

# **Monolithic Power Systems, Inc.**

## **(NASDAQ:MPWR)**

Q4 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

**Rob Dean** – Interim CFO

### **Analysts:**

**Tore Svanberg** - Stifel

**Rick Schafer** - Oppenheimer

**Gary Mobley** - Loop Capital

**Quinn Bolton** - Needham

**Chris Caso** - Wolfe

**Joshua Buchalter** - Cowen

**Kelsey Chia** – Citi Research

**Jack Egan**- Charter

**Joe Quatrochi** – Wells Fargo

**Sebastian Naj** – William Blair

### **Moderator**

Welcome everyone to the MPS Fourth Quarter 2025 Earnings Webinar. My name is Arthur Lee and I'll be the moderator for this webinar. Joining me today by Michael Hsing, CEO and Founder of MPS; Bernie Blegen, EVP and CFO; Rob Dean, Corporate Controller; and Tony Balow, Vice President of Finance. Earlier today, along for 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'd 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 risk, 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 Q4 2025 earnings release. Our Q4 2025 earnings commentary, and in our SEC filings, including our Form 10-K and Forms 10-Q, 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 Tony.

**Tony Balow**

Thanks, Arthur. Good afternoon, and welcome to our Q4 2025 earnings call. Today, we made an announcement that after 15 years at MPS and 10 as a CFO, Bernie will be retiring. Before we begin our prepared remarks, I'd like to turn the webinar over to him for his thoughts on his time at MPS and the transition ahead. Bernie?

**Bernie Blegen**

Thanks, Tony. As I was preparing for today, I realized that this is my 40th earnings call as MPS CFO. That's a nice round number to finish up with. It's been my pleasure and honor to work closely with Michael for so long and to have been a part of MPS's leadership team. I want to thank our investors and analysts for the trust you placed in me. It is natural for all businesses to go through cycles. Your support has been consistent regardless of the circumstances and I have greatly appreciated it. As I look ahead, MPS's prospects remain bright with our unique culture, our dedicated employees, and a fantastic portfolio of products. MPS is well positioned to sustain the broad-based growth you've come to expect from us during the last 10 years.

I have a lot of confidence in the team I am transitioning my responsibilities to. Starting with Rob Dean, who will be our Interim CFO. While many of you may not know Rob, we have been partners in this enterprise for the last nine years. And like my predecessor and for myself, Rob continues the MPS tradition of transitioning from MPS's controllership to CFO. This ensures a lot of continuity in the role. Likewise, I will remain with the company to support a successful transition. Rob, would you like to say a few words?

**Rob Dean**

Yes. Thanks, Bernie, and I'm grateful to you and Michael for this opportunity to continue the tradition and to have been part of the MPS finance team while you have been CFO. I know I speak for the entire finance team when I thank you, Bernie, for everything you've done over the last 15 years.

He's not only helped guide the business to consistent growth and execution, but he's grown a great team around him.

I have worked closely with Michael and the executive team for close to a decade. We've developed a strong relationship, which I expect to continue as we grow the company and take on the opportunities ahead. I appreciate the confidence they have placed in me in this new role. I look forward to meeting all of you in the coming days and weeks. With that, I'll pass it over to Tony.

**Tony Balow**

Thanks, Rob. I'll now move to our prepared remarks before going to Q&A

In 2025, MPS posted its 14th consecutive year of growth, with a full-year revenue of \$2.8 billion, up 26.4% from 2024. For Q4 2025, we had a record quarterly revenue of \$751.2 million, 1.9% above Q3

2025 and 20.8% higher than the fourth quarter of 2024. This performance reflected our consistent execution, continued innovation, and relentless customer focus. Let me call out a few highlights from 2025. Our non-enterprise data end markets grew by over 40% year-over-year, showcasing the strength of our diversified business model.

We achieved our milestone of securing more than \$4 billion of geographically balanced capacity and continue to add additional supply chain partners to support future growth.

We had record module revenue and positioned ourselves for a further shift to solutions by sampling our 800-volt power solution for data center.

In automotive, we launched solutions for 48-volt and zonal architectures including the first fully integrated 48-volt EPU at a kilowatt level zonal controller that will support growth in 2026 and beyond.

We expanded our customer base and data center for power solutions across AI, server, memory, optical modules, and switch applications with leading edge current density, power efficiency and packaging.

I am also pleased to announce that our quarterly dividend will increase 28% to \$2 per share. For the three years ending with December 2025, MPS has returned to over 72% of free cash flow to stockholders through share repurchases and dividends. Our proven long-term growth strategy remains intact as MPS focuses on innovation and solving our customers' most challenging problems.

We continue to invest in new technology, expand into new markets, and to diversify both our end market applications and global supply chain. This will allow us to capture future growth opportunities, maintain supply chain stability, and quickly adapt to market changes as they occur. I will now open the webinar for questions.

#### **Moderator**

Thank you, Tony. 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 Chris Caso of Wolfe Research. Chris, your line is now open.

#### **Chris Caso**

Yes. Thank you. And I'm – Bernie, I'm lucky to be the first to congratulate you on your retirement and wish you all the best. It's been a pleasure all these years.

#### **Bernie Blegen**

Thank you very much, Chris.

#### **Chris Caso**

So for my first question, I guess as we look into the March quarter, could you give some color on what you're seeing with respect to the different segments? What do you see within the various market segments?

**Bernie Blegen**

Sure. Let me start to cover this by talking a little bit about Q4 2025. We saw a good step up in the ordering patterns in the quarter. Our book to bill ratio was well in excess of 1. And that's really reflected in our backlog, which is starting to extend out into Q2 and Q3 of 2026. We also finished with fairly routine, rather our channel inventory stayed at the low end of our range. So, we feel that we're servicing real demand and that we're seeing a lot of strong ordering trend. So, as we look at the fourth quarter, you can see that we saw some pretty good strength, particularly as it relates to enterprise data and also to the communications. We expect that those trends, along with automotive, should continue to extend into Q1 and into the remainder of the year.

**Chris Caso**

Thank you. As a follow-up, and you mentioned enterprise data, and obviously, that's been a focus of attention, not just for you but the whole market. You made some comments in enterprise data for 2026 on the last earnings call. And if I just annualize the Q4 numbers, you pretty much get to where that guidance was. So, what are your thoughts on that in the year? And perhaps is there a seasonal element to enterprise data as we go through the year?

**Bernie Blegen**

Sure. I'll start off on this one. As I said in Q4, we saw some fairly pronounced changes in ordering patterns, which has given us a fair amount more of confidence as far as what the outlook for enterprise data could be in 2026 now. I think for those that you've worked with me for the last 10 years, you know that I like to stay pretty conservatively profiled when I make an estimate. So I'd probably say that whereas last quarter, I talked about a range of between 30% and 40%, maybe I can increase that to a floor of 50% growth for 2025.

**Michael Hsing**

Well, 50%. I thought, we can do a lot more than that.

**Bernie Blegen**

Conservatively.

**Michael Hsing:** Well, I see this is what I see here. We won many design wins and across the board not from one company, one large company, and okay, we have a multiple customers. They are all very big what do they call them, magnificent 7 or 8 or whatever, it's okay. We won all the designs, okay. And we are proven we're one of the valuable AI power supply. And also I'll see the other end, okay, we have all the capacities. We can deliver this year to our customers needs. And I don't see why not it's only 50%. Okay. We'll be a lot more than that. Okay.

**Tony Balow**

Maybe just one last thing to add. Chris, you heard us talk about the drivers for growth, which was really around growing existing customers, adding new customers, seeing new platforms coming to market. And then of course, just server tailwinds. I think we always knew those were in-place, and now we're just seeing some of the backlog to go along with it. The only other thing I'd add, right, is we focus a lot in enterprise data, but I think we've seen strong data center demand, which is really also pulled through storage growth, optical modules, switches and other areas we've talked about. So I think overall, we've seen strong data center demand through the end of the year.

**Chris Caso**

Got it. Okay. Thank you. All the best, Bernie.

**Moderator**

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

**Joe Quatrochi**

Yeah. Thanks for taking the questions and my congrats to Bernie as well. Thanks for all the help. Maybe just to follow-up on that in the enterprise data and the increase in outlook, how much of that is related to like traditional server CPU demand and it seems like it is accelerating as well?

**Michael Hsing**

Well, as I said, we have a lot of new design wins on the game, particularly last a year and a half. And we see continuously changing adapt our models and even from a – changing from a silicon to modules. And we see the trend and with our power densities and okay, I mean we're winning the market.

**Joe Quatrochi**

Yeah.

**Bernie Blegen**

Yeah. I think to go back to part of your question, which had to do with the traditional maybe CPU data center, the lines between AI, GPUs and CPU are getting pretty blurry because they're so integral to one another these days.

**Michael Hsing**

They're using the same kind of power supply now. Okay.

**Bernie Blegen**

Exactly. But I would say that we've been trending very well on in both categories. So I can talk to a trend line, but I can't really give you an absolute figure.

**Joe Quatrochi**

Okay. That's helpful. And then as a follow-up, as I think about just kind of like storage and compute and maybe the exposure to like PCs, are you're seeing anything related to just kind of, you know, memory prices increasing, and just kind of maybe some pressure on some demand destruction around that part of the market?

**Michael Hsing**

Oh, you're talking about PC. The PC is a different animal than the data centers, okay. I mean,...

**Bernie Blegen**

New question, he is asking about memory and the constraints there, whether the we're seeing that affect us.

**Michael Hsing**

Oh, memory constraints. And okay, as I said earlier, we don't have a constraints on the capacity side.

**Tony Balow**

Yeah. And I think where you're going Joe as well is also is there any demand destruction in PCs. I think as you looked at Q4 into Q1, remember, we're coming off a very strong first-half of 2025. So we expected that to be down a bit as well as we participating more selectively in the margin parts of that business. I don't think we know how it's going to play out through the rest of this year at this point, so I don't think it's possible to say how that market might trend. We hear a lot of the same, but I think it's too early for us to tell.

**Joe Quatrochi**

Thank you.

**Michael Hsing**

Memory constraint on the PC.

**Bernie**

Yes.

**Michael Hsing**

Oh, okay. I don't know to, okay, we don't know those in the market. Okay. We don't know what our customers do.

**Bernie Blegen**

Yeah.

**Michael Hsing**

We deliver what our customers ask. I careless.

**Bernie Blegen** Yeah.

**Michael Hsing**

Okay.

**Moderator**

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

**Josh Buchalter**

Hey, guys. Thank you for taking my question and definitely want to echo the congrats and best wishes to Bernie after an incredible run and a long sometimes strange trip. We very much appreciate the support over the year and congrats and best of luck to Rob. Maybe just to start, the incremental confidence in enterprise data is great to see, and it seems like you guys are suggesting visibility, you feel better about visibility there than you have in the past. Is that a fair read? And if so, it's part of this? It's just the market has is maturing and scaling and also just the capacity needs are so great. Could you – I'm just hoping you could maybe speak to how visibility compared to maybe a year ago or something? Thank you.

**Bernie Blegen**

Yeah, I think in prior quarters I've said that we've been experiencing a turnaround, much of which has been around the enterprise data or more broadly, AI markets. But that the anomaly had been that we'd been seeing very short lead times and that they were not putting a lot of backlog in our books. And I'd say that the fundamental change that also making us more confident right now is that we are seeing longer ordering patterns because some of our customers are concerned about capacity constraints, not necessarily with us, but just in general.

**Josh Buchalter**

Okay. That's helpful color. Thank you, Bernie. And then the 40% non-enterprise data growth number for 2025 is obviously huge and above your historical algorithm of I think it was 10% to 15% above the analog industry. Is that still the right way we should be thinking about the non-compute exposed verticals into 2026 as well? Thank you and congrats again.

**Michael Hsing**

Yeah. I will try to manage your expectation. We are not saying 2026, we have a 40% growth, okay. And these growth, okay, we are still a small players in the overall markets compared other market size. Okay. And some growth to some years and, okay, we see the opportunities that we can grow better than the other years. And okay, but the long-term trend, even short-term trend, and I mean 2026 we will grow.

**Josh Buchalter**

Okay. Thank you.

**Moderator**

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

**Quinn Bolton**

Hey, thanks for taking my question. And Bernie, it's been a great run, a great decade. So thank you for all your help along the way. Welcome, Rob. Wanted to ask ..... Some of your competitors in the AI power space are talking about their businesses doubling in 2026. And I know your business and their businesses don't overlap 100%. There's different compositions. My question is, do you guys think that you're gaining share as you look into 2026 broadly in the AI power segment?

**Michael Hsing**

Yeah. I refuse to get into a pissing contest ok. And who wear less on the stage, okay. We let the numbers speak some, speak self. As always, since IPO is about 21 years history, we never do that. Okay.

**Tony Balow**

I do think that we clearly have great products, broad engagement across the customers. We have design wins in a broad swath. So how the market then plays out remains to be seen, I think. But I think we're very confident in our product portfolio and the engagements we have right now.

**Quinn Bolton**

Got it. And then, Michael, some of that, the folks...

**Michael Hsing**

That's a much better smooth talk. That's a much...

**Quinn Bolton**

Well as you said, we'll see where the numbers shake out at the end of the year. Michael, I wanted to ask to you, you talked about sampling your

**Michael Hsing**

Well, probably you see it earlier. You probably you see much early, okay.



**Quinn Bolton**

Oh, good. Well, we will stay tuned. I wanted to ask you about the 800-volt solutions for 800-volt racks. Some of the participants in the market are suggesting Nvidia and others are looking for GaN based solutions. I think you guys are offering a silicon carbide-based solution. And so just wondering if you could talk about what you're seeing in the market. Is there a preference for GaN or silicon carbide. Do you think there'll be a mix of compounds, semiconductor solutions for that 800-volt to 12-volt or 6-volt stage in those 800-volt racks?

**Michael Hsing**

Yeah, yeah, yeah. Okay. Again okay and this is not a good venue to talk about technical terms. And okay, actually I'm happy to be a person really know the semiconductor device and we are developed silicon carbide, okay and 10 years ago I was wrong about a GaNs and okay but in the last few years we develop our own GaN devices, okay. And 800-volt since Tony's mentioning about it and we're entering a pissing contest and okay. And that revenue is not for this year, not for even for next year. So okay, maybe end of them next year. However, we are the first company to sample it. Now that's a part of a pissing contest okay.

**Bernie Blegen**

And again, we've done a good job and shown ourselves to be very adept at changes to the market. So whether it turns out to be GaN or silicon carbide, that is what's demanded. I'm sure that we'll be well positioned to take advantage of it.

**Quinn Bolton**

Got it. Thank you.

**Moderator**

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

**Rick Shafer**

Oh, thanks. And I just I'll just say, Bernie, it's been a genuine pleasure. You're going to be missed. And, Michael, I just want to confirm for everybody that you're never retiring, right.

**Michael Hsing**

Well, it happened to me. Today is my 86th earnings call. I'm looking for. I'm looking for double it, okay. Well, be serious, okay. And I enjoyed this MPS, okay. And immensely, and okay, we actually created this a platform. Everybody can maximize their capability. And we – and the more, more interesting things to me is where we company evolve. And we formed a semi – we sell semiconductor, power management. Now in the semiconductor we're getting to an MCU. We're getting into a data converters. We get in to a

even high speed, okay. These are a few gigahertz of stuff. And you will see the revenue soon and over – on the overall marketing, marketing – market segment I guess, we migrate from silicon to systems to a module to systems, and you will see a lot more. I'm enjoying this process a lot and I'm a part of it, okay and I have own product lines, okay.

**Rick Shafer**

Thanks, Michael, that's reassuring. Yeah. I also I just had a quick clarification and then I've got a couple follow-ups. With the clarification, Michael, you said earlier that CPU and GPU and server are using the same power supplies now. So does that mean that server CPU is already migrating to 48-volt?

**Michael Hsing**

It's still. They use a mostly okay if you – they have some advanced, okay, and a high price servers or special servers, okay, a special need. They use still use a 12-volt and but I'm aware of a some models that use a 48 volts. My guess is the still small. I'm not very clear on that. But this is – and the majority is to 12 volts and now they – it's clear the modules are the way to go and if you don't want to in improved efficiency.

**Rick Shafer**

Thanks for clearing that up. So my first question really is on optical transceiver because that, that's basically a brand new product line. You know, a little over a year old I believe. And by our account in our model, it's, it's close to roughly 5% of sales exiting last year, I think now, which is a pretty remarkable ramp. So I guess I'm thinking, we're asking. What are your expectations for that business this year and what does that imply for the com segment. What are sort of the puts and takes within the com segment?

**Michael Hsing**

I can comment on that. Give me a – this is a – because we enter the module journey since 2016 or 2017. And these happened to be the highest power density product on the market. Then optical modules, they wanted that because they have a limited room. So okay, in terms of a business I don't know the details and maybe Bernie – Tony, Tony can answer it, okay.

**Tony Balow**

Yeah, I'll just follow-up. I think I think, Rick, we have obviously seen great growth in optical modules over the past year and a half. I think the way we look at the market, very typical for MPS is sort of interconnect. So it's not just optical modules, but engagements for CPO, active copper or other things as well, because the market will then figure out what interconnect technology is actually going to succeed over the long-term. We obviously don't guide by, sub end market, let alone sub end market, but we would expect optical module to continue to grow as you start to see the 1.6 ramp. As we go through and for communications, it should be an area growth first in 2026 both on optical modules and it switches because that's where our data center switches are as well.

**Rick Shafer**

No, thanks for that. And then if I can sneak in one on automotive, I mean obviously great year in 2025. And I'm just curious what are the – what you see is the top drivers, excuse me, of segment growth this year. I know you highlighted 48-volt zonal and I didn't hear you say much about ADAS, but I assume ADAS, I don't know if you can update us on how big ADAS is within that segment now or and if there's any way to quantify sort of a shift this year that you expect in potential content per vehicle?

**Bernie Blegen**

Sure. Yeah. I want to take a victory lap on 2025 where automotive grew 43% year-over-year. And...

**Michael Hsing**

But that's only the beginning.

**Bernie Blegen**

That's exactly the point here is that what we saw in 2025 and it's going to continue, is that while ADAS certainly was a strong initial ramp, particularly in 2023, 2024 and 2025, I think we saw a lot more diversification into other content opportunities on the automotive platform. And so as we look ahead here, keep in mind we're not necessarily driven by the SAR of the business, but we are – our growth is dependent upon how fast our customers implement these new technologies, particularly as it relates to zonal and 48-volt.

**Michael Hsing:**

Or even ADAS.

**Bernie Blegen**

Or ADAS.

**Michael Hsing**

And the majority cars are on the market is a nowhere anything close to what Tesla does, okay. And that's the car I drives, okay. You have a full – I don't drive anymore, okay. And I think a majority of people still drives, okay. And that adoption rates that came in a large automotive company, they do things very slowly and much slower than a Tesla does, okay. I mean, in for futures we are up to this point and actually the next couple of years, I see our products provides the complete power supply chipsets and also we have all these firmware software we're very much engaged with the all the carmakers. And I don't see why not, and okay and that business is going to continue to grow.

**Bernie Blegen**

Yeah.

**Michael Hsing**

You actually guys, okay, you know how many cars shipped with the ADAS, okay, which levels, okay. And you can count MPS in it.

**Tony Balow**

And Rick, we're a little hesitant to probably call any numbers for the full year just because there is a lot of macro uncertainty still, great design wins, great engagement with Tier-1s and OEMs. But whether it's tariffs, whether it's the end of EV subsidies, or whether you even talk about what the impact on the auto market is from the memory shortage, I don't think we know. So I think we're a little hesitant to actually put a growth rate on it for the year.

**Rick Shafer:** Appreciate it. Thanks, guys.

**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. And Bernie, your retirement is well deserved and look forward to working with you, Rob. I think everybody on the call would share the same sentiment that I have that you're definitely one of my favorite CFOs. And for my retirement gift to you, I want to throw you a big softball question, but I think it's an important topic. Looking back over the past decade, when you've been CFO, you've outperformed the overall analog chip market, the overall voltage regulator market consistently every year and seemingly for different reasons each year. But, thinking about the outperformance of the market in 2025, maybe if you can give us a sense of what drove that. Was that just share gains and volts regulator die, or was it something more substantial like moving into data converters? Was it, tied to the higher content associated with modules and related? Can you give us some KPIs that relates to sort of your module mix right now? Anything you can help us to get a better understanding of that consistent market share growth?

**Bernie Blegen**

Sure, Gary. And thank you for the kind words. They're appreciated. When you look at the overall performance for the company in 2025, we had, what had been our largest revenue end market in enterprise data had actually declined 2%. And yet overall, the company grew 26%. And strategically, how we're differentiated from our competition is that we are represented with the best technology, the best services across all of the end markets that we service. And this is really just a reflection of our execution against that strategy over all of these years. It wasn't that, pardon me saying, we pulled the rabbit out of the hat. We actually are able to adapt very quickly to changes in the market. So that's what this was really a reflection of in our performance of 2025.

**Gary Mobley**

Thanks. Just as my follow-up I want to ask about maybe some nuances in your increased visibility and comments regarding that. If I talk to you guys, you know, three months ago, I think you were thinking maybe the 2026 year was going to be a little more second-half weighted. Just given the stronger bookings that you've seen, the stronger order backlog, as you see here today, would you say the shape of the year is a little more linear, less dependent on the second-half?

**Bernie Blegen**

I'd say that the first half for enterprise data in particular, but for the company, is more secure. I think there's still a lot of variables that need to be shaped before we really understand what the second-half trajectory is going to look like. But obviously, the initial signs that we saw from the ordering pattern in Q4 and continuing into during the new year have been exceptionally positive. So now we have more of the high level issue of trying to figure out what's real demand and what may be some double ordering on the part of our customers as they try to secure capacity. That said that's a high level issue, and we've shown we can adapt to that as well as anybody like the performance we gave in late 2020 and early 2021.

**Gary Mobley**

Thank you.

**Michael Hsing**

Wait, we work with the customers very especially all these a large data center customers are very closely. And they will give you – they will give us a very good lead times and forecast. And so we have the capacity ready and okay and we just meet that demand.

**Gary Mobley**

Thanks, Michael.

**Moderator**

Our next question is from Tore Svanberg of Stifel. Tore, your line is now open.

**Tore Svanberg**

Yes. Thank you and congratulations, Bernie. You're a class act and I'm going to miss you tremendously. My first question, Michael, I'm going to zoom in on in a market where there's perhaps less contests, which is storage and especially SSD power, it seems to be an area that could see quite a bit of upside and growth in data centers this year. So let's hope you can talk a little bit about the profile of that business. I mean, I think historically it's been more tied to client and etch devices. But again, what's the company's position SSD for data center going into 2026.

**Michael Hsing**

Yeah, these are the power management and also the signal processes, okay. These are all in the consortium driven by JDAC okay. I mean, Tony, you're a lot more familiar than I do. And we are part of it. And DDR4 we don't have a much business, okay, very little and DDR5 we're in DDR. We're in on the dining tables before DDR wasn't, okay. And so now that this business is ramping. I mean, memories and that came in or shifted to DDR5, okay, and we clearly see the volumes now this and last year and this year and we're not stopping there. We're migrate down to where we're expanded our product lines to the single site. And these are all in the memory modules.

**Tony Balow**

And so I think there was a portion of your question as well about the non-DDR5 part of that business, sort of SDD and HDD. And we have seen an uptick in that part of the business as well. And I think you're right, it's being pulled through much more by the enterprise than consumer these days. And that's why we generally talk about storage being data center driven inside of the storage and compute segment.

**Tore Svanberg**

Yeah, that's what I was trying to get to. And that's my follow-up Michael congratulations on getting to \$4 billion in capacity. But it looks like you're going to need quite a bit more of that. So perhaps you could give us a little bit sense of what you're doing on the capacity front, especially the next few years, because you're clearly going to need much more than \$4 billion?

**Michael Hsing**

Yes. We are very aware of that. Okay. And speaking of course, we're continuously expanding our capacity. And you know MPS history, okay. The worst things are shutting customers down, okay. And fortunately, we haven't happened in the MPS, okay. And now that gets a little more complicated, okay. We established the last from the beginning of the last year, we established our supply management chain. And this is not only for silicon and not for semiconductors, including silicon carbide and I mean, and getting nitrides and the materials and we do all modules and all module components. And so we established that the supply chain management. So I think it's that and also quality don't, okay, it's not everybody can play that game. So every supplier can play the game. These are we go through heavy auditing. And so their standards, okay, they meet our standards ultimately is a reflection into our margins. And so the short answer is yes we're expanding very fast.

**Tore Svanberg**

Great. Thank you. Congrats again, Bernie.

**Bernie Blegen**

Thank you.

**Moderator**

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

**Kelsey Chia**

Hi. Hi, Bernie. Congratulations on your retirement. Really appreciate the opportunity to work with you over the past year. So I think to – on my first question is regards to the updated guidance for enterprise data. Is there any market share gains assumption there or is it just primarily due to industry growth? And also, MPS has to demonstrated strong execution and historically clean share during periods of supply constraints. So is it fair to assume that MPS could navigate any potential supply constraints and see – and to take share in this environment?

**Bernie Blegen**

Sure. And I think that I'd be doing a disservice to this conversation if I tried to break it down into a formula that says what share gains or what's new business. And I'd rather sort of respond a little differently that this is a large market. We talk about the large, the top six, seven customers and we're fully engaged with them in a strategic manner where we're developing not just the release of the next generation, but the one beyond that. But this also is an end market with a long tail, and we're participating in the mid-market and the small size as well. So we're still very, very early in how this market's going to roll out and what our positioning is going to be. And I think that we're as well positioned as anybody to take advantage of the market opportunity, but this is a long, long and very big story.

**Michael Hsing**

Yeah. Well the company is – I'm thinking about beyond AI, beyond enterprise data centers. And you have – I'm not retiring. So I'm thinking 10 years, 15 years ahead.

**Kelsey Chia**

Yeah, that's great. You can continue the outperformance. And MPS outlined a gross margin target of 55% to 60%. Could you provide an update with regards to which end markets are currently above or below that corporate average, or outlining some of the specific gross margin drivers?

**Michael Hsing**

Yeah, yeah, yeah. We're in the range but on the low side. I noticed that, okay. Okay.

**Bernie Blegen**

Let me add a little bit of color there. So Michael said this earlier, when we look at all of the opportunities we keep in mind, you know, what is the corporate model for gross margin, which is between 55% and 60%. And I've been fairly consistent over the course of the last four quarters to six quarters when we've been trending it between 55.5 and 55.8, which is, Michael said, is the low end of our model that in order for us to show improvement, we really need to have a little longer time horizon as far as backlog to be able to manage in it. So we are starting to see backlog developing, which I don't want to make too much out of one quarter of experience, but we should be able to resume at some time during the year. The cadence that we've historically shown of incremental sequential improvements that maybe 10 basis points to 20 basis points quarter-over-quarter.

**Kelsey Chia**

Sounds good. Thank you. Thanks, Bernie.

**Moderator**

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

**Jack Egan**

Great. Thanks for taking the questions. And I'll echo the congratulations for Bernie and Rob. I had a bit of a technical one. So during last year's Investor Day, you mentioned a packaging innovation that would allow you to basically double the current density of your modules to about three amps per millimeter squared. And I was just curious, are there any updates on that? Like that's still a work in progress or there are kind of a timeline for that milestone?

**Michael Hsing**

We start to sampling those products, okay, we expect to have a shipping in this quarter and next quarter, this quarter, yeah. Those already implemented. They already qualified. And our customers went through qualification on it.

**Jack Egan**

Got it. Okay. That's great to hear. And then kind of from a higher level then you know last quarter you talked a bit about the gross margin implications of moving from a silicon supplier to a system provider over the long-term. I was a bit curious about the impact on OpEx as well. I mean, is that going to require you to kind of bring on new teams with experience in systems, or is there enough overlap between the chip design and system design processes that you could accomplish it organically? I guess just any details on the impact R&D dollars or SG&A leverage would be nice?

**Michael Hsing**

Yeah. Well, we need to, okay, first things, okay. First, and we only gain not lose okay. I never believe is like a big dollars and like investments and like a translates to the bigger game, okay that's a bullshit. And so look at MPS, we creating a few thousand to 4 to 5,000 products and I lost tracking. We addressed the multiple segments of the market. Why we kind of put up all these one plus one equals three, okay, not just the two anymore. We can put all these product putting a systems. And we can provide higher values to end users, which doesn't mean we're building a refrigerator, we're building a TVs and okay we're building some things in to alleviate our customers design effort, manufacturer effort. And that's and give us a high ASP. And I said earlier they were sick and tired of us selling silicons and okay but what why we cannot just put all the silicon together and migrates to a system level, like a module, like systems. You will see a lot more and more. So at least I can say the net margins, net profit had to increase. And the company is going to be a lot more efficient.



**Bernie Blegen**

But I want to touch on something that this transformation has been occurring now for well over 10 years. If you think about we were pretty much completely an analog design house 10 years, 12 years ago, and then we've been able to migrate where we added both digital engineers and software engineers. And now we've had to take on new responsibilities and new skill sets related to packaging. And as Michael said in testing, and each time we've done this, we've maintained the same level of R&D efficiency of getting the most out of the dollar spent. So just changing to develop, new skill sets around the new opportunities we've identified does not necessarily mean that it's going to get more expensive or it's going to compress our operating margins.

**Tony Balow**

Yeah, I'll say one last comment. Even we made the model during Investor Day, Jack, that was fully aware of this transition and so we talked about growing OpEx slowing the revenue and giving some leverage to the model. We knew this transition was happening when we put that guidance out there.

**Jasck Egan**

Yeah. Okay. Thank you all for all the color.

**Michael Hsing**

Yeah.

**Moderator**

Our last question is from Sebastian Naji of William Blair. Sebastian, your line is now open.

**Sebastian Naji**

Yeah. Good. Good afternoon and thanks for taking the questions. I'll just echo the best wishes for you, Bernie, on your retirement. My first question is really on the shift to a vertical power solutions in the data center. As we move through 2026, what are your expectations for adoption of vertical power, and has that changed at all from your view in previous quarters?

**Michael Hsing**

Vertical power? Oh that's a long – that's everybody is going to avoid vertical power. So I guess okay and those who don't and I guess sooner or later they will.

**Bernie Blegen**

This is just where the direction of the market. It's the only energy efficient solution you can put in place if you're going to operate in these high, high voltage...

**Michael Hsing**

High Current.

**Bernie Blegen**

Current. So that's just a natural evolution of the marketplace.

**Sebastian Naji**

Got it. So what do you think that's that that starts to drive revenue in 2026 then? Is that fair to say?

**Michael Hsing**

Oh, yeah, yeah, yeah.

**Sebastian Naji**

Yeah. Okay.

**Michael Hsing**

Yeah.

**Sebastian Naji**

Great. Great. That's helpful. And then maybe just as a follow-up on your optical module business, I think you talked about this a little bit in a previous question. But as we think about this shift to co-packaged optics, that's getting a lot more attention these days. How does that potentially change your revenue opportunity in optics? Is it more revenue per port or the ASPs significantly higher. Any thoughts on that?

**Michael Hsing**

Higher current, higher density is always good for us. And we're smiling the increased power and there's a lot more opportunity for us.

**Bernie Blegen:** And a higher level of integration.

**Michael Hsing**

Yeah, high level integrations. And I think the widen competition gap.

**Tony Balow**

Yeah I think the other guy that there is again I think that's again for long term I don't think that necessarily moves the needle on 2026 just to be sure but it's certainly something we're engaged in over the longer term.

**Sebastian Naji**

Okay. Got it. Makes sense. Thank you.

**Moderator**

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

**Tony Balow**

I'd like to thank all of you for joining us for this conference call today. Our first quarter, 2026 conference call, will likely be held in late April. Thank you and have a great day.