

Q1 2025 MPS Earnings Webinar

Monolithic Power Systems, Inc. (NASDAQ:MPWR)
Q1 2025 Earnings Conference Call
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Company Participants:

Genevieve Cunningham - Senior Manager, Marketing Communications
Michael Hsing - Chairman of the Board, President and Chief Executive Officer
Bernie Blegen - Executive Vice President and Chief Financial Officer
Tony Balow - Vice President of Finance

Analysts:

Tore Svanberg - Stifel
Rick Schafer - Oppenheimer
Ross Seymore - Deutsche Bank
Gary Mobley - Loop Capital
Quinn Bolton - Needham
Chris Caso - Wolfe
Joshua Buchalter - Cowen
Will Stein - Truist
Jack Egan – Charter Equity
Joe Quatrochi - Wells Fargo
Kelsey Chia – Citi Research

Genevieve Cunningham

Welcome, everyone, to the MPS first quarter 2025 earnings webinar. My name is Genevieve Cunningham, and I will be the moderator for this webinar. Joining me today are Michael Hsing, CEO and founder of MPS, Bernie Blegen, EVP and CFO, and Tony Balow, Vice President of Finance. Earlier today, along with our earnings announcement, MPS released a written commentary on the results of our operations. Both documents can be found on our website.

Before we begin, I would like to remind everyone that in the course of today's presentation, we may make forward-looking statements and projections within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risk and uncertainty. Risks, uncertainties, and other factors that could cause actual results to differ from these forward-looking statements are identified in the safe harbor statements contained in the Q1 2025 earnings release and in our SEC filings, including our form 10-K, which can be found on our website. Our statements are made as of today, and we assume no obligation to update this information. Now, I'd like to turn the call over to Bernie Blegen

Bernie Blegen

Thanks, Gen. Good afternoon, and welcome to our Q1 2025 earnings call. In Q1, MPS achieved record quarterly revenue of \$637.6 million, slightly higher than the fourth quarter of 2024, and 39.2% higher than Q1 2024. This performance reflected the ongoing strength of our diversified market strategy, consistent execution, continued innovation, and strong customer focus.

Let me call out a few highlights from the first quarter.

- In our March 20th investor day, we showcased MPS innovation across a range of areas, including new opportunities in robotics, automotive, data center, building automation, medical, and audio.
- In Q1, storage, and computing segment revenue increased 38% quarter over quarter on strong demand for both memory and notebook solutions. We continue to win designs across all major enterprise data customers, with revenue ramps expected in the second half of this year.
- Finally, Q1 '25 automotive revenue increased 13% from Q4 '24, the third consecutive quarter of sequential double-digit growth.

MPS continues to focus on innovation, solving our customers' most challenging problems, and maintaining the highest level of quality.

We continue to invest in new technology, expand into new markets, and diversify our end market applications and global supply chain. This will allow us to capture future growth opportunities, maintain supply stability, and swiftly adapt to market changes as they occur.

Our proven long-term growth strategy remains intact as we continue our transformation from being a chip-only semiconductor supplier to a full-service, silicon-based solutions provider. I will now open the webinar up for questions.

Genevieve Cunningham

Thank you, Bernie. Analysts, I would now like to begin our Q&A session. As a reminder, if you would like to ask a question, please click on the Participants icon on the menu bar, and then click the Raise Hand button. Our first question is from Tore Svanberg of Stifel. Tore, your line is now open.

Tore Svanberg

Yes, thank you, Gen, and congratulations on a strong quarter, especially during this environment, and especially the cash flows. First question is on enterprise data. So it did come in line with expectations. But you talked about some second half design winds ramping. Should we infer by that this is the low point for enterprise data this year?

Michael Hsing

Yeah. At this time we feel, of course, when they're close to a second half of the year, we feel a lot better. And the overall numbers can be better. But at this time, we're not forecasting how good is good. So we have a lot more confidence than at the beginning of the year.

Tore Svanberg

Great. Thank you. Yeah, go ahead, Bernie.

Bernie Blegen

I think it's important to say that we're engaged with many different programs-- either that we have the design wins or the qualification. So it's very broad based, but as Michael says, while our visibility is improving, clearly, the improvement is second-half-weighted.

Michael Hsing

Yeah, that's a good comment. There is that we do win many design-- or have many design wins. And customers design it in, and we're just waiting for the ramp.

Tore Svanberg

Great. Can I ask a follow-up?

Michael Hsing

Yeah, go ahead.

Tore Svanberg

Yeah, so as my follow-up, Michael, I know over the last decade or so, you know, you've been working really hard to diversify globally, whether it's R&D centers, manufacturing partners, and so on and so forth. I was hoping you could talk a little bit about those efforts, especially given the current tariff environment, and how are those efforts really impacting your position right now?

Michael Hsing

Yeah, that's a good question. Started 10 years ago, we started to emphasize, you have local manufacturing for local customers. And in the US was out of China, started, particularly started the last couple of years. And right after the pandemic-- so I mean, the volumes and the-- we almost more than double our volumes. And we need to expand the fab capacities. And the serendipity-- and we all expanded in the outside of China.

And at that time, the inside of China was full. And so now, they gave us a very good positions for outside of China, for supplying the US side, and as well as the inside China. And that gave me-- and so now we're in a much better position now.

Tore Svanberg

Great. Thank you for that. Congrats again.

Tony Balow

Sorry. The only thing I'd add right from in addition to the supply chain-- the diversification approach has really been on the front end as well around R&D. So as we've been looking both to design and the supply, that's really been a hallmark of the strategy over the long haul here.

Michael Hsing

Yeah.

Tore Svanberg

Great. Thank you.

Genevieve Cunningham

Our next question is from Quinn Bolton of Needham. Quinn, your line is now open.

Quinn Bolton

Thank you. And I'll offer my congratulations as well on the strong results and outlook. I guess Bernie, Michael, maybe a follow-up on Tori's question just on enterprise data. I think you came into the year thinking enterprise data could be anywhere from flat plus or minus 20%. Sounds like you feel a little better about the business now. Wondering if you might be able to tighten up that range on enterprise data. And then specifically, one of your large customers-- sounds like there may have been a platform change. And I think some investors are concerned that platform change on their next generation GPU could have an impact on your share. I'm wondering if you might be able to address just your thoughts about how you're positioned in shares you come into the second half of the year?

Michael Hsing

We were told by many customers we offer a breadth of a product that meets our customer needs. We don't comment on a specific customers. And also the matter of fact is that we don't know which our customers' projects are going to ramp-- or the changing, as you said, and changing the schedules.

These are out of our concern and we don't know. And it's their decision. But we have enough product. We can meet their demand. And we're winning-- we feel better because our customers recently qualified many of our product from the IC levels up to module levels. They passed many rigorous testings, and they feel good about it. And now we see some, so we feel good about it. We expected to have a ramps. So at this time, we not going to forecast what's the half year. In the past, we said-- last year, we said that this year could be flattish in our numbers. Let's see. Let us deliver numbers. Hopefully, it's better than we expected.

Bernie Blegen

Yeah, and I think that Michael is right that we have increased visibility because of the design win and the qualification process is down the road another month. But still, as far as when the actual product ramps occur is outside of our control. So while I think that we feel more confident overall, the timing as far as the plus/minus against the range-- let's leave it wide open for right now.

Quinn Bolton

Got it. And then maybe a follow-up question-- just Bernie-- on the second quarter guidance. Looks like gross margin ticks down by about 20 basis points at the midpoint. Wondering if you could just address that? Is that just sort of mix shift within the product groups? Are you starting to see either tariff costs and/or pricing pressure? What accounts for the slight drop in gross margin in the second quarter? Thank you.

Bernie Blegen

Sure. It is not a specific event that we're pointing to. We're just saying that there's a mix of different things that may or may not be outside of our control. And so just being basically 20 basis points down is more conservative.

Michael Hsing

Yeah, overall, all the new products we release will have higher margins. I mean the higher volumes, the margins is lowered. But we are not going to intend to operate much below our corporate average. That's our goal.

Bernie Blegen

We stay within the range.

Michael Hsing

Yeah, we stay with our model.

Quinn Bolton

Perfect. Thank you.

Genevieve Cunningham

Our next question is from Ross Seymore of Deutsche Bank. Ross, your line is open.

Ross Seymore

Hi, guys. Congrats on the results. And thanks for asking the question. Bernie, in the first quarter, you had a very wide and divergent performance by segment to get you still to upside overall. Just wondered if there's any large segment moves in your second quarter guide, any big divergent moves that you'd like to highlight?

Bernie Blegen

No, actually, the range of variance for all of the groups is plus/minus 5 percentage points. So actually, we're seeing very narrow change sequentially. And it's worth commenting there that I believe that if we

were heavily influenced by pull-ins, for example, that we might have seen a more dramatic fall off in a particular market segment. But when we look against, particularly year over year, our strength is fairly broad-based with enterprise data, as we've talked about still looking for the ramp in the second half of the year.

Ross Seymore

Got it. And I guess that leads to my second question, which was going to be something you kind of just touched on, which is the tariff side of things. I know you talked earlier about diversifying your manufacturing, and Tony mentioned about diversifying the R&D side of things. But as far as the pull-ins, push-outs, any sort of different behavior from your customers? I've been surprised how little of that has been admitted to or has actually occurred by some of the other analog companies. And so I just wondered what you guys are seeing.

Michael Hsing

If that happens, there's some pushing and pull out-- and pulling or pull out-- push out-- and those numbers small enough, it's that we don't clearly understand it.

And the overall numbers very consistent, as you see. Well, Bernie mentioned the Q1 and the computing segments and the revenue growth. And that gave me a-- so that's also as expected from the previous quarters. We have a lot of design winning in those areas. And we turn into our revenues.

Tony Balow

And Ross, in that area, for sure, there's a lot of other, you know, business factors beyond just potential tariff-related pull-ins, because there's a AI PC, there's the end of Win 10 support, there's gaming. There's a lot of things that are driving the good business there as well.

Michael Hsing

Yeah, the key is diversification. And the best things that-- I can look at the numbers, and I can't have any target number that I want to analyze. Everything looks very smooth.

Ross Seymore

Got it. Well, let's hope it stays that way. Thanks, guys.

Michael Hsing

Yeah.

Genevieve Cunningham

Our next question is from Rick Schafer of Oppenheimer. Rick, your line is now open.

Rick Shafer

Thanks, Gen. And congrats, guys, on the solid quarter. I guess my first question, if I could, is really on data center or server power, rack power, to be specific. You talked about your 400-volt rack power solution at analyst day. I think you highlighted like 600 kilowatts within a couple of years.

I mean, we're seeing more in the press about even megawatt racks within the next handful of years. So I was just curious if you could elaborate on the expected market opportunity or TAM there and sort of when rack power sales are expected to become material for MPS?

Michael Hsing

Yeah, our customer asks us to pull in, I believe, with this month-- If not this month, next month we deliver a samples. I think this month. We deliver modules-- each module level is like 120 kilowatt levels. And for each modules, you add together somewhere about 600,000 kilowatt to 1,000,000 watt powers. And so we do have a product for that. We do have a initial development, and now we have samples.

Rick Shafer

But Michael, not to press you on it too hard, but would we see material revenues this year, or is this more of a sample year, qualification year, And. It's more of a 2026 revenue driver?

Michael Hsing

I believe it's a 2026. We expected to have a higher good revenue come from that type of modules. And so at the same time, we are preparing our production ramps-- production qualifications. And there's a lot of work in the second half of the year. But we fully expected it. And we anticipated that part of the growth.

Rick Shafer

Thanks for all that, Michael. And then my second question is really on auto and—to me you have several material content drivers ramping this year. You look at 48-volt transition, beginning 800-volt battery transition.

You've talked about power isolation modules. I know you talked about that at Analysts Day also. I guess I'm curious-- kind of a similar question in terms of, how much do you expect BMS to contribute to that segment-- to auto segment revenues this year? And I guess I'm curious if there are any regions favored within that?

Michael Hsing

Yeah, of course, China model changes much faster than any other regions. But we do see in the US and the Europe even carriers. We're changing. And changing not only from a 400 volts to 800 volts, and also from a 12 volts to 48 volts-- and those segments in that case started very early. And these are still at the very early stage. And we do ship those products now to those segments. And I believe all the early changes, we're all in it in every model.

Bernie Blegen

Yeah, and I think in automotive in particular here-- because we've heard some concerns about unit volumes from North American and Chinese EVs in particular. But when we look at our second half, a lot of the momentum will be design wins that we secured in previous years that are coming to market, particularly in North America and in Europe. So really, it's a content-driven second half story for automotive.

Michael Hsing

Yeah. Well, what you mentioned about 800 volts, 48 volts. And those probably we'll see a lot more in the 2026 and the '27.

Rick Shafer

Great. Thanks, you guys.

Genevieve Cunningham

Our next question is from Joe Quatrochi from Wells Fargo. Joe, your line is now open.

Joe Quatrochi

Yeah, thanks for taking the question. I wanted to follow up on your comments on the storage and computing segment. I can appreciate you guys are seeing some design win ramp. I guess as we look forward here, just given the abnormal seasonality strength that you saw in 1Q, how do we think about that business kind of throughout the rest of this year?

Michael Hsing

Are you talking about seasonality? I don't know if it's nowadays-- MPS has been a public company for 21 years. And in recent years, I don't know what the seasonality is. But we talk about the design wins in the memory side-- in the memory part of the power management. And we're talking about for the last year or two or so. I think at one time, I even-- I said that, we will ramp up that this year.

But we don't know-- these are the kind of things that plus or minus quarters. And the way you get it close to as, OK, you get orders, and by the end of the quarter, they don't push you out. And now here's the numbers ok. And we're not very good at forecasting the numbers, but we're pretty good at delivering numbers.

Bernie Blegen

But I think really important point here as well is that how broad-based this is. So we're looking at DDR5, SSD, even HDD on the memory side. And then as Tony pointed out previously, that within the notebook, that there are a variety of factors that are driving that end market as well. So--

Michael Hsing

CPU side in a notebook side. CPU side, desktops, and notebook side. When Bernie mentioned all these segments, these are pretty evenly grow. Maybe memory side and the DDR5 is a little bit more than the other ones. But they're pretty much consistent and evenly grow each segments.

Tony Balow

Yeah. And Joe, just relative to what Bernie said before, going into Q2, everything's plus or minus a couple of points kind of thing. So you would infer from that segment would not see a sharp fall off necessarily in Q2.

Joe Quatrochi

Yep. No, that's helpful. I appreciate it. Maybe as a quick follow up, looking at the enterprise data side, maybe on the non-AI segment of that market, how are you thinking about traditional server CPU demand this year?

Michael Hsing

They're doing good. And as you probably know, all these-- a lot of servers has a refresh and adopting whatever the Intel's latest models. Like as we said, at the beginning of the last year or year before, we would increase our market share. And now, we're pretty much ok-- and we see as we said it years ago-- last year.

Bernie Blegen

And I think just to stay on that point for a little bit longer, is that, again, much like the other areas of our business, we're seeing consistent steady growth. It's not like a spike or a hockey stick.

Michael Hsing

We will gain shares and the next year's. Things will even gain higher percentage in a server market.

Joe Quatrochi

Perfect. Thank you.

Genevieve Cunningham

Our next question is from Gary Mobley of Loop Capital. Gary, your line is now open.

Gary Mobley

Hey, guys. Thanks for taking my question, and congrats on the solid first half performance. On the topic of China, can you give us a sense of how big your business now is in China relative to local indigenous consumption? And given your China-for-China manufacturing supply chain, how has that and how will that position you versus your larger US competitor?

Michael Hsing

If you know our stories-- and this is a-- a lot of design, and a lot of design activities, and a lot of manufacturing that are happening in China 10, 15 years ago. And started 2016, we diversified, so not only from the-- before, it was the US and China. And started 2016, '17, we established placing in Europe-- multiple places since then.

And as I mentioned before, we concentrate mostly our manufacturing partners that's in China after the pandemic. So we migrated out, by serendipity I said earlier. And as a result, was the capacity within China. So we announced-- and so I don't know how we gauge with our competitors.

If there's any concentration concentrated in the US for productions or concentrated in China, in the current environment, neither are good. You need really a balanced. And in China, your manufacturing-- particularly manufacturing for China. So like in the US is outside China. And the same as Europe.

Gary Mobley

As my follow-up, I wanted to ask about capacity and customer order lead times. It appears as though you have almost a half a year's worth of inventory on your balance sheet. And you probably have infinite manufacturing availability, at least in the intermediate term.

Michael Hsing

Not quite infinite.

Yeah, so we have a lot. Go ahead. Sorry.

Gary Mobley

So my question is, have you seen any sort of uptick in customer order lead times. And related, has that improved your visibility or your backlog or any of those forward-looking metrics?

Bernie Blegen

So as far as the inventory, let's take that on first off, is that we're a little bit-- our model is to hold about 180 to 200 days on our books. And we're well below that level right now. When we look at inventory in the channel, we also see that is very lean against what we typically experience or what our model is.

As far as the lead times, they're actually holding pretty well as far as what we're seeing in the supply chain. And as I've commented in prior comments, that in certain of our end markets, they do demand short lead times. And so we have to build ahead of their demand. I think, though, right now, we have a lot of flexibility. We're very well-positioned regardless of which way the market goes.

Michael Hsing

Well, we targeted 180 days to 200 days for many, many years because for all the new product ramp. And in Q1-- I don't know if you remember, like I said, in the inventory levels, very low both from our--

both from disti level and as well as within MPS and at the very low levels. I may even said it-- it was an unhealthy levels. Too low. And overall, our strategy is we always hold more inventory than the disti. And we have better management.

Gary Mobley

Thank you.

Genevieve Cunningham

Our next question is from Joshua Buchalter of Cohen. Joshua, your line is now open.

Tony Balow

Josh, you there?

Michael Hsing

He can't hear. Oh, I cannot hear you.

Uh-oh.

Joshua Buchalter

Now it's better.

Tony Balow

Yeah, we can hear you now.

Michael Hsing

No, now it's cutting out.

Joshua Buchalter

How now? Last try. Good?

Tony Balow

There you go. We can hear you.

Joshua Buchalter

I'm sorry about that, guys. It's my first time on Zoom. I wanted to follow up on Joe's question from earlier on storage and compute. I totally appreciate the share gains that you mentioned, but the 38% sequential growth in what's usually a sub-seasonal quarter for PCs is certainly eye popping. Are there

any more metrics you can give us as to maybe content or share shifts that are going on, and to give us comfort that there's not inventory build happening here? Thank you.

Michael Hsing

Well, in the past, we have a few eye-popping numbers. So we didn't surprise it. As we said, I mean, it's pretty even growth in the segment, particularly a little bit more than the DDR5, as we said a few quarters ago. Bernie, you want to--

Bernie Blegen

Yeah. Josh, you might recall from my comments from year-end when we were looking at the Q1 outlook. And I said that there was an atypical seasonal uplift anticipated in storage and compute. And against our internal expectations, we came in within low single digit performance to the upside. So while it may be counter to whatever seasonality we've experienced in the past, everything rolled out pretty much as anticipated.

Michael Hsing

Yeah, we have-- OK, go ahead.

Tony Balow

Well, as I said-- and Josh, just remember that storage, compute-- you heard Michael say it before. It's growth from both the memory side as well as the notebook side. So it's not all notebook-driven. That might apply to your seasonality question.

Michael Hsing

Even desktop. We have always-- particularly in the last couple of years-- the market is very dynamic. And you see one segment is popping up. The other one segment is not so much. And in the last couple of years, you see more this quarter's is storage and compute. Last quarter, I don't know, was it auto the last couple of quarters-- before that was the--

Bernie Blegen

Enterprise.

Michael Hsing

--enterprise. And we keep running like a circle.

Joshua Buchalter

Thank you for the color. And then I wanted to follow up on enterprise data also. You mentioned the increased confidence versus three months ago. Is that coming from your biggest customer in that segment, or is that more confidence in some of the newer platform wins that you expected to ramp in

the second half? And within that, are lead times still measured in weeks? And when would you expect to, I guess have more visibility onto the share in enterprise data?

Michael Hsing

Do you imply we circle back? As closer to the second half, we feel better. That's as always. And we have more clear visibility. Bernie?

Bernie Blegen

Yeah, that's exactly right. We've talked about this in the past. It's not just the main customer, but some of our other customers are operating with shorter lead times. And as a result, we feel very good about the design wins, the qualifications. And as I mentioned earlier, it's really the timing of when they expect to ramp. But even within that, we're getting-- increasingly more confident.

Michael Hsing

Oh, yeah. you're talking about large customers, small customers. When we're looking at all these, they all can be very big.

Bernie Blegen

They can all be big.

Michael Hsing

They all can be big. Yeah.

Joshua Buchalter

Well, congratulations on the results. And apologize for my technical difficulties again.

Bernie Blegen

No, thanks, Josh.

Genevieve Cunningham

Our next question is from William Stein of Truist. William, your line is now open.

William Stein

Great. Thanks for taking my questions, guys. Two topics. I wanted to hit on tariffs, and then I wanted to hit on some growth opportunities on the tariff side. People have asked a bunch of different questions, but I wonder if you'd help us understand if there are any direct as in unit costs and unit pricing impact that's influencing your Q2 guidance? And is there any indirect or unit demand impact influencing your Q2 guidance?

Bernie Blegen

No to both questions.

Michael Hsing

Yeah.

William Stein

And then at the analyst day, you showed some pretty unique products for a semiconductor company-- these sort of finished, full up products. As I recall, there was a sonogram. I think you threatened to list that on Amazon, if I recall. But also building automation-- you had audio amplifiers. I can't imagine that these are contributing meaningfully to revenue. But I wonder what your customer-- either established customer or emerging customer-- reaction was to this. Did you see anything worth noting that could drive future demand that we'd want to think about?

Michael Hsing

All I try to do-- as Bernie said earlier, we want to have a silicon-based solution company. I want to monetize our know-how. And for example, building automations, that box we did it. And you add a lot of inaudible in the box. We sell over sub fifty cents a lot of products.

We add it together, and we put some softwares on most of our products. It's programmables. And now we're making MCUs, and we put it all together. It can be a very good viable solution sell for lot higher dollars. And same as ultrasound areas.

And this, to me, is very interesting We can leverage our know-how. Instead of sell \$1, \$2 parts, now you start selling thousands, \$10,000 stuff. And our customers sometimes-- and they are related to our customers.

Our customers, they buy-- we're talking to a different level of people. We're not talking to engineer anymore. We want to have cooperating with a large companies. And we have those solutions. And you can sell-- you can buy the entire solution. You can have it as like a white box. You label it. Or another way is you buy all our modules rather than a chip. It just take much of an effort from their hand. And we do things because we do silicon. We do silicon. And we know that we can know the module levels, and then we stretch it out a little bit with adding more software. It's the entire blown systems. And depending on the level our customers interest, like we can engage with them in the chip levels, in the module levels, on the system levels. And we just want to provide more. And that's our know-how. We leverage our know-how, leverage silicon.

And I contacted several very, very large companies there are the leader in the area. There's much, much welcome to these kind of solutions. They want to work with us. And this is at the very beginning. That's kind of things that we're transforming our company from a silicon-only to a solution company. These are the ones-- I think that's how we-- from a silicon to module, we grow out of the silicon company. Then from modules-- and we probably stay in the module level. We are never going to sell shades or blinds and air conditioning. These are still in the module levels.

William Stein

Great. Thank you.

Genevieve Cunningham

Our next question is from Chris Caso of Wolfe. Chris, your line is now open.

Chris Caso

Yes, thank you. My first question is with regard to the power for some of the custom AI projects this year. Could you detail how significant that is for the enterprise data segment this year, and maybe some idea of what the content is on that as compared to the largest customer in that segment?

Bernie Blegen

So when I look at the opportunities, particularly with AI, the products are only getting higher power and they're getting smaller footprints. And it's that area of innovation where we can help lead our customers to their end solutions in a way that our competitors aren't. So right now, the market has been dominated with really one main customer. And now, as we see the second half of the year in particular, there's going to be a number of new market entrants. And they're all with the same formula--

Michael Hsing

Including a big and small.

Bernie Blegen

Yeah.

Michael Hsing

And the small looks like going to be a big. And the dollar content is-- in half years, a years, a few hundred million dollars. It's \$500 million, \$600 million. It's not unthinkable for half years.

Chris Caso

Got it. As a follow-up question, maybe I'll dig into some of you talked about on the confidence on the enterprise data as you go through the year. And I guess maybe a little more detail of the why you feel a little more comfortable now as compared to where you were at the beginning of the year. Is it just simply a matter of qualifications, where you're not qualified on platforms that you may not have been qualified on at the beginning of the year? Is it more confidence with regard to market share on those-- just a little bit of what is driving the confidence for the year as compared to where it was 90 days ago?

Michael Hsing

Well, the year is a half year. And now it's almost half a year later. And you feel better, feel good. It's all going to happen as we're getting closer. And so we see the result as we expected it.

Bernie Blegen

Yeah, and say that we've got we've got more positive data points that we can look at. But still how that converts in the year-- that's why I mentioned earlier that we're operating within a range of outcomes.

Michael Hsing

Yeah. One thing we're good at, looking in the past-- we are pretty good at do as we said.

Bernie Blegen

Yeah.

Chris Caso

Got it. Thank you.

Genevieve Cunningham

Our next question is from Jack Egan of Charter. Jack, your line is now open.

Jack Egan

Great. Thanks so much for taking the questions. So I was hoping you could talk a bit about the margin outlook for some of the new accelerator ramps in the second half and into '26 and '27. Is there really like a structural difference in the margin profile for those products going into custom ASICs and TPUs versus GPUs, whether better or for worse? I mean, really just any similarities or differences as to how that kind of long-term trajectory plays out would be helpful.

Bernie Blegen

I wouldn't say that there's a structural change. Now, you have individual opportunities that could be plus or minus. But there isn't a fundamental change in our margin model because of it.

Michael Hsing

Yeah, MPS, we want to operate well within our model. We're at the low end, and we're very much aware of that. And we want to do is we're not going to high volumes, low margin business. Doesn't matter what area. And all these new products, I said earlier, we release will all have higher margins. And we want to stay on the best performance. We're not competing on the price.

Jack Egan

Got it. Thanks. That's helpful. And then I guess for my follow-up-- as it kind of relates to just the broader analog cycle across end markets, if you kind of strip out Monolithics-- new design wins that are ramping and share gains-- are you seeing any signals that end demand broadly in maybe some of the more downtrodden markets is starting to increase? I mean, I'm not sure if you can really separate those factors out. But if you're looking at markets, like automotive and industrial, is there anything that gives you confidence that maybe those markets are actually turning around?

Bernie Blegen

I think for MPS, it's impossible to strip out the revenue ramps from new products. I know that we've had a competitor or two that have announced that they've seen a bottoming out or potential improvement. Again, our story has to do with the new product revenue ramps. And in particular, we've talked a lot about the second half as far as enterprise data. But I don't want to ignore all of the other opportunities and all of our other end markets. So we feel very well-positioned, regardless of the macro, for both the second half of this year, as well as the momentum we're carrying into 2026.

Michael Hsing

Yeah, if you know the history, for 21 years, as a public company, we only have one year-- 2010-- the year we didn't grow. We missed \$3 million. Every year, we grow.

Jack Egan

That's super helpful. Thanks so much.

Genevieve Cunningham

Our last question is from Kelsey Chia of Citi Research. Kelsey, your line is now open.

Kelsey Chia

Hi, Michael and Bernie. Thanks for taking my question. So I'd like to dive deeper on the gross margin side. So it seems that legacy wafer pricing is trending down. And also you're talking about new ramps in enterprise data and auto. So is there room for gross margin expansion going forward in the second half?

Bernie Blegen

Of course, there's room for gross margin expansion.

Michael Hsing

For second half, no. We're not going to increase the price to our customer. For next years, that's very possible.

Bernie Blegen

Yeah.

Kelsey Chia

Right. And I'll also like to tap on the communications and market. So I believe that segment is also benefiting from the AI infrastructure build outs, I believe on the optical module side. Could you provide more color on those applications and also when can we expect-- can we expect a similar ramp to these enterprise data, that second half uptick for this year?

Bernie Blegen

Sure. It was interesting because the way we look at our communications market is we have, obviously, the network telecom exposure. We have the router, wireless modems. And more recently, we have optical; fiber optics.

And I would say that when I look at the last two quarters, and the outlook for Q2, it's been very balanced. It hasn't been weighted by any one component. And that's what we're seeing. We already talked about that as far as storage and computing and in automotive in particular.

Kelsey Chia

Thank you.

Genevieve Cunningham

This concludes our Q&A session. I'd now like to turn the webinar back over to Bernie.

Bernie Blegen

So I'd like to thank you all for joining us on this conference call. I look forward to talking to you again during the second quarter of 2025 conference call, which will likely be held in early August. So thank you. Have a nice day.