Q2 2025 MPS Earnings Webinar

Monolithic Power Systems, Inc. (NASDAQ: MPWR)
Q2 2025 Earnings Conference Call
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Company Participants:

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
William Stein - Truist
Kelsey Chia – Citi Research

Moderator

Welcome everyone to the MPS Second Quarter 2025 Earnings Webinar. My name is Arthur Lee, 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 risks and uncertainties. The 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 Q2 2025 earnings release, or Q2 2025 earnings commentary 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 would like to turn the call over to Bernie Blegen.

Bernie Blegen

Thanks, Arthur. Good afternoon, and welcome to our Q2 2025 earnings call. In Q2, MPS achieved record quarterly revenue of $664.6 million, 4.2% higher than the first quarter of 2025 and 31.0% higher than Q2 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 second quarter. We continued to see diversified revenue growth across all of our end markets. We began initial shipments of our power solutions to support our customers new ASIC based AI products. Storage and Compute revenue grew sequentially off a strong Q1 as we continued to see demand for both memory and notebook power solutions.

MPS continues to focus on innovation and solving our customers' most challenging problems. We continue to invest in new technology, expand into new markets, and to diversify our end market application and global supply chain. This will allow us to capture future growth opportunities, maintain supply chain 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 to questions.

Moderator

Thank you, Bernie. Analysts, I would now like to begin our Q&A session. Our first question is from Tore Svanberg of Stifel. Tore, your line is now open.

Tore Svanberg

Yes, thank you. And congratulations on another record quarter. Michael or Bernie, I was hoping you could talk a little bit more about the September quarter, what the setup is there? You're guiding for 8% sequential growth at the midpoint. I was just hoping you could give us some puts and takes of the six end markets in the September quarter.

Bernie Blegen

Sure. Happy to, Tore. So, when we look at Q3, we've got Enterprise Data growing between 20% and 30% sequentially. We also see a seasonal uplift in Consumer and then with the exception of Storage and Compute, all of our other lines of business are up high-single digits. In Storage and Compute, we just have a little bit of caution, primarily because you're coming off of two very strong quarters in Q1 and Q2.

Tore Svanberg

That's great color. And just as my follow-up, you mentioned the AI ASIC programs now starting to ramp. I was hoping you could add a bit more color there. Are we talking about multiple customers? Are these primarily vertical power architectures? And I guess the real important question is, you know, back at the Analyst Day, you gave us that $4 billion SAM for your Enterprise Data market, and there's a lot that's happened since then. So, just wondering if that number is starting to move quite a bit upward.

Michael Hsing

Yeah. You're right. Since the Analyst Day and the things are changing fast. And everything is good. And after a couple of years of these Enterprise Data segments and are clearly established you establish your winner or losers again. And that MPS does appear to be a winner. We have, we do engage multiple customers. It is not all large customers or large customers or potential customers and like I mean, we have a lot of design wins and design activities and while the trends are ramping up, as you know, in the near term. And also a lot of small emerging players and we see the peripheral, but not only in the data centers, but all kind of applications and that's why we are very excited in the long term. The short-term ones, and I say the near-terms, it doesn't mean in like next 6 months, the next 12 months, okay, I keep saying, okay, our forecast of revenues like it'd been is always a plus minus 6 to 12 months. So, you said earlier the $4 billion, okay, that's what we said and that's we see it, and we're going to get there.

Tore Svanberg

Great. Thank you, and congrats again.

Michael Hsing

Okay. Thank you.

Moderator

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

Chris Caso

Yes, thanks. Good evening. I guess the first question is with regard to Enterprise Data. You know, previously, you had provided some guidance on that to be flat plus or minus 20%. You talked about guidance for the September quarter. Any more visibility with regard to the full year guidance for that? You know, any more narrowing of that range, and you know, whatever kind of color you can provide on your expectations there?

Bernie Blegen

Sure, Chris. The market, as Michael just said, remains dynamic. We have fairly short lead times. So even for Q4, we don't believe we have our arms around all the business that's likely to occur. So, that's just the nature or the dynamic of this fast-moving market so at Q2, we identified the range as being flat to down potentially 20% and while we're not guiding on Q4, in addition to the, you know, growing in Q3 sequentially by 20% to 30%, I can say that Q4 will be up sequentially.

Michael Hsing

Well, whatever we said in the beginning of the year, we feel comfortable.

Chris Caso

Got it. Okay. That's helpful. You know, just in general, and you know, you've obviously listened to the calls from some of your peers that there's some degree of macro uncertainty out there. You know, some of the customers or some of your competitors rather, have expressed some caution and some concern about some pull-ins in certain areas. I wonder if you could comment on that with respect to your business. And in general, you know, as compared to 90 days ago, is there anything that's changed in your view of the overall markets or your expectations with respect to the year?

Michael Hsing

Well, I'll give you an arrogant answer. Sorry, but I don't listen to any other calls. I didn't tell you that, maybe I learn from you okay. And we focus ourself as, as always. Market condition is the market conditions. Again, we provide the components to multiple segments. That's where we focus on. And we focus on the internal, internal executions, and executions with our customers demand in futures. And that's what all we always do. And whatever happens, happens. And as long as we're much better than everybody else.

Bernie Blegen

If I could add to that, in Q2, we used the phrase that we're cautiously optimistic about the outlook for the balance of the year. And I think that still describes how we feel from the standpoint that we have seen broad-based, strong, continued strong demand profile in all of our end markets. However, the ordering pattern, because there is a little bit different risk pattern to remain with short lead times. So as a result, we're not necessarily building the backlog that we have visibility out beyond two quarters. So, that's a little bit different from most recoveries that we've experienced. But again, I want to stress that we feel very good about our overall positioning for the remainder of the year.

Chris Caso

That's helpful. Thank you.

Moderator

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

Quinn Bolton

Thank you. And congratulations on another good quarter, Michael, Bernie and Tony. I guess, Michael or Bernie, I just wanted to ask, as you start to shift into some of these ASIC platforms, can you give us a sense, are the ASIC platforms, do they tend to be sourced by multiple PMIC suppliers or do you tend to see sole, you know, sole source sockets for a given generation of an ASIC and then the ASIC vendor may, you know, source the first generation with yourself, and say a second generation with a competitor. That's a question I've gotten a fair amount. And so just wondering if you could give us some sense on whether those ASIC programs tend to be single sourced or multiple sourced?

Michael Hsing

Yeah. We see a variety of single sourced and more double sourced, multiple sourced, high cost sourced and the low cost sourced, all sorts. And we do, we deliver what our customer, we develop a system vertical power, and which is more module-like solutions and even the chip side and we do whatever our customer's demand. Maybe I can say, like I am too vague. I'm disappointed that you didn't ask any more specific technical questions.

Quinn Bolton

I'll save those for Analyst Day or maybe the callback.

Michael Hsing

Okay.

Bernie Blegen

Let me add real quickly there is that each of the end customer has their own reasons for how they're selecting their suppliers. Some of them it's supply chain resilience. Others want innovation. Again, like every opportunity we have, we provide strong customer focus and consistent execution. So, that's what makes us feel that we're very well positioned across all of these opportunities.

Michael Hsing

Now, when I tell you the -- when I tell you the high cost and low cost and multiple customer of one source and two source and multiple source, they'll all trues but nothing but the truth

Quin Bolton

Okay. Got it. And then the second question, I'll move to the automotive end market. Kind of wondering if you guys could give us your outlook for the second half of the year. What are the biggest drivers of growth? I think you have a couple of platforms with Western OEMs set to ramp where you have some pretty good content. Wondering the extent that those ramp, does that drive growth half over half in the automotive business, or are you looking for sort of more of a flattish half over half in that segment in the second half?

Bernie Blegen

So, automotive, and we've been very consistent on how we described the rollout for calendar 2025 that we enjoyed a nice step-up sequentially from Q4 to Q1. We anticipated that that would be flattening a little bit in the middle part of the year and then picking up end of the Q3, Q4, as these new content opportunities come online. So, while there is some back and forth on the SAR and units and in particular with individual companies, we're less affected by that than the timing of these new content ramps.

Tony Balow

And I think just one thing to add on that, right. I know we're hyper focused just on the year. But I think if we step back and look longer term into 2026, the opportunities around 48 volt, some of the zonal architectures, I think there continue to be opportunity for us going forward. This will be a growth area for us over the long term.

Michael Hsing

That's very good.

Quinn Bolton

Thank you.

Michael Hsing

Okay.

Quinn Bolton

That's it for me.

Michael Hsing

That's too many thing I can't remember. Okay.

Moderator

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

Ross Seymore

Hi guys. Congrats on the quarter and guide. Just want to dive first into the Enterprise Data side. You mentioned in your preamble or the press release that both the AI side and the server side were strong. Can you talk a little bit about any differences between those two growth rates, composition and the breakdown of ED between those in both 2Q and 3Q?

Bernie Blegen

Again, it's something that we've talked about as it relates to Enterprise Data is that the lines between traditional CPU and AI are getting a little blurry. So, it's very hard to make clear statements of relative growth or importance. Having said that, I think that the overall profile, both for the near term or midterm and the long term, remains very positive.

Ross Seymore

Great. I guess, as my follow up, there's been a decent number of concerns about pull-ins and tariff related activity. Obviously, you haven't mentioned anything on that. But outside of the Enterprise Data segment, when we think about the cyclical recovery that's happening, are you seeing any evidence of that kind of tariff influenced behavior and or do you think this the cycle itself is really what's driving demand?

Bernie Blegen

We believe this cycle is driving demand. We really don't have enough information to support a change in our customer's ordering pattern that would be related to tariffs.

Michael Hsing

We don't want to pretend to know that. Yeah, these are -- our control to look at and whatever happens, happens.

Ross Seymore

Perfect. Thank you, guys.

Michael Hsing

Oh, by the way, our inventories low Ross.

Ross Seymore

I didn’t want to go there, but it was nice to see. Thank you.

Moderator

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

Rick Shafer

Yeah. Thanks, guys, and congrats on another nice quarter. You guys… you guys make it look easy. I wanted to ask a quick follow-up on the $4 billion Enterprise Data SAM number. I was curious if that considers the eventual conversion of the server CPU to 48 volt. Does that factor that in or is that incremental to that number? And second part of that question, I'm curious, how much does HVDC increased that SAM or that TAM? And when do you expect, you know, direct current rack power to just start, you know, really take it off? I think you started sampling last quarter, if I'm correct.

Michael Hsing

Yes. Okay. The -- these are the 800-volt systems and the 400-volt systems. And yes, we started sampling. These are not in the factors. And also, what you mentioned the 48 volts, 48-volt servers and also the 48-volt systems and the 800-volt system, where it's far in the future. So, maybe far in the future is maybe a couple of years, a year, 18 to 24 months kind of things, or maybe even longer. We don't want to call the market, okay? That we are the only solution providers, and this one we believe, ultimately, all data center will convert into this type of a 48-volt and an 800-volt systems, and that's what we're targeting and that's where we'll emerge and focus our development. And not really in the last couple of years, what we said, many years ago, like maybe in 2016, we foresee 48 volts that would be the solution. And now, we became one of the key supplier in that. And the last couple of years, okay, three years ago we start to work in -- working on the 800-volt systems. And also not only that, also the BMS, the battery management systems, and these are absolutely fit for that type of applications. And not only for vehicles, energy storage and data centers, it's all about the energy utilizations.

Tony Balow

Hey, Rick, the only thing I'd add, I know you asked a very specific Enterprise Data question. But remember, we got to think about the overall data center opportunity, and you know, whether that's optical module growth, whether that's going to be memory, all those things I think play in these as opportunities for us. So, I'll just try to get us to step back a bit from only focusing on the Enterprise Data segment.

Rick Shafer

No, I appreciate that, Tony. And that actually leads me to my second question, which is I know it's not your largest segment, but Communications seems to be firing on all cylinders. I mean, satellite, Wi-Fi, 5G and transceiver power that you just mentioned. I didn't know if you guys can elaborate at all or talk at all about order -- order trends or velocities there or outlook for that segment, like just basically any color you'd be able to share there?

Bernie Blegen

Sure. So, if you look at about a year ago, we saw a large step-up from Q2 2024 to Q2 of 2023. And a lot of that was in the core networking and telecom business. And that sort of plateaued, that element has plateaued. But at the same time, we saw growth in the optical modules within the data center. That's been growing very nicely. So right now, I think that we're positioned very well. But I don't necessarily have a strong signal of additional investment in the network category.

Rick Shafer

Okay. Thanks, guys.

Moderator

Our next question is from Josh Buchalter of Cowen. Josh, your line is now open.

Josh Buchalter

Hey, guys. Thank you for taking my question, and congrats on the record results as well. Might shock you but I'm also going to ask about Enterprise Data. As we get into the back half of this year, any metrics or guidelines you can give us on how much this new AI ASIC is contributing to the back half of the year? How it compares to your lead GPU customer? And is this opportunity comparable in size to what, you know, you've been able to generate on the GPU side? Thank you.

Michael Hsing

Well, all these questions are being asked being similar questions. So, we'll answer it. Okay. We're looking, in the future, even the near-term future, looking good. And that, that's only about what, 25% of MPS business. And the bigger revenue growth is the rest of our company. And I hope we should have more question on the rest of the business.

Josh Buchalter

All right. I will take the subtle hint there and ask you about autos.

Michael Hsing

Auto and enterprise data add together, maybe only 40%. How about something else? Okay.

Josh Buchalter

All right. I think, I'll move to Storage and Compute then. We can take this anywhere.

Michael Hsing

Okay, look. No, I'm not just joking. Ask whatever you want to ask.

Josh Buchalter

I'm going to stick with Storage and Compute then. I mean, you mentioned some caution there into the back half of the year. Is that sort of an inventory dynamic? And you had gained a bunch of share, I believe, on DDR5 to start the year. Is there still more room to run with, from that on the share and content side on the DDR side within Storage and Compute? Thank you.

Bernie Blegen

Yeah, Josh. That's an excellent question because we had a very significant step-up in our position competitively as well as from revenue in both storage and notebook. So again, the reason that I used the term cautious is because both end markets tend to be a different demand profile from like automotive, for example. And what I mean by that is, historically, notebooks have always been like consumer and then expansion in Q3. We had such a atypical seasonality with a buildup in Q1 and Q2 that it just pays to be a little bit cautious there. Likewise, on memory, I have nothing to indicate that there's a slowdown or change of market positioning. But again, it's just that in the past, they've had historic boom and bust cycles. So, that's the only reason that I'm offering. Now, having said that, we were pleasantly surprised in Q2 that the results for that particular group came in better than expected.

Michael Hsing

Yeah, you know, auto, we grow significantly this year, right?

Bernie Blegen

Yeah. Our full year results are going to be well above what we've been doing.

Michael Hsing

40%?

Bernie Blegen

Yeah. We're probably, for the full year, we'll be between 40% to 50% growth for the year.

Michael Hsing

Yeah. That's the reason Bernie asking you, okay, feel more cautious, okay. It's not going to be 100% next quarters, okay? That's what we mean. So, we're relatively what cautious means, okay? Cautious is not expecting another 50% or higher, so yeah.

Josh Buchalter

I got it. Thanks, guys. Next quarter's question is on EVs.

Michael Hsing

All right. Thank you.

Moderator

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. Bernie, I appreciate the fact that you don't have a lot of visibility out into the fourth quarter. But I want to ask about the seasonality of the fourth quarter. Typically, Q4 might be down, what, mid-single-digit percent sequentially? How do you see it shaping up this year?

Michael Hsing

I don't have a seasonality anymore. Okay.

Bernie Blegen

I think Michael said it all there. You know, again, if you look at that historic trend, and I don't know the last time we actually fulfilled being down. It's in a fairly narrow range. So, I think, you know, flattish is probably the easiest way to describe the outlook.

Gary Mobley

Helpful. All right. So, it sounds like you've got plenty of capacity, plenty of inventory. Can you remind us what sort of annual revenue you could support with your internal and external capacity? And can you confirm, you know, whether or not the book-to-bill ratio is, in fact, you know, trending above parity?

Bernie Blegen

Yeah. So, two separate questions, but I'll try to address pretty quickly.

Michael Hsing

I'd I'll answer the first -- the second part. Our inventories are low. Yeah.

Bernie Blegen

Our current capacity, and we've talked about this in the past is to be able to support $4 billion of revenue with diversification of 50% of that outside of China. So, what we're trying to do is be able to support all of our customers' requirements in whatever supply chain profile they're looking for. When you look at the book-to-bill ratio, and I commented on this earlier that we're having sort of an atypical ordering pattern when you consider that we do believe we're in the middle of a cyclical recovery that's very broad based. And what I mean by that is the ordering patterns are much more short term. We're not building book-to-bill ratios of like 1.4 or 1.5, where we have backlog continuing down into Q1 and Q2 of next year. It's really a more near-term focus. So, with those short lead times, that's the only reason I have a little bit of concern about Q4. You know, I don't want to send a negative signal. It's just that that's the nature of the demand profile.

Michael Hsing

Also, I won't, I don't want to send a negative signal either to the lower inventories. We don't. We are expanding our supply chain, and we can meet it in Q4 in our customer demand. And for next year, so we start to talk about, even now, in the market, we're continuously qualify the new, the newer supplier and whatever it takes to meet the customer demand. That's what we always do.

Tony Balow

The only thing I'd add, I don't know if it was part of your question was, in addition to the overall capacity, the geographical balance of it. And what we said is we would, by the end of the year, half of that capacity outside of China, half of it inside. And to Michael's point, we just want to be able to believe we can meet customer demand no matter how they want about their product.

Gary Mobley

Thanks, guys.

Moderator

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

Kelsey Chia

Hey, Michael and Bernie, congrats on the strong results. So, I have a question on customer concentration. So, it's great to hear that you guys are shipping to the ASIC platforms. So, does it mean that, you know, MPS sort of back to the historical kind of diversified growth where there's no one customer that's more than 5% of your sales by the end of the year, or is the ASIC ramp sort of lumpy as well that can sort of tilt that kind of customer concentration?

Bernie Blegen

Yeah. I think that when we have the high customer concentration, particularly in Enterprise Data that was an aberration from what our normal model of being broadly diversified in terms of customers, end markets and geography. So, I think now that the portfolio of market entrants is starting to build up, and we have exposure to all of those opportunities, you'll see us go back to a more normal profile of customers not, you know, contributing more than mid, mid-high-single digits.

Kelsey Chia

Okay. Got it. My second question is on the growth rate. So, it seems that, you know, the analog industry has sort of been going through a downturn in the last two years. And, you know, potentially for 2026, we could see pretty strong growth due to the cyclical recovery. And you guys have a 10% to 15% outperformance target versus peers. So, that would imply sort of like a close to a 20% growth rate, perhaps for next year. Is that a right assumption? And if you can provide some color as to which end markets would be driving majority of that growth based on the content or design wins?

Bernie Blegen

Sure. I think that your rule of thumb as far as our traditional outperformance and also what the broader market looks like for 2026 are both accurate. So I think within, you know, plus minus a couple of percentage points, I can support that, those numbers. Again, as far as the particular end market drivers for next year, it's, we believe it's going to be broad based, although with all of the Enterprise Data opportunities ramping next year, that will probably be a key contributor.

Kelsey Chia

Thank you. Thank you very much.

Moderator

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

William Stein

Great. Thanks for taking my question. First, I wanted to clarify about the short lead times and ordering patterns. Is it fair to say that the only thing that's really going to cause that to stabilize and lengthen is your extending the lead times that you quote to customers, which likewise is sort of difficult as long as revenue is fairly meaningfully below your capacity levels? Is that a fair way to think about it?

Michael Hsing

Yeah, I don’t know it's correct kind of characterizations are meaningfully below our capacity. So, I don't know, that's an accurate statement or not but it's overall, it's a fast-changing market, and customers are updating their models, okay? Were just keeping up. Just, you know.

Bernie Blegen

Yeah. I think we're being responsive to real demand. One thing we haven't touched on is that our channel inventories in each of the geos, major geos for us, are down in the quarter. So, they're also very lean. So right now, we believe we're meeting real customer demand.

William Stein

Got it. That's great. By the way Michael, what I meant was comparing the revenue guidance, revenue results to guidance relative to the $4 billion level of capacity, there's a gap there, right? So, that's all I know. It wasn't a criticism.

Michael Hsing

Yeah. Oh, yeah, 4 billions, and okay. And it's not only for -- is it for enterprise, okay? These are what we're building capacity towards to it. That's the process.

William Stein

Okay. Got it. And the other thing I wanted to ask about was to comment on the product development and revenue trajectory in three areas that you've -- you've highlighted in the past as sort of unique growth opportunities. One is modules, the other is converters, today in ADD converters. I think you hired a team a couple of years ago. We haven't heard that much about it. And the other is eMotion, which I know has ramped, but I wonder how meaningful that's become relative to your overall business.

Michael Hsing

Thank you very much. Thank you very much, okay. First thing, the e-commerce has kind of flopped, right? That's in a way that I answer your question, that part of your question that I feel a few quarters ago, but the good news is that the module business is really growing other than in the Enterprise Data, and Industrials and that came in the Industrial side, and even Consumer side, and we offer those solutions that our customer doesn't want to get into the detailed design and that we provide a solution for them. And these are revenues that next year is about 10% to 15% of our total revenues, and okay, other than the Enterprise Data power modules. And these are actually very much related to what we provide our system solutions. And so, we're transforming a company, so as Bernie said earlier, to be a system provider, a solution provider, and that's what our customer wants. If they want a chip also, we provide chips and that and at the same time, it help the MPS revenue growth. We're not depending on only selling chips. A few years ago, I've been talking about I’m tired of selling chips only, okay? And we -- that's where our revenue grows, okay and the other things that you're talking about...

Bernie Blegen

Data converter.

Michael Hsing

The data converter, the -- plus, the data converter space is kind of slow moving. And again, we are releasing a standard product for that, okay. And for I think some $2 billion of revenues, maybe it contributes very little and that doesn't -- it will not move the needle for that. But as a product, in the products categories, that provides a total solution. That's a part of our pictures. That really benefits the top-line growth on the, in terms of a solution. eMotions, and finally, we get a needle moving. And that's been for a while. We get some over about $100 million, in the past few years, okay. And they're not too bad. And okay, that's slower than the MPS total growth, okay. But now, robotics, and we see it AI-driven robotics. It will be, okay, we see a lot of opportunities, okay, and a lot of potential to grow in the next couple of years. And we provide, we provided the total AI power and it's not only AI power we provide the, all the actuators, actuated solutions and motion controls. And as well as a battery, as a BMS solutions, okay? These all combined all altogether, the motion world grows a lot faster than in the past few years.

William Stein

Thank you.

Bernie Blegen

If there are any follow-up questions, please raise your hand.

If there are no further questions, I'd like to just say a few closing comments.

I'd like to thank you for all joining us this conference call. I look forward to talking again during the third quarter 2025 conference call, which will likely be held in late October. Thank you. Have a nice day.