

EE Times: Semi News
Tower tips turnaround strategy

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SAN FRANCISCO — Moving towards its turnaround strategy, Israel's Tower Semiconductor Ltd. plans to reorganize its operations, focus on several key markets and boost its overall fab efficiency. The moves are intended to boost its bottom line and become a more customer-oriented company, said Russell Ellwanger, the new chief executive of silicon foundry provider Tower (Migdal Haemek).

"Tower had been an activities-based company rather than a market-based company," Ellwanger said in an interview during the Semicon West trade show this week. "The first thing we're trying to do is understand the customer pipeline."

In April, Tower announced the appointment of Ellwanger, formerly a senior executive with Applied Materials Inc. (Santa Clara, Calif.), as CEO. Ellwanger came to Tower from a position as group vice president at chip-equipment company Applied, where he served as general manager of its global services unit.

He assumed the title at Tower from Udi Hillman, who was acting CEO. Hillman serves as president and chief executive of ICTech, the technology holding company of Israel Corp., a financial backer of Tower.

Hillman took the position of acting CEO of the silicon foundry provider after Carmel Vernia, who served as chairman of the board and CEO, said he wished to step down from his positions to pursue other interests earlier this year (see April 21 story).

Besides a series of executive management changes, Tower has also reported a string of huge losses and layoffs. In the first quarter of 2005, the company reported a loss of \$55.3 million on sales of \$23.2 million.

In fact, on a yearly basis, Tower has not made a profit since 1997. Many believe that the company could become one of the victims in the anticipated shakeout among second-tier foundry providers. There are too many second-tier players offering essentially the same technology in a down market, according to analysts.

In joining the company, Ellwanger indicated that he saw an opportunity with a strong technology provider with good fundamentals. "I didn't see a failed company," he said.

The rebound

In fact, business is bouncing back for the company. In the second quarter alone, Tower is seeing substantial fab utilization rates from its older 6-inch fab. And in total, it has taped out a record 14 designs in the period, which is more than all of 2004 combined, he said.

Still, Tower is taking steps to improve its bottom line. "I'm looking at becoming cash-flow positive," he said.

In the past, the company was more of an R&D-centric company, which developed foundry processes on an ad hoc basis. Under a new and proposed plan, Tower will shortly be divided into several product groups, including CMOS image sensors, mixed-signal and CMOS processes. Each group is responsible for product marketing.

Like before, the company has no plans to compete against the foundry giants, such as Chartered, TSMC, SMIC, and UMC. Instead, it will continue to find niche markets and plans to "customize our processes," he said.

Tower has already moved in its new direction. In May, U.S. chip maker Atmel Corp. agreed with Tower to form a partnership to develop CMOS image sensor technology (see May 17 story).

The Israeli company continues to ramp up its 130-nm manufacturing process technology acquired from Freescale Semiconductor Inc. The technology is ramping up in Tower's Fab 2 plant, a 200-mm, 0.18-to-0.13-micron wafer fab.

Joanne Itow, an analyst with Semico Research Corp., said that Tower is moving in the right direction, especially with the Fab 2 plant.

One of Ellwanger's first moves was to re-evaluate and revamp its fab tools within the plant, Itow said. As a result, the company has been able to boost its production efficiency by "15 percent," she said.

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