

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

Date of Report (date of earliest event reported):  
December 31, 2007

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**MONOLITHIC POWER SYSTEMS, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**000-51026**  
(Commission  
File Number)

**77-0466789**  
(I.R.S. Employer  
Identification Number)

**6409 Guadalupe Mines Road, San Jose, CA 95120**  
(Address of principal executive offices) (Zip Code)

**(408) 826-0600**  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02 Results of Operations and Financial Condition.**

On February 5, 2008, Monolithic Power Systems, Inc. ("MPS"), a Delaware corporation, issued a press release and held a conference call regarding its financial results for the quarter and fiscal year ended December 31, 2007. A copy of the press release is attached hereto as Exhibit 99.1.

The information under this Item 2.02 of this Current Report on Form 8-K and the exhibit attached hereto are being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), nor shall they be deemed incorporated by reference in any filing with the Securities and Exchange Commission under the 1934 Act or the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors, Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On January 31, 2008, the Compensation Committee of the Board of Directors of Monolithic Power Systems, Inc. approved the following 2007 and 2008 maximum performance bonuses for its named executive officers, as follows:

	Maximum 2007 Performance Bonus	Maximum 2008 Performance Bonus
Michael Hsing	\$ 188,500	\$ 612,000
C. Richard Neely, Jr.	\$ 145,000	\$ 238,000
Deming Xiao	\$ 145,000	\$ 238,000
Maurice Sciammas	\$ 145,000	\$ 238,000
Adriana Chiocchi	\$ 116,000	\$ 214,200
Paul Ueunten	\$ 116,000	\$ 190,400
James C. Moyer	\$ 72,500	\$ 85,000

The Board of Directors also ratified the following cash performance bonus disbursements to those Section 16 officers set forth below:

	Cash Bonuses Paid for the First Half of 2007	Cash Bonuses Paid for the Second Half of 2007
Michael Hsing	\$ 100,000	\$ 88,500
C. Richard Neely, Jr.	\$ 64,375	\$ 80,625
Deming Xiao	\$ 64,375	\$ 80,625
Maurice Sciammas	\$ 64,375	\$ 80,625
Adriana Chiocchi	\$ 51,500	\$ 64,500
Paul Ueunten	\$ 33,913	\$ 82,087
James C. Moyer	\$ 30,938	\$ 41,562

**Item 8.01 Other Events.**

On January 31, 2008, the Board of Directors of MPS approved the repurchase of up to \$25 million dollars of the Company's stock over the next calendar year. The Company may repurchase its Common Stock from time to time in compliance with the Securities and Exchange Commission's regulations and other legal requirements, and subject to market conditions and other factors. A copy of the press release is attached hereto as Exhibit 99.2.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

Exhibit	Description
99.1	Press Release issued on February 5, 2008, announcing the financial results for the quarter and fiscal year ended December 31, 2007
99.2	Press Release, dated February 5, 2008, announcing the approval of the stock repurchase program

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## Index to Exhibits

<u>Exhibit</u>	<u>Description</u>
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99.2	Press Release, dated February 5, 2008, announcing the approval of the stock repurchase program

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 5, 2008

By: /s/ C. Richard Neely, Jr.  
**C. Richard Neely, Jr.**  
**Chief Financial Officer**  
**(Principal Financial and Accounting Officer and**  
**Duly Authorized Officer)**



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**PRESS RELEASE**  
**For Immediate Release**

**Monolithic Power Systems Announces Fourth Quarter  
and Fiscal Year 2007 Results**

**SAN JOSE, Calif. February 5, 2008**—Monolithic Power Systems (MPS) (Nasdaq: MPWR), a leading fabless manufacturer of high-performance analog and mixed-signal semiconductors, today announced financial results for the quarter and fiscal year ended December 31, 2007.

The results for the quarter ended December 31, 2007 are as follows:

- Net revenues of \$38.5 million, up 45.8% from \$26.4 million in the fourth quarter of 2006 and down 4.2% sequentially from \$40.2 million in the third quarter of 2007
- Gross margin of 63.9%, compared to 63.9% in the fourth quarter of 2006 and 63.5% in the third quarter of 2007
- GAAP operating expenses of \$16.7 million, including \$15.6 million for research and development and selling, general and administrative expenses, which includes \$3.0 million for stock-based compensation, and \$1.0 million for patent litigation expenses
- Non-GAAP(1) operating expenses of \$13.7 million, excluding \$3.0 million for stock-based compensation
- GAAP net income of \$7.3 million, with GAAP EPS of \$0.20 per diluted share
- Non-GAAP(1) net income of \$9.2 million, or \$0.26 per diluted share, excluding stock-based compensation and related tax effects

The results for the year ended December 31, 2007 are as follows:

- Net revenues of \$134.0 million, compared to \$105.0 million for the year ended December 31, 2006, an increase of 27.6%
- Gross margin of 63.6%, compared to 63.7% for the year ended December 31, 2006
- GAAP operating expenses of \$75.6 million, including \$56.9 million for research and development and selling, general and administrative expenses, which includes \$10.7 million for stock-based compensation, \$9.4 million for patent litigation expenses, \$9.8 million for a litigation settlement provision, and a credit of \$0.5 million for the sublease of the company's Los Gatos property
- Non-GAAP(1) operating expenses of \$55.6 million, excluding \$10.7 million for stock-based compensation and \$9.8 million for a litigation settlement provision, and including a reversal of the lease write-off of \$0.5 million

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- GAAP net income of \$9.3 million, with GAAP EPS of \$0.26 per diluted share
  - Non-GAAP(1) net income of \$25.9 million, or \$0.74 per diluted share, excluding stock-based compensation, the litigation settlement provision and related tax effects, and including a reversal of the lease write-off that was previously recorded

“MPS had strong growth in 2007, which was the result of putting the right strategy in place in earlier years”, said Michael Hsing, chief executive officer and founder of MPS. “We will continue along the same path, focusing on new product introductions, expanding our silicon content, and attacking the large analog markets outside Greater China, including North America, Europe and Japan. I am confident MPS is well positioned for long-term future growth.”

### **Business Outlook**

The following are MPS’ financial targets for the first quarter ending March 31, 2008:

- Revenues in the range of \$33 million to \$35 million
- Gross margin in the mid to upper end of the company’s target range of 60% to 63%
- Research and development and selling, general and administrative expenses between \$15.5 million and \$17.0 million. Non-GAAP(1) research and development and selling, general and administrative expenses between \$12.5 million and \$13.5 million. This excludes an estimate of stock-based compensation expense in the range of \$3.0 million to \$3.5 million
- Litigation expense in the range of \$1.0 million to \$1.4 million

(1) Non-GAAP net income, non-GAAP operating expenses and non-GAAP research and development and selling, general and administrative expense differ from net income, operating expenses, and research and development and selling, general and administrative expense determined in accordance with GAAP (Generally Accepted Accounting Principles in the United States). Non-GAAP net income for the quarter and year ending December 31, 2007 excludes the effect of stock-based compensation expense and related tax effects, a provision for litigation and related tax effects, and includes a reversal of the lease write-off that was recorded previously. Non-GAAP operating expenses for the quarter and year ending December 31, 2007 exclude the effect of stock-based compensation expense and the provision for litigation and include a reversal of the lease write-off that was recorded previously. Projected non-GAAP research and development and selling, general and administrative expenses exclude the effect of stock-based compensation expense and related tax effects. A schedule reconciling these amounts is included in this news release. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. MPS utilizes both GAAP and non-GAAP financial measures to assess what it believes to be its core operating performance and to evaluate and manage its internal business and assist in making financial operating decisions. MPS believes that the inclusion of non-GAAP financial measures, together with GAAP measures, provides investors with an alternative presentation useful to investors’ understanding of MPS’ core operating results and trends. Additionally, MPS believes that the inclusion of non-GAAP measures, together with GAAP measures, provides investors with an additional dimension of comparability to similar companies. However, investors should be aware that non-GAAP financial measures utilized by other companies are not likely to be comparable in most cases to the non-GAAP financials measures used by MPS.

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## **Conference Call**

MPS plans to conduct a management teleconference covering its fourth quarter and fiscal year ended December 31, 2007 results at 2:00 p.m. PT / 5:00 p.m. ET today, February 5, 2008. To access the conference call and following replay, go to <http://ir.monolithicpower.com> and click the webcast link. From this site, you can listen to the teleconference, assuming that your computer system is configured properly. In addition to the webcast replay, which will be archived for all investors for one year on the MPS website, a phone replay will be available for seven days after the live call at 617-801-6888, code number 18556497. This press release and any other information related to the call will also be posted on the website.

## **Safe Harbor Statement**

This press release contains forward-looking statements regarding targeted net revenues, gross margin, GAAP and non-GAAP research and development and selling, general and administrative expenses, stock-based compensation expense and litigation expenses for the three months ending March 31, 2008, continuing market acceptance of new products and the future introduction of new products. These statements are not historical facts or guarantees of future performance or events, are based on current expectations, estimates, beliefs, assumptions, goals, and objectives, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from the results expressed by these statements. Readers of this press release and listeners to the accompanying conference call are cautioned not to place undue reliance on any forward-looking statements. Factors that could cause actual results to differ include, but are not limited to, the risks, uncertainties and costs of litigation in which the company is involved; the outcome of any upcoming trials, hearings, motions, and appeals; any market disruptions or interruptions in MPS' schedule of new product release development; adverse change in production and testing efficiency; adverse changes in government regulations in foreign countries where MPS has offices; acceptance of, or demand for, MPS' products being lower than expected; the adverse impact on MPS' financial performance if its tax and litigation provisions are inadequate; difficulty in predicting or budgeting for future expenses and financial contingencies; and other important risk factors identified in MPS' SEC filings, including, but not limited to, its Form 10-Q filed on November 1, 2007.

The forward-looking statements in this press release represent MPS' targets, not predictions of actual performance. MPS assumes no obligation to update the information in this press release or in the accompanying conference call.

## **About Monolithic Power Systems, Inc.**

Monolithic Power Systems, Inc. (MPS) develops and markets proprietary, advanced analog and mixed-signal semiconductors. The company combines advanced process technology with its highly experienced analog designers to produce high-performance power management integrated circuits (ICs) for DC to DC converters, LED drivers, Cold Cathode Fluorescent Lamp (CCFL) backlight controllers, Class D audio amplifiers, and Linear ICs. MPS products are used extensively in computing and network communications products, LCD monitors and TVs, and a wide variety of consumer and portable electronics products. MPS partners with world-class manufacturing organizations to deliver top quality, ultra-compact, high-performance solutions through

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the most productive, cost-efficient channels. Founded in 1997 and headquartered in San Jose, California, the company has expanded its global presence with sales offices in Taiwan, China, Korea, Japan, and Europe, which operate under MPS International, Ltd.

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Monolithic Power Systems, MPS, and the MPS logo are registered trademarks of Monolithic Power Systems, Inc. in the U.S. and trademarked in certain other countries.

**Contact:**

Rick Neely  
Chief Financial Officer  
Monolithic Power Systems, Inc.  
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Consolidated Balance Sheet  
(Unaudited, in thousands, except par value)

	December 31,	
	2007	2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 83,114	\$ 50,816
Short-term investments	27,765	27,674
Accounts receivable, net of allowances of \$227 in 2007 and 2006	8,239	9,156
Inventories	17,487	6,738
Deferred income tax asset—current	72	1,658
Prepaid expenses and other current assets	4,659	1,118
Restricted cash	7,350	—
Total current assets	<u>148,686</u>	<u>97,160</u>
Property and equipment, net	14,175	11,358
Deferred income tax asset—long term	759	—
Other assets	539	500
Restricted assets	8,340	8,309
Total assets	<u>\$172,499</u>	<u>\$117,327</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,154	\$ 5,909
Accrued compensation and related benefits	8,299	4,792
Accrued income tax payable	—	684
Accrued liabilities	14,959	8,737
Total current liabilities	<u>29,412</u>	<u>20,122</u>
Deferred rent	237	484
Non-current income tax liability	5,455	—
Long term liabilities	86	1,769
Total liabilities	<u>\$ 35,190</u>	<u>\$ 22,375</u>
Stockholders' equity:		
Common stock, \$0.001 par value, \$33 and \$30 in 2007 and 2006, respectively; shares authorized: 150,000,000; shares issued and outstanding: 33,454,595 and 30,369,381 in 2007 and 2006, respectively	146,035	113,532
Deferred stock compensation	(3)	(487)
Accumulated other comprehensive loss	465	(198)
Accumulated deficit	(9,188)	(17,895)
Total stockholders' equity	<u>137,309</u>	<u>94,952</u>
Total liabilities and stockholders' equity	<u>\$172,499</u>	<u>\$117,327</u>

Consolidated Income Statement  
(Unaudited, in thousands, except per share amounts)

	Three months ended December 31,		Years ended December 31,	
	2007	2006	2007	2006
Revenue	\$38,487	\$26,396	\$134,004	\$105,015
Cost of revenue*	13,908	9,519	48,781	38,107
Gross profit	24,579	16,877	85,223	66,908
Operating expenses:				
Research and development*	7,493	5,910	27,342	22,301
Selling, general and administrative*	8,150	6,591	29,537	27,594
Lease abandonment	—	1,218	(496)	1,218
Patent litigation settlement	—	—	9,800	3,000
Patent litigation expense	1,043	1,910	9,370	11,560
Total operating expenses	16,686	15,629	75,553	65,673
Income from operations	7,893	1,248	9,670	1,235
Other income (expense):				
Interest and other income	1,342	750	4,741	2,637
Interest and other expense	(118)	(22)	(139)	(273)
Total other income, net	1,224	728	4,602	2,364
Income before income taxes	9,117	1,976	14,272	3,599
Income tax provision	1,784	3,618	4,981	6,462
Net income (loss)	\$ 7,333	\$ (1,642)	\$ 9,291	\$ (2,863)
Basic net income (loss) per common share	\$ 0.22	\$ (0.05)	\$ 0.29	\$ (0.10)
Diluted net income (loss) per common share	\$ 0.20	\$ (0.05)	\$ 0.26	\$ (0.10)
Weighted average shares used in basic net income per common share	32,919	29,994	31,703	29,502
Weighted average shares used in diluted net income (loss) per common share	36,135	29,994	35,090	29,502
* Stock-based compensation has been included in the following line items:				
Cost of revenue	\$ 166	\$ 131	\$ 539	\$ 539
Research and development	1,246	1,197	4,625	5,236
Selling, general and administrative	1,768	1,456	6,064	5,749
Total	\$ 3,180	\$ 2,784	\$ 11,228	\$ 11,524

RECONCILIATION OF NET INCOME TO NON-GAAP NET INCOME  
(in thousands, except per share amounts)

Net income (loss)	\$ 7,333	\$ (1,642)	\$ 9,291	\$ (2,863)
Adjustments to reconcile net income to non-GAAP net income				
Stock-based compensation	\$ 3,180	\$ 2,784	\$ 11,228	\$ 11,524
Patent litigation settlement	—	—	9,800	3,000
Reversal of lease write-off	—	1,292	(540)	1,292
Tax effect	(1,291)	1,762	(3,859)	461
Non-GAAP net income	\$ 9,222	\$ 4,196	\$ 25,920	\$ 13,414
Non-GAAP earnings per share, excluding stock-based compensation and related tax effects:				
Basic	\$ 0.28	\$ 0.14	\$ 0.82	\$ 0.45
Diluted	\$ 0.26	\$ 0.13	\$ 0.74	\$ 0.40
Shares used in the calculation of non-GAAP earnings per share:				
Basic	32,919	29,994	31,703	29,502
Diluted	36,135	33,031	35,090	33,215

RECONCILIATION OF OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES  
(in thousands, except per share amounts)

Total operating expenses	\$16,686	\$15,629	\$ 75,553	\$ 65,673
Adjustments to reconcile total operating expenses to non-GAAP total operating expenses				
Stock-based compensation	\$ (3,014)	\$ (2,653)	\$ (10,689)	\$ (10,985)
Patent litigation settlement	—	—	(9,800)	(3,000)
Reversal of lease write-off	—	(1,218)	496	(1,218)
Non-GAAP total operating expenses	\$13,672	\$11,758	\$ 55,560	\$ 50,470

2008 First Quarter Outlook

RECONCILIATION OF R&D AND SG&A EXPENSES TO NON-GAAP R&D AND SG&A EXPENSES  
(in thousands, except per share amounts)

	Three months ended March 31, 2008	
	Low	High
R&D and SG&A	<u>\$15,500</u>	<u>\$17,000</u>
Adjustments to reconcile R&D and SG&A to non-GAAP R&D and SG&A		
Stock-based compensation	<u>(3,000)</u>	<u>(3,500)</u>
Non-GAAP R&D and SG&A	<u>\$12,500</u>	<u>\$13,500</u>



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**PRESS RELEASE**  
**For Immediate Release**

**Monolithic Power Systems Announces \$25 Million  
Stock Repurchase Program**

**SAN JOSE, Calif. — February 5, 2008** — Monolithic Power Systems, Inc. (Nasdaq:MPWR) ("MPS") today announced that its Board of Directors has approved a stock repurchase program that authorizes MPS to repurchase up to \$25 million dollars in the aggregate of its common stock during this calendar year.

"After a review of MPS' financial position and cash flow projections, our Board concluded that it was in the best interest of our shareholders to engage in this repurchase program," said Rick Neely, chief financial officer of MPS. "In addition, the repurchase program will help to offset dilution associated with our employee stock plans."

The repurchases will be funded from available working capital. As of December 31, 2007, MPS had cash, cash equivalents, restricted cash and short-term investments of approximately \$118 million, and approximately 35 million diluted weighted average shares of common stock outstanding.

Stock repurchases under the program may be made through open market repurchases, privately negotiated transactions or other structures in accordance with applicable state and federal securities laws, at times and in amounts as management deems appropriate. The timing and the amount of any repurchased common stock will be determined by MPS' management based on its evaluation of market conditions, legal requirements, share price, and other factors. Repurchases of common stock may be made under a Rule 10b5-1 plan, which would permit common stock to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The repurchase program does not obligate MPS to purchase any particular number of shares and may be suspended, modified, or discontinued at any time without prior notice.

**About Monolithic Power Systems, Inc.**

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Cathode Fluorescent Lamp (CCFL) backlight controllers, Class D audio amplifiers, and Linear ICs. MPS products are used extensively in computing and network communications products, LCD monitors and TVs, and a wide variety of consumer and portable electronics products. MPS partners with world-class manufacturing organizations to deliver top quality, ultra-compact, high-performance solutions through the most productive, cost-efficient channels. Founded in 1997 and headquartered in San Jose, California, the company has expanded its global presence with sales offices in Taiwan, China, Korea, Japan, and Europe, which operate under MPS International, Ltd.

**Forward-Looking Statements**

Actual events may differ materially from those indicated or suggested by such forward looking statements as a result of various important factors including, among others, the market price of the Company's common stock prevailing from time to time, the nature of other investment opportunities presented to the Company from time to time, the Company's cash flows from operations, general economic condition, and other factors as identified in the Company's most recent Quarterly Report on Form 10-Q filed with the SEC (a copy of which may be accessed through the company's website at [www.monolithicpower.com](http://www.monolithicpower.com)). In addition, the forward-looking statements included in this press release represent the Company's views as of the date of this press release and these views could change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of the press release.

**Contact:**

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