today the pivot is done. And you can see that in the revenue. I'm sure you're going to ask question about where are we in that transition, right?

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Yeah.

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

At the end of the year – we started the journey where mobile was nearly almost the entire company, up to 85% of the company. At the end of the year, mobile will be insignificant, okay? So, basically, essentially gone despite having grown double digit per quarter for the last few quarters, right? So, that's kind of where we are. Year number one was transition the company, and now we can start to build from there.

QUESTION AND ANSWER SECTION

Kelsey Chia Q
Analyst, Citigroup Global Markets, Inc.

Okay. So, before we head into the details, perhaps can you give us a simple version of why is GaN and silicon carbide gaining traction today? Why now?

Chris Allexandre A
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

Okay.

Kelsey Chia Q
Analyst, Citigroup Global Markets, Inc.

And also, if there's a rule of thumb to think about, which part of the power stack are we using GaN? Which part of the power stack are we using silicon carbide? And how do you see both materials accelerating from here?

Chris Allexandre A
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

I assume you want answers without getting into EE type of classification.

Kelsey Chia Q
Analyst, Citigroup Global Markets, Inc.

Yeah. Yeah, just simple framework.

Chris Allexandre A
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

I get it. Simpler framework. As I talked about, we moved to high power. The two main market we're focusing on, within the hypermarkets are the AI data center and the grid infrastructure. We call that AI infrastructure. The reason we call that AI infrastructure is you can't transform data center without changing the grid. And data center is the reason why you transform the grid, okay? So, that's number one. Two technologies that we have, one is SiC and the other one is GaN. And I'll come to the why they are using some form of conversion, of power conversion.

But think about power equals current multiplied by voltage. If you increase the power, you don't increase the voltage, you're going to increase the current. The loss which is what basically makes the power inefficient is proportional to the square root – square of current. So, think about it's taken 100 kilowatt DC load, if you run it at 50 volt, which is today most data centers are using 50 volt, that gives you 2,000 amp. If you move it to 800 volt, you go down to 125. So, by construction, the system is a lot more effective. That's why there is a move to 800 volt. Like we've seen 12 volt to 50 volt back in the days of server. Now, we went from 50 volt to 800 volt, right? So, that's the first thing to keep in mind.

SiC is a very good technology if you're running at very high voltage in a consistent way, so where power gets sustained and where robustness makes a difference. So, think about SiC as a very good technology for AC/DC conversion where you're converting high-voltage AC into DC, very good for high-powered DC/DC conversion, as well as anything that goes into grid tied application. We will come to other application that are kind of growing in the future, which is as you raise higher voltage, circuit protection and power protection becomes a big thing, okay? We'll talk about JFET, which is another technology. But that's kind of the SiC. The GAN is very good in high power, high density type application where you're switching the frequency at much higher. So, if you think about how you are moving this DC/DC conversion closer to the GPU or xPU or compute load, that's where GaN kind of gets its way. So, the best way to think about it is both of them operate in different part of the conversion. There is a bit of a grey zone.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc. Q

Yeah.

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp. A

If you think about some BBUs, okay, some DC/DCs would kind of use GaN and SiC as well. But, directionally, both technology are very complementary to enable the grid-to-rack conversion about the 800 volt, which I mentioned earlier.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc. Q

So, as you think about the rollout of 800-volt architecture in phases, like is there a material that will see a greater adoption first because of like the sidecar that we'll be implementing before we move on to the SST final state?

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp. A

So, go back to what I said earlier, right? So, if you're trying to make more efficient systems and to deliver more power, you have to increase the voltage. So, we see multiple drives, multiple inflection points, as we call them, to the 800 volt, okay? The first one is actually very interesting is pre-800 volt. Most systems today run at 50 volt, which means the busbar of your rack is actually 50 volt, which has been around for quite some time. But as we deploy more data centers, as we deploy more powerful and high compute parts in data centers, you need more power. To deliver more power, you need to have higher DC of power because the space available for the conversion is the same.

So, the first inflection is actually 50 volt, I would say, classic systems moving to higher power. And that drives an acceleration of the SiC content. Essentially, when you go from a couple of kilowatts of AC/DCs to much higher power AC/DCs, you're replacing silicon by silicon carbide. So, that drive the first inflection. But, again, this is kind of pre-800 volt.

Now, you mentioned sidecar. This is not very creative name, but it means what it is, okay? You are moving the AC/DC power shelves and the DC/DC power shelves from the top of the rack to a sidecar. Why do that? First of all, you make space in the rack. You keep the 50 volt busbar, but you then introduce the 800 volt. So, think about this as introduction of the 800 volt. And while the first one, pre-800 volt is happening now, this one is happening in the first half next year. So, what is the benefit of that? As I said, if you move the 800 volt as the output of your sidecar, you can raise the power one step more, right? So, we move from a few kilowatt to tens of kilowatts. Now, we move into 20- to 30-plus type of kilowatt PSUs, right?

Now, you still need to convert this 800 volt back to 50 volt, and you're doing that in the DC/DC space outside of the compute tray. So, that's kind of the sidecar. So, the sidecar is very quick, not dirty, but very quick way to implement 800 volt, get some of the benefit without moving to the third inflection, which is where you move the DC/DC inside the compute tray. When you do that, you're actually essentially making the full rack 800 volt native. The busbar of the rack is another one. When you do this, you have to move the DC/DC into the compute tray. When you do that, this is where technology becomes essentially GaN.

So, inflection one, we place silicon with silicon carbide, get high content, thanks to that, raise the bar level. Inflection two is you're getting one step further, 800 volt output, still kind of classic DC/DC conversion that kind of step the GaN to the next level, and then the SiC to the next level a bit of GaN. Third one is really acceleration of the GaN. The fourth one, which is kind of far out is if you think about this, the sidecar is kind of add-on to basically put something in between the grid and the data center. But, ultimately, the plan is to improve the quality of the grid or kind of modernize the grid as we talked about, which is the replacement of the transformers by something I'm sure you heard, which is a solid state transformer. At that point, you're delivering 800 volt straight to the data center. That's 2028 and beyond because you need to upgrade the grid, which is a bit more challenging, okay, from availability standpoint and, of course, from a security standpoint. But think about those transition in four steps, which I think, from an investor point of view, de-risk the transition. From an AI data center side, de-risk the transition but also outline the importance of having both GaN and SiC because both technology, as we talked about, live in their own space with some overlap in the middle. But if you don't have both, you don't participate to the big conversation. And if you're an hyperscaler, the only thing you care is how do I move 35,000 volt all the way down to sub-1 volt in the most effective way, which is less conversion, higher power conversion, high efficient conversion. This is where GaN and SiC have something in common.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

How do you think about the growth rates of this material market, GaN, silicon carbide, or broadly like what is Navitas content per kilowatt or per megawatt? How do you think about that?

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

So, everybody is asking what's the content of SiC and GaN. And depending on the stage and kind of very difficult to model, right? So, we've published models, give investors kind of a reference, right? And the way I would talk about it is if you think – so the models are based on assumptions. So, you have to take an assumption of how many data centers we're going to deploy between now and 2030.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.
Q

Yeah.

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.
A

Could be 220 gigawatts, could be 300 gigawatts, okay? It's getting closer to 300 gigawatts, okay, by the day. But it's a kind of a window, which is a range which reasonable.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.
Q

And that is the assumption you're using, 200 gigawatts to 300 gigawatts?

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.
A

Yeah. Then you have to factor how many of those will be 800 volt, how many of those will be 800 volt sidecar, how many of them will be 800 volt native. And, of course, this depends on timeline. When you start a data center, you're going to stick to an architecture. You don't change it halfway through. So, data centers that are deployed in a year from now might actually will use sidecar, okay? And actually, some of them will move to native. So, you have to make some assumption. But high level, what we've model is, if you think about inside the data center, the GaN gets you to $15,000 per megawatt. That's replacing silicon. So, that's the content, which is today, in silicon, okay, moving to GaN.

When you look at SiC, there are two portions. One is the inside data center, the AC/DC conversion I talked about, which is about $10,000 per megawatt, which includes both the SiC for AC/DC conversion as well as the JFET, which I'd mentioned earlier for the power protection. And then, you have another 10, maybe up to 15 in the long run for the grid modernization. And that SiC is at much higher power, okay? So, that's kind of 2,000 volt, 3,000 volt level. So, that give you a sense total 25-ish, which is still a small portion of the total power that is being consumed per megawatt in the data center. But as you guys understood from the discussion we had earlier about the 800 volt transition, this is basically gradually a replacement of silicon. Silicon will continue to exist for a long time, okay, for multiple reason, okay, because not everything switch on day one.
Nothing is actually a digital switch, and control and many technologies need silicon. But when it comes to this power conversion, what you're going to see is gradually a replacement of silicon on the first stage and the second stage with GaN and Sic. And we'll talk about the third stage, which is as we get closer to the GPU or the xPU.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.
Q

Okay. So, you talked about it's going to be a gradual replacement. So, what is the key metric that a customer looks at to drive that decision to do that switch?

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.
A

First of all, it's the need that drive the transition. So, customers don't decide if they're going to use 800 volt or not. Depends on the level of power density you're trying to achieve and the level of the rack level. So, we always refer to what is driving all this is the raise of the power density of the rack. If you want to do high power rack, so you have no choice to move there. I think what people, customers are looking for is, number one, do you know what you're doing, okay? That's a good place to start from, right?

So, we didn't start GaN and SiC yesterday, okay? Actually, Navitas started as a GaN company. Pioneered GaN with another company that got acquired by a very big German company. Kind of pioneered GaN into the first market that got GaN mainstream. So, we shipped 350 million unit of GaN. Different market, but the underlying need is the same is how do we – it was when the chargers were moving from 20, 30, 40 watts to 100 watts, okay, and you had to move from silicon to GaN, right? So, that's number one. Do you know what you're doing, okay? Are you starting – are you planning to start or do you have years behind it?

Number two is are you ready? And I think, particularly in the AI data center, but the grid as well, because the grid used to be slow, so that's not slow anymore. Customers expect the grid to ready to use and so you can run. The third one, which I mentioned earlier, is the fact that because you can't ignore – you can't look at each conversion independently. I think both the ultra-high voltage SiC, the high-voltage SiC, and the GaN makes a difference. And we compete with different people on the SiC side and on the GaN side. On the SiC, competition is traditionally the SiC vendors that were focusing on EV that are pivoting to data center.

In reality, this is not the same because the voltage are different. So, EV is lower voltage. It's high voltage, but lower voltage where data center is 1.2 Kv a year ago and the grid is more than that. The aspect of how reliable the technology is also different. So, we compete with different set of people. On the GaN side, we also complete with different set of people. But people who are involved is actually a very small pool.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

Yeah.

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

...which I think is also very important and probably underappreciated for those that don't meet customers like I do every day. I'm talking about the merchant powers okay, the Deltas, the Flex, the Lite-On, the Vertiv, the Eaton. Those guys do care. And of course they are hyperscalers, right. But those guys do care if you have both technologies.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

Right. So, maybe you can elaborate on that. How do you deal directly with the customers, the hyperscalers or do you work more with the Flex, Deltas, Lite-Ons of the world?

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

All of the above. So, if you think about hyperscalers, and there are different type of hyperscalers, okay. So, let's make a difference between the Microsoft of this world, the Metas of this world, the Amazons of this world, and the Google of this world, which are more vertically integrated. Amazon is kind of in between. NVIDIA is a GPU company, but it's actually more than a GPU company, okay? They are doing racks, okay. And when you do racks, you kind of almost do data centers. So, I put those last two in kind of into the same camp. When you talk about silicon to GaN, silicon to silicon carbide moving from 5 kilowatt of PSUs to 30 kilowatt of PSUs, 50 kilowatt PSUs, with liquid cooling, high integration of the DC/DC close to the compute load, they are involved.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

Okay, the Google and NVIDIAs, okay.

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

Doesn't mean that they will do the design by themself. The answer might be different on the NVIDIAs and Google. But they might spec the design and get it done by the Deltas, the Flex, and so on, right? So, you have to basically work with those guys. And the architects and the people are thinking about power to enable the full power of the GPU or the xPU. And I say xPU because we talk about GPU all the time, but it's actually more xPU play. Then you have to work with the Deltas, the Flex, which are basically the buying customers. And those guys are the buying customers. So, they are basically accountable to the hyperscaler and to deliver quality, on time, passing qualification, and so forth. So, we work with those guys. And it's not like we convince one and we implemented the others. You have to convince both, which is very similar to the high-end computing, okay, market, right?

And then, you have to work with architects and their system integrators and people that kind of look at this at the high level. What is interesting is in all my career in semiconductor, the hyperscalers are taking a bigger seat in driving this transformation. The question we ask ourselves is would 800 volt have happened if NVIDIA didn't drive the transformation. The answer is yes, but way later than it's happening now. Would the grid transformation or modernization would have happened if the AI guys, i.e., NVIDIA, Google, would have said, or Microsoft. They said, listen, we have to change the grid. It would have happened but a lot later.

So, I find it interesting that the hyperscalers, xPU vendors are taking a bigger influence on the overall stage one, which is super high voltage down to 800 volt, 800 volt to 5 or 6 and 6 to GPU. Because if this doesn't get fixed, they can't get the full benefit of the AI workload they are trying to run. Let's remember that when we started this, the number one bottleneck was how fast and how powerful can you make a GPU and xPU. Then it moved to memory. How can you basically make the data float between the two as seamless as possible? The next bottlenecks are power and copper to fiber. So, what I call the power wall is truly what's limiting the full capability of the xPUs. Many xPU company are underclocking their processor because they can't get enough power delivered to the processor. So, the end result is solving part of the problem, but we'll talk about the last centimeters.

That's why we are quite a company, what we announced the acquisition of a company just a few weeks ago, because if you fix all this and you do a great 800 volt, you still need to get more amps delivered towards thousands of amps, processors, and xPUs.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

Exactly. So...

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

Good segue.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

Good segue. Exactly. So, talk about Claros. Claros brings about vertical power delivery. So, you're essentially going to be competing with some of the incumbents right now and also offering a kind of end-to-end across the entire power tree. Talk about that rationale for that deal. You highlighted some of that. It's going to expand the SAM for Navitas. So, perhaps you can elaborate on that.

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

Yeah. So, first of all, I would remind everybody that we announced the acquisition and we have not closed yet. So, everything I'm going to say is based on what we've said so far and what Claros themself has talked about. The target for the Claros is around beginning of Q4, okay, October timeframe.

So, what is the rationale for GaN and high voltage, ultra-high voltage SiC company to acquire VPD, IVR company? Go back to what I said. You can't just look at the first stage and the second stage independently. First stage is 35,000 volt to 800 volt. Second stage is 800 volt to 6 volt or 50 volt, whatever. You can't look at that independently. And what is the next – so, let's assume we are 800 volt implementation. What is the bottleneck today is the first stage. We don't deliver enough power, which is very recurrent to most processors, right? So, this has to be fixed. So, you mentioned the incumbent. There is no better way to get into a market than when there is a disruption.

GaN and SiC company are competing with silicon company because there is a disruption, which is 800 volt. Otherwise, stays in the same group of people. It's the same on the first stage. So, again, just to zoom out a little bit. We used two words here, VPD and IVR. So, many specify them because there's a lot of confusion. The first one is structurally how you deliver power. So, today, you deliver power through the processor on the lateral way, laterally. So, on the PCB, you have a lot of MOSFETs, silicon with caps, inductors, there are a lot of passives to deliver thousands of amps to those processors. Vertical power delivery is basically doing that vertically, on top, on the back. You can do that with MOSFETs. The first implementation of VPDs are actually taking those discretes, MOSFET capacitors, inductors, putting that on a big module, you put that on the back of the PCB, and that's a vertical power delivery. That doesn't fundamentally solve the problem. It helps but doesn't solve the problem. The IVR is a new concept where you integrate everything on a piece of silicon. So, think about control, think about FETs, think about drive, capacitors, inductors.

So, the challenge here is not about how you take all those discrete things into a package, this becomes how you integrate into a monolithic piece of silicon. That's where you basically get to the next level when it comes to how you deliver power. And you can do an IVR in a chip, which would become vertical power delivery. So, you put that on the back of the PCB and you deliver power. And you can do that in a kind of IVR way where you put that in the PCB or even in the substrate of the xPU.

So, the reason why I say that is there is a confusion that people think IVR is a play where you integrate the power inside the PCB and inside the substrate of the xPU. You can use IVR in the vertical power delivery. And actually, all the IVR companies are doing chips with your package. And if you look at Claros, what they talked about, which is they have a 3-to-1 which is 3.3 volt entry, sub 1 volt output, 40 amp, no caps, no inductors, nothing outside, everything integrated. And the reason why they have something great is their concept is it's a mesh or they call that an IVR array where you can put many of them together and they can control through current sense the delivery of the current from each of those chips.

So, what this means is if you need 2,000 amps, you put 50 of them. If you need 4,000 amps, you put 100 of them. Of course, there is a limit how many of those chips you can put together because you inject latency and other things, right? But their vision is let's be as scalable as possible to deliver to various xPUs power architecture that can basically feed them. So, going back to your point, how does it compete with the incumbents. Well, the incumbents are like the silicon before 800 volt.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

Yeah.

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

And that's going to continue for a while. So, I want to be clear. I'm not saying that silicon will be replaced. We talked about $20,000, $25,000, maybe $30,000 per megawatt. The total power content is probably $100,000 to $150,000. It's going to take time. But this disruption will force the replacement of MOSFET and the IVR. And that's what you saw in the ADI acquiring Empower. And what is interesting is that disruption came from mostly startups that saw that we're not in the tunnel effect that most companies have, which is no, I have MOSFET, so let me optimize my MOSFET to you have to change the game. And those companies, all of them, started basically with the idea of how do we basically not get from a few hundred amps to more? How do we get to thousands? And that's kind of where the IVR technology came into play.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

Is there a way to think about the content as we shift from lateral to the VPD to IVR? It seems that there's a lot more engineering work is involved and eventually even the use of GaN as well.

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

So, it's difficult to talk about content. But what I would tell you and you referred to the SAM increase, right? So, based on 220-gigawatt deployment, we said the SAM for GaN and SiC, removing EV, removing China, so talking here about the US, not competing with China for China, and the grid is about $3.5 billion in 2030. Our large competitors like Infineon and others actually refer to a bigger SAM. But for me, $3.5 billion feels fairly big already. Then you add $1 billion for the JFET, which I referred to, which is a SiC technology targeted at more power and circuit protection. So, eFuse, ORing, circuit breakers, onsemi, Infineon, kind of in the JFET, right? So, that's added another $1 billion. So, that's $3.5 billion to $4.5 billion. The IVR/VPD, which is the last step, the last centimeters to the xPU, is basically adding as much as that. So, it's doubling the SAM because as you get closer to the GPU or the xPU, you have more content.

So, for us, the key point is we do believe, I do believe, that, as I said, if you do one stage only, you are not going to sit at the big table because the architects are looking at how do we basically enable 35,000 volt to 1 volt. And if you only participate to the first two ones, I mean, it's pretty decent, $4.5 billion. But a lot of the SAM is in the last one, and it's also touching the xPU. And since I said the xPU guys or the hyperscalers are driving, you definitely want to be there.

So, ADI is not a MOSFET company. They acquired Empower. We're not a MOSFET company. I think, strategically, I think you're going to see all the power companies have to somehow get into a high power. That's what you hear everybody talking about. I'm going to have GaN and working on GaN. And I think it's going to be very difficult to do it without IVR in the midterm.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

Okay. So, I know I have a couple of minutes left. I'm going to open it up to the floor. Is there anyone else have any questions? And I can continue. Yeah. So, on the IVR, perhaps could you talk about when do you see that broad deployment or that inflection?

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

As I said, the first inflection is in the VPD way. So, like a chip or an array of chip on the backside of the PCB for instance.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

That is happening now.

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

That is actually starting to happen, okay. The big modules are happening now. But I would say the tiny IVR chips, Empower and others, Claros, this is happening in 2028.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

Okay.

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

So, again, I referred to what we said at the announcement of the acquisition. It doesn't change our organic plan 2026-2027, which is really driven by SiC and GaN, the inflection that we talk about start to kick in 2028. I think the Claros CEO talked about his leading customer, which is an xPU customer, ramping in 2028. So, our job, post-integration, will be of course to execute on that, add more. But I think you have to think about this being a 2028, 2029 acceleration more than changing any of the short term, mid-term, 2026, 2027 and beginning of 2028 plan.

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

Q

Okay. Could you briefly quickly talk about your foundry strategy because I know you guys are fabless? How do you compete with some of the IBMs, the incumbents in the space?

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

So, I think there is a bit of a belief out there that the only way to compete is to be an IDM. And I won't give a name, but I would think the fastest growing semiconductor power company today is a fabless company, okay. And I never heard Michael talking about owning his own fab.

So, that's already a proof point that you can be, right? And by the way, I know other companies, without naming them, that had their own fab and that they are on the world of hurts right now, okay, with underutilization and so forth, right, being a SiC company. So, you have to be careful with this vision, that dogma, which is you have to be an IDM to be successful.

What you want is, first of all, SiC and GaN and IVR have different needs, okay? So, we work with Global. We used to work with TSMC who is now moving to Global on the GaN side. And we worked with X-FAB on the SiC side and Claros is working on the 14 nano with Samsung. Those are different needs, okay? You can't put all that into a single wafer fab. Number two, there is a way where, if you own your mode and your process. So, what I mean by that is you use the baseline of your foundry partner, but you have some modes, which are additional differentiation at the device level, the process level, at the application level. And you have to invest capital into securing capacity, expanding capacity. Then you can actually have what the customer needs. The customer needs guarantee of supply. You can expand, you control your yield, your quality. You can do that without owning a fab. I'm not seeing that owning a fab is not good. I'm just saying that when you are moving fast, merging with new technologies, financially, it's actually not a very good model. And what matter the most is basically have this fine line about investment, owning moats, controlling your destiny, and investing in partnership with your foundry. And by the way, I know IDMs that are moving fab like, okay without naming one large European, US company. In the control automotive, they are moving fab-light. And they've talked about how efficient this model is. But, of course, we compete with heavy IDM. And customers are asking us, hey, how do you ensure which is reliable? How do you ensure you have enough supply? Do you control your destiny? And this is where with Foundry+ model that I talked about is key, right?

Kelsey Chia
Analyst, Citigroup Global Markets, Inc.

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Thank you. So, I know we are running out of time. Perhaps one last message for investors. What about Navitas story is currently underappreciated by investors?

Chris Allexandre
President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

A

I think I will repeat myself a little bit, but I leave you with two things. Number one is we have transformed – we started to transform this company about a year ago. The revenue is more or less where it was a year and a half ago, but the makeup is completely different. So, investors look at the quality of the revenue but have not yet fully understood this transformation that we've done. Moving from mobile being 85% of the company to mobile being insignificant. And we said at the end of the year, mobile will be insignificant, let's say, low-single digit, and AI infrastructure will be more than a third. That's a big pivot when it comes to what makes the revenue.

We talked about the fact that we have backlog well into 2027. This was not the case 18 months ago when you're focusing on mobile, right? So, that is underappreciated, but I would say give us two, three more quarters of double-digit consistent growth, and I think this goes away.

So, I would say this is not is by construction. The one, the number one thing that gets completely underappreciated and I get – Tonya and I get question every time we meet investors, less and less but still is people think it's a digital switch, okay? When is 800-volt NVIDIA, GaN happening. What day, what time, what month, and we spend a lot of time talking about the inflection. We talk about Infineon does, too. We talk about a lot of time explaining the different transition. This actually not a digital switch, okay?

Stage one or inflection one is happening, will continue. We're going to ship silicon carbide into AC/DCs for a long time. Sidecar is happening next year. And this will continue for a long time. And then, native 800 volt is going to happen next year, earlier 2028, and this will continue. So, that fragmentation and succeeding opportunity is what's totally underappreciated, which I think will drive consistent growth. And we have not even talked about the grid, which I think is another kick in 2028 and beyond. That's the one thing, which I would leave all of you with is don't think about this. This is not winning the iPhone, okay? This is server and it's AI and I think there are multiple technology disruptions and change that will drive content expansion.

Kelsey Chia

Analyst, Citigroup Global Markets, Inc.

Got it. Thank you.

Chris Allexandre

President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

Of course we have to win every step of the way.

Kelsey Chia

Analyst, Citigroup Global Markets, Inc.

Of course. Thank you. Thank you very much.

Chris Allexandre

President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

Thank you. Thank you very much.

Kelsey Chia

Analyst, Citigroup Global Markets, Inc.

Thank you. Thank you very much, Chris. Thank you.

Chris Allexandre

President, Chief Executive Officer & Director, Navitas Semiconductor Corp.

Thank you very much. Thank you.