Call transcript

Operator

Good afternoon. Thank you for standing by, and welcome to Navitas Semiconductor's Fourth Quarter 2024 Financial Results Conference Call. Please be advised today's conference is being recorded, and a replay will be available on Navitas Semiconductor's Investor Relations website. I would now like to hand the conference over to Stephen Oliver, Vice President of Investor Relations.

Stephen Oliver

Good afternoon, everyone. I'm Stephen Oliver, Vice President of Investor Relations. Thank you for joining Navitas Semiconductor's Fourth Quarter and Full Year 2024 Results Conference Call. I'm joined today by Gene Sheridan, our Chairman, President, CEO, and Co-Founder; and Todd Glickman, CFO. A replay of this webcast will be available on our website approximately 1 hour following this conference call and available for approximately 30 days.

Additional information related to our business is also posted on the Investor Relations section of our website.

Our earnings release includes non-GAAP financial measures. Reconciliations of these non-GAAP financial measures, with the most directly comparable GAAP measures, are included in our fourth quarter earnings release and also posted on our website in the Investor Relations section. Non-GAAP expenses and operating margins exclude stock-based compensation, amortization of intangible assets, and other nonrecurring items. In this conference call, we will make forward-looking statements about future events or about the future financial performance of Navitas, including acquisitions.

You can identify these statements by words like we expect or we believe or similar terms. We wish to caution you that such forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from expectations expressed in our forward-looking statements. Important factors that can affect Navitas' business, including factors that could cause actual results to differ from our forward-looking statements are described in our earnings release. Please also refer to the Risk Factors sections in our most recent 10-K and 10-Qs.

Our estimates or other forward-looking statements may change, and Navitas assumes no obligation to update forward-looking statements to reflect actual results, changed assumptions, or other events that may occur except as required by law. And now over to Gene Sheridan, CEO.

Eugene Sheridan

Thank you, Steve, and thanks to everyone joining us today. We completed 2024 with an all-time high of $83 million in revenue despite a semiconductor slowdown throughout the year in which most of our larger power semiconductor peers saw declining revenues.

While our silicon carbide business was impacted by the slowdown in solar, industrial, and EV, our GaN business grew over 50% in 2024 to an all-time high with revenues coming from mobile, consumer appliances and the initial ramp-up of data centers.

We also completed 2024 with an extraordinary $450 million of design wins, which reflects the lifetime revenues of new customer programs in which Navitas products are expected to ramp to revenues over the next few years. This design win total represents a win rate of over 50% and gives us increased confidence in and visibility to expected growth as we look into the second half of 2025 and '26. I'm also pleased with our total customer pipeline growth, which has nearly doubled from $1.25 billion at the end of 2023 to $2.4 billion at the end of '24, reflecting strong expected expansion in our major markets.

Let me share some specifics in each.

Our data center sector has the highest growth rates in revenue and design wins with 40 customer project wins throughout the year. These wins were at top ODMs in Asia that target major Tier 1 data center players such as Google, Amazon, Facebook, Alibaba, Dell, HP, and others.

Our system reference designs that span from 2.7 kilowatts to 8.5 kilowatts were key enablers for this new business as we showcase to customers the extraordinary energy efficiency and power density that is possible, particularly when combining our GeneSiC technology in the PFC circuit and our GaNSafe technology in the LLC circuits for these AC to DC power supply units. Also, we view the emergence of lower-cost AI platforms such as Deepseq as a positive development that we expect to drive a lower cost of AI implementations, which can accelerate AI adoption, both in the cloud as well as the edge, potentially translating to greater overall demand for power and for Navitas technology.

Our data center customer pipeline has more than doubled to over $165 million as compared to $70 million the year prior.

As announced last quarter, we have started sampling our 80- to 120-volt family of GaN devices, targeting 48-volt DC-to-DC converters in data centers as well as 48-volt EV battery systems and 48-volt robots in the longer term.

We expect growing customer demand activity throughout 2025 and first appreciable revenues next year. In the EV space, we are happy to announce over 40 design wins in 2024 across Europe, the U.S., China, and Korea, heavily focused on onboard chargers as well as roadside chargers. We're also excited to announce what we believe to be the industry's first GaN design

win into any electric vehicle. China's #3 EV player, Changan, has selected Navitas GaNSafe technology to power their next-generation EV onboard chargers, and they have achieved extraordinary power densities of 6 kilowatts per liter and energy efficiencies of 96%. Changan estimates that these GaNSafe-powered onboard chargers could extend lifetime driving range by 10,000 kilometers and could reduce charging costs by 15% to 20%.

We expect this project and other GaN EV projects to start production ramp in the first half of 2026.

Our EV pipeline has expanded rapidly to over $900 million compared to $400 million a year ago and now represents nearly 40% of our $2.4 billion pipeline. In the mobile sector, we have enabled very broad expansion in the adoption of GaN chargers with over 180 design wins. This includes the first significant wins with Transsion, now a top 5 global smartphone player and the leader in markets such as the Middle East, Africa, and Central and South America.

We also had our first wins in India with Jio, a leader in consumer networking, who selected Navitas GaN ICs to power their next-generation Wi-Fi equipment.

We expect both of these new customers will reflect multiple million-dollar projects ramping in late '25, demonstrating greater mainstream adoption of GaN chargers expanding into these lower-cost regions. We now estimate that GaN chargers will reach over 10% adoption rate of all mobile chargers to power smartphones, tablets, and laptops in 2025 as the average power of these chargers approaches 45 watts. This power increase is an important trend to not only support faster charging for all consumers, but also our GaN value increases as that power level increases, delivering the maximum power at the highest efficiencies and with the smallest size and weight for these wall adapters. Navitas continues to supply 10 of the top 10 mobile players designing with Navitas GaN IC technology. In the solar space, we are on track for a major launch this summer with the leader in microinverters to begin an important and significant transition from silicon to GaN, enabling a new wave of energy efficiency, power density and size, weight and cost reductions for the solar industry. We see microinverters becoming the leading residential solar solution and many other players in this space are expected to pursue a similar transition from silicon to GaN. Across the solar, energy storage, industrial, and appliance sectors, we enjoyed over 170 customer design wins in 2024, which we expect will fuel important growth in 2026 and beyond. I'm excited to share our plans for a major technology announcement coming up on March 12. This will be our first-ever global online launch event.

While the details won't be disclosed until that event, we believe this announcement will usher in a new era for power electronics and accelerate gallium nitride and silicon carbide in major multibillion-dollar markets. We hope you will all join us for this exciting event.

Finally, looking towards 2025, we expect a Q1 revenue decline, reflecting normal mobile seasonality, coupled with continued end-market weakness and some remaining inventory correction in the solar, industrial, and EV markets.

We expect a modest recovery in Q2 and anticipate returning to healthy growth in the second half of the year, fueled by our $450 million of design wins last year and the expected start of a semiconductor recovery.

Now let me turn it over to Todd Glickman, our CFO, to cover the financials in greater detail.

Todd Glickman
Thank you, Gene. In my comments today, I will first take you through our fourth quarter and annual 2024 financial results, and then I'll walk you through our outlook for the first quarter, along with some of the market dynamics we are currently seeing. Revenue in the fourth quarter of 2024 was within guidance at $18 million.

As expected, most of the sequential decline was in the mobile and consumer markets. The decline compared to a year ago quarter was primarily the result of lower revenues in the EV, solar, and industrial markets.

For the full year of 2024, we grew revenue to $83.3 million, or 5% from $79.5 million in 2023.

Our GaN revenue grew more than 50% for the full year and reached an all-time high as aggressive adoption of GaN to replace silicon continued in the mobile, consumer, and appliance segments, with data center revenues starting in the second half of the year.

Before addressing gross profit and expenses, I'd like to refer you to the GAAP to non-GAAP reconciliations in our press release earlier today. In the rest of my commentary, I will refer to non-GAAP measures. Gross margin in the fourth quarter was 40.2%, which was relatively flat sequentially compared to 40.1% in the third quarter.

For the fiscal year 2024, the non-GAAP gross margin was 40.4% compared to 41.8% in 2023, primarily due to a less favorable market mix. In the fourth quarter, we executed expense management initiatives and reduced operating expenses sequentially to $19.9 million, comprised of SG&A expenses of $8 million and R&D expenses of $11.9 million. This demonstrates our ability to balance operational efficiency while we continue investing in next-generation GaN and SiC technology and in market development, primarily in the data center, EV, and mobile sectors.

For fiscal year 2024, non-GAAP operating expenses were $83.4 million compared to $73.5 million in the prior year. Adding all this together, the fourth quarter 2024 loss from operations was $12.7 million, flat sequentially as cost reductions offset the quarter-over-quarter revenue decline and a loss of $49.7 million for the full year compared to a loss of $40.3 million for 2023.

Our weighted average share count for the fourth quarter was 187 million shares.

Turning to the balance sheet. In Q4, the company disengaged with a silicon carbide distributor, resulting in a one-time $11.6 million expense related to an inventory reserve and bad debt. Accounts receivable sequentially declined to approximately $14 million from $26 million in the prior quarter. And inventory fell to $15.5 million from $21.3 million, in turn, reducing our days of inventory to 130, down from 147.

Our balance sheet remains very strong as we enter 2025 with high levels of liquidity and an improved working capital position. Cash and cash equivalents at quarter end were $87 million, and we continue to carry no debt.

Moving on to guidance for the first quarter. We currently expect revenues in the range of $13 million to $15 million, reflecting greater than typical seasonality given continued softness and remaining inventory corrections in solar, EV, and industrial end markets. Overall, while we continue to forecast a more muted first half of 2025, we anticipate growth to resume in the second half, fueled by 2024 design wins and expected recovery in a number of our end markets. Gross margin for the first quarter is expected to be slightly lower than the fourth quarter with our guidance at 38%, plus or minus 50 basis points as our expected mix continues to lean toward the mobile market in the near term.

We expect modest margin improvement throughout the year, aligned with the growth anticipated in our higher power markets.

Turning to operating expenses.

We have completed some additional workforce reductions and are realizing further synergies and operational efficiencies associated with prior acquisitions, all of which align our cost structure with revenue expectations. By consolidating certain support and engineering functions and sites and further streamlining the company, we anticipate a reduction of our first-quarter operating expenses to $18 million and approximately $15.5 million per quarter thereafter. Combining all of our cost reduction and efficiency improvements with our strong cash position, clean balance sheet and growth outlook firmly positions the company to reach expected positive EBITDA in 2026.

For the first quarter of 2025, we expect our weighted average share count to be approximately 190 million shares. In closing, while we are thoughtfully navigating the near-term softness in some of our end markets, our substantial customer pipeline and design wins and ever-increasing technology lead puts us in a strong position to scale to profitability as we enable the next generation of power electronics. Operator, let's begin the Q&A session.

Operator

[Operator Instructions] We have the first question. This is coming from Ross Seymore from Deutsche Bank.

Ross Seymore
Gene, just wanted to talk a little bit about where you think the cyclical bottom is. I know seasonality plays a big part in the March quarter overall in some of your more consumer and mobile areas. But do you think the cyclical side of the equation has found the bottom now? And if so, how do you view the slope of the recovery?

Eugene Sheridan
Yes. Good question, Ross. Certainly, Q1, by all measures, looks to be a cyclical bottom, at least from a Navitas perspective. Obviously, we're a smaller player.

We have maybe different market dynamics on where GaN and silicon carbide are being adopted. Industrial still seems pretty sluggish.

Solar, we're a little more bullish on, especially as the GaN adoption starts middle of the year. EV is probably where we've seen the best pickup starting in China.

I think others have observed the same. And we're more bullish there, too, because we've just got such a strong pipeline in onboard chargers, in particular, a combination of silicon carbide and GaN as well as the roadside chargers, which are all silicon carbide and brand-new modules we introduced.

So I think all of those are sort of at play. From our perspective, the cyclical bottom certainly seems to be Q1, but we see the recovery starting in Q2 and a nice healthy growth outlook for the second half.

Ross Seymore
And I guess as my follow-up, you talked about the strength of the GaN business growing over 50% last year. And I'm not asking you for specific numbers on the silicon carbide side of things, but how are you viewing that market? Was it in your mind just weaker because the end market was weak, inventory burn, et cetera? And we've heard that from many, many players. Or was there something a little more Navitas specific in that, that would potentially adjust your strategy for your silicon carbide business going forward?

Eugene Sheridan
Yes. No, great question. Certainly, the market slowdown, silicon carbide is specifically focused primarily at EV, solar, and industrial. And those are the three things we've seen slowdown in the last year as the whole industry has seen them.

So that's certainly a first-order effect. But also, we talked about increasing our focus as a company around strategic applications last quarter, and that's really in the EV space, where

we're leveraging GaN and silicon carbide together with our system reference designs. And those have increased dramatically in terms of pipeline, the design wins, a big percentage of that $450 million of design wins last year was in the EV space, which leverages both GaN and silicon carbide.

Secondarily, as I said with roadside chargers, that's all silicon carbide.

So I think that's shifting things for us. And then, of course, we're just rolling out in the last couple of quarters, the data center strategy, which again has a combination of GaN and silicon carbide playing into it.

So I think we had our own investment and focus areas to sort of work through, and I think we're starting to see that come through, particularly as the market improves. But even without that market improvement, we'll see these design wins kicking in and the silicon carbide business growing nicely throughout the year.

Operator
Our next question comes from the line of Quinn Bolton from Needham & Company.

Quinn Bolton
I just wanted to ask and make sure, Todd, I heard you right on the OpEx beyond Q1. Did you say it would come down to $15.5 million? And if that's right, how long do you think you can keep it at that level? And then I guess a follow-up question. Obviously, you guys have cut OpEx now by roughly 25%. How much do you think you've cut here? Or do you feel like you're starting to potentially limit growth in some of these new opportunities with the cuts you've made?

Todd Glickman
Yes. Thanks, Quinn.

Let me take that first question.

So yes, $15.5 million on a go-forward basis, we expect to keep that fairly flat on a go-forward basis as we continue to leverage what we currently have in our business.

And so we don't expect much growth on that OpEx number. In regards to your second question, basically, yes, it is any fat left in the business.

We have been pretty diligent in looking internally and on acquisition synergies, and we feel like the business is rightsized right now.

So we do not see any more fat to trim.

We are properly sized to grow, especially in the second half that we're seeing today and across markets such as data center, EV, and mobile.

Quinn Bolton
And maybe if I could just quick one on the data center.

I think in the past, you guys had sort of thought that could be a $10 million to $20 million business in 2025.

Just wondering if that's still sort of the right ballpark to be thinking about for the data center or if you've seen any movement in that kind of expectation.

Eugene Sheridan
Yes. Thanks, Quinn. We're not obviously giving out full-year guidance or breaking it down by sector, but do feel good about the trajectory. We started ramping in Q3, as you know. The design wins grew nicely. I mentioned 40 total for the year.

I think through Q3, it was only 9 or 10 year-to-date last year.

So a really strong Q4 design win period, which will only help to accelerate that.

So no specific breakout for the year, but the trajectory is good and growing sequentially throughout '25.

Operator
Our next question comes from the line of Kevin Cassidy from Rosenblatt Securities.

Kevin Cassidy
Mine is also centered around a data center. Of the 40 design wins, can you describe kind of what the bell curve is of the various power supplies? You mentioned in the press release, it's 2.7 kilowatts to 8.5 kilowatts. But I guess is it weighted on one side or the other? Is it right in the middle where most of the designs are?

Eugene Sheridan
Yes. Good question. It started off pretty broad from even some below 2 kilowatts, which is a little surprising because our technology is best for the high density, the high power, as you know, Kevin. But I think in many cases, people really want to try it out. They know the future of GaN and silicon carbide for data center power supplies because the future is high density and high efficiency. But now we're seeing, I think, the sweet spot is really where you can max out that power density. And there's two form factors in the data center for AC to DC power supplies. There are CRPS form factors. We pushed that to its limit at 4.5 kilowatts, and we're seeing nice pickup, probably more concentrated there or you can go where the entire power

shelf is dedicated to power supplies, that's the ORV specification. There, we pushed it to 8.5 kilowatts and going even higher.

So I'd look at those higher power levels as where we're seeing the increased concentration because that's really where that GaN and SiC combination can give you really the efficiencies and density silicon can't touch, and we're going to keep pushing those limits going forward.

Kevin Cassidy
And just a couple of other questions. Are these deployments, are they going to be tied to any particular GPUs? Or are these going to be deployed despite any GPU upgrade cycle?

Eugene Sheridan
Yes.

I think a lot of people now are shifting beyond Blackwell to Reuben.

So I think without obviously getting into customer confidential specific projects, in terms of market trends, I think we'll see a lot of the designs starting now. They're going to be Reuben-focused or, let's say, Reuben's class of processor-focused. And it's not all about NVIDIA.

Of course, we're seeing other processors pop up, traditional server ones as well as new AI ones that are getting into the mix as well.

So I think right now, we're kind of focused on the next generation that the new designs are going to drive a lot of the ramps in '26 at this point.

Operator
Our next question comes from the line of Jack Egan from Charter Equity Research.

Jack Egan
I was hoping you could talk a bit about the distributor disengagement. Was that a part of the cost reduction plan or something else?

Todd Glickman
No, that was separate.

Given the lack of performance across silicon carbide, we decided to replace one of our channel partners because they really weren't achieving the design wins we were expecting across EV and industrial and their lack of ability to pay for some delivered products. But on a go-forward basis, we have turned to a new channel partner, and that's going to help us with our growth in the second half of 2025.

Jack Egan

And then it's good to see that your cash burn has slowed a bit or a pretty good bit over the past two quarters. How are you thinking about raising capital at all? I mean, are you comfortable with your current cash balance and the cost reductions to kind of wait out the cyclical slowdown?

Todd Glickman
That's a great question. To your point, we finished the year with $87 million. We burned $12 million in cash in Q4. And on a go-forward basis, if we look past one-time events in Q1, we do expect that cash usage to decrease over time.

And so right now, we have two-plus years of cash available to us.

So we don't see any need organically to raise cash.

However, as we've stated in the past, if there's a strategic initiative that we want to pursue, then that would be an avenue where we'd raise cash.

Operator
[Operator Instructions] Our next question comes from the line of Jon Tanwanteng from CJS Securities.

Jonathan Tanwanteng
I was wondering if you could talk about the $450 million in the design win pipeline. Maybe how much of that falls into this year, next year, and the year after as you see a schedule from today? And I know different end markets can act differently there.

Todd Glickman
Yes. Thanks, Jon. It's important to clarify, it's our first time to give kind of a total design win indication coming out of the pipeline.

So first, let me clarify design win is not a purchase order, but it is where the customer has actually selected Navitas to be included in the final production hardware.

So it's a very significant industry-wide event, let's say, or common term to get into that design validation phase, which is what people also call it. The $450 million does represent the lifetime revenue. We take a pretty conservative view. Mobile and consumer products may be 1 or 2 years. The more industrial or higher power markets maybe 3 or 4 years.

So it's spread out over that lifetime period. But to your question, when does it start to ramp? We also try to take a conservative view of the ramp time.

So we've only considered programs that are ramping in '25, '26 or '27.

We are working on things that could kick in or start in '28 or beyond, but we excluded them.

So between all of my comments there, it kind of gives you a feel for how does that layers in over the next 3 years and runs for the next 1 to 4 years.

Jonathan Tanwanteng
And then could you help us understand the margin profile in the second half of the year as you get these design wins ramped? How much comes from the higher volume GaN products and higher margin ones in things like data centers versus recovery in SiC markets?

Todd Glickman
Yes.

While we don't comment on margin specific as it relates to the end market, we always know that our corporate margin, mobile is always slightly below our corporate margins and higher power markets such as EV and data center will be bigger than our company margin level.

And so as the second half picks up and those higher markets start to convert design wins, we do expect some marginal margin growth. But long term, I think what those markets lead us to is our long-term goal of 50% plus margin, and that's no change from that.

Jonathan Tanwanteng
And then one more, if I could.

Just the reduction in OpEx that you're talking about in the next 2 quarters, how much is coming out of R&D versus SG&A?

Todd Glickman
No, great question.

I think if you look historically at our splits, you're going to see that same split on a go-forward basis as you look at R&D and SG&A as we've taken those synergies out via the acquisitions from both avenues.

Operator
Our next question comes from the line again from Ross Seymore from Deutsche Bank.

Ross Seymore
Just want to talk about the competitive landscape. Gene, have you seen any significant changes in the aggressiveness of the competition, pricing, need to burn inventory, any sort of those cyclical dynamics, especially with a downturn as persistent as this one, oftentimes, you'll get those sorts of desperation by about this time in the cycle. Have you seen that?

Eugene Sheridan
Yes.

I think we saw it more concentrated, not surprisingly on silicon carbide just because that's where some of the market slowdowns occurred.

So in the last year, even 1.5 years ago when we started talking about some of the solar slowdowns in industrial and EV. With that slowdown, you get pockets of inventory, you also get a little bit more ASP erosion. That does seem to have stabilized.

I think the inventory pockets are reducing and stabilizing, maybe one more quarter, as we mentioned in the prepared remarks, and the ASP erosion seems to be stabilizing.

So I think that's all pretty encouraging. GaN, not as dramatic because, again, it's been a little bit more healthier supply and demand across the mobile and consumer space and a little bit of appliance.

Operator
Our next question comes from the line of Richard Shannon from Craig-Hallum.

Richard Shannon
Gene, maybe I'll ask a question here on the calendar '25 sales outlook. I know you're not quantifying any sort of thought process here. But obviously, last year had a really good year in GaN and obviously, silicon carbide markets were very challenged to say the least here. How do we think about 2025 between the 2 material systems here? Is one going to be notably better than the other?

Eugene Sheridan
Yes.

I think as I mentioned earlier, Rich, we really like our focused strategy on data centers, which is going to see a combination of growth in both GaN and silicon carbide. We're using that silicon carbide in the PFC circuit for most designs GaN on the second stage or LLC, which's getting us the best efficiency, and the best density for the customer.

So I think that trend speaks for itself.

I think the same kind of thing, as I mentioned, is going on with EV onboard chargers. I'm bullish that roadside chargers are also improving as that infrastructure does need to get built out around the world, and that's 100% silicon carbide.

So I think all of those will have healthy growth going forward, I think, for both technologies because they're often used in combination with a number of our key market growth drivers.

Richard Shannon
Maybe a quick question for Todd. I've heard about the new OpEx spending level here and obviously, still have a profile of 50% gross margins here at the high-end model here and then

also getting to EBITDA breakeven here. I guess my question here, is how do we think about the revenue per quarter to get to that breakeven level?

Todd Glickman
Yes. Right.

So this is our second reduction.

I think we went from breakeven EBITDA in the mid-50s to the mid-40s. This brings you to a breakeven of the high 30s, obviously, dependent on gross margins, but that's what we feel like this OpEx level brings us to a breakeven in the high 30s of revenue per quarter.

Operator
Our next question comes back from the line of Jack Egan from Charter Equity Research.

Jack Egan
You mentioned you found some additional synergies in OpEx. And last quarter, you said you were targeting a 14% reduction in force.

So is that going to be higher like up towards 20% now? Or were the cost savings found elsewhere?

Todd Glickman
Yes. These cost savings were found elsewhere as we've gone through a number of acquisitions historically.

So those cost savings were separate from the ones in Q4 and were directly related to synergies across those acquisitions.

Operator
Our next question comes back from the line of Richard Shannon from Craig-Hallum.

Richard Shannon
Well, that was getting back in here.

Let's hear 2 questions. I got on the call late, so I may have missed some prepared remarks here. But Gene, did I catch accurately that you had a very market acceleration design wins in the data center space here? I think if I heard you correctly, 10 through the first 3 quarters and then 30 in the fourth quarter to get to 40. If that's accurate here, can you kind of lay out the dynamics here, what's going on? Is the share gains acceleration in the market? And then when do these design wins go to market? Can they happen this year? Or is it beyond this year?

Eugene Sheridan
Yes, both are good points. And yes, you got the facts right, Rich.

So I think it is an acceleration. I'd like to think it's probably an acceleration of share gain, but let's hold that until we sort of deliver on the POs and the revenue. But certainly, the market continues to accelerate, and we're pleased to see even after things like DeepSeq that the CapEx numbers keep going up globally, the power requirements even continue to go up.

As I talked about, a lot of our design wins are now pushing to that power limit, 4.5 kilowatts on the CRP, 8.5 kilowatts, and we're going to go even higher than that on the OB3 platform that I mentioned.

So I think that's all a pretty encouraging outlook for us.

Richard Shannon
Just another big-picture question for you, Gene.

Just obviously, have a different geopolitical environment since the last earnings call. I want to see if there are any changes that you would highlight either positive or negative globally.

Eugene Sheridan
Yes. Good question. Those are always broad macro questions.

So obviously, there's talk about tariffs, hard to know how tariffs play out, where are they, which countries, how do people respond to the equipment level, the chip level. But fundamentally, we're one of the few companies doing semiconductor manufacturing in the United States.

As you know, we built silicon carbide at X-FAB in Texas.

So that probably puts us a little bit better positioned than many others. We're already well into our China for China strategy, which is really about providing localized support for our China customers kind of defending and protecting that business, but also trying to grow and accelerate it over time.

So I think both of those give us a pretty good position in the changing macroeconomic environment, but we'll have to see. It's a complicated world out there.

Operator
Seeing as there are no more questions in the queue, that concludes our question-and-answer session. That also concludes this call. Thank you all for joining.

You may now disconnect.