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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):  
**October 28, 2021**

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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)

**5808 Lake Washington Blvd. NE, Kirkland, Washington 98033**  
(Address of principal executive offices) (Zip Code)

**(425) 296-9956**  
(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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	MPWR	The NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

On October 28, 2021, Monolithic Power Systems, Inc. (the “Company”) issued a press release regarding its financial results for the quarter ended September 30, 2021, and hosted a webinar covering its financial results. Both the press release and the webinar presentation are attached hereto as exhibits and are incorporated by reference herein.

The information under Item 2.02 of this Current Report on Form 8-K and the exhibits 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 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<b>Exhibit</b>	<b>Description</b>
99.1	<a href="#">Press release issued on October 28, 2021.</a>
99.2	<a href="#">Webinar presentation dated October 28, 2021.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document).

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## SIGNATURES

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

Date: October 28, 2021

By: /s/ T. Bernie Blegen  
**T. Bernie Blegen**  
**Chief Financial Officer**



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

**Monolithic Power Systems Announces  
 Results for the Third Quarter Ended September 30, 2021**

**KIRKLAND, WASHINGTON, October 28, 2021**— Monolithic Power Systems, Inc. (MPS) (Nasdaq: MPWR), a global company that provides high-performance, semiconductor-based power electronics solutions, today announced financial results for the quarter ended September 30, 2021.

- Revenue was \$323.5 million for the quarter ended September 30, 2021, a 10.3% increase from \$293.3 million for the quarter ended June 30, 2021 and a 24.7% increase from \$259.4 million for the quarter ended September 30, 2020.
  - GAAP gross margin was 57.6% for the quarter ended September 30, 2021, compared with 55.1% for the quarter ended September 30, 2020. GAAP gross margin included a one-time benefit of a \$4.0 million litigation settlement for the quarter ended September 30, 2021.
  - Non-GAAP (1) gross margin was 57.8% for the quarter ended September 30, 2021, excluding the impact of \$0.9 million for stock-based compensation expense and \$0.2 million for deferred compensation plan income. Excluding the one-time benefit of a \$4.0 million litigation settlement, non-GAAP (1) gross margin would have been 56.6% for the quarter ended September 30, 2021. This compares with 55.5% for the quarter ended September 30, 2020, excluding the impact of \$0.7 million for stock-based compensation expense and \$0.2 million for deferred compensation plan expense.
  - GAAP operating expenses were \$109.2 million for the quarter ended September 30, 2021, compared with \$83.1 million for the quarter ended September 30, 2020.
  - Non-GAAP (1) operating expenses were \$78.7 million for the quarter ended September 30, 2021, excluding \$30.7 million for stock-based compensation expense and \$0.1 million for deferred compensation plan income, compared with \$59.1 million for the quarter ended September 30, 2020, excluding \$22.3 million for stock-based compensation expense and \$1.7 million for deferred compensation plan expense.
  - GAAP operating income was \$77.1 million for the quarter ended September 30, 2021, compared with \$60.0 million for the quarter ended September 30, 2020.
  - Non-GAAP (1) operating income was \$108.4 million for the quarter ended September 30, 2021, excluding \$31.6 million for stock-based compensation expense and \$0.3 million for deferred compensation plan income, compared with \$84.9 million for the quarter ended September 30, 2020, excluding \$23.0 million for stock-based compensation expense and \$1.9 million for deferred compensation plan expense.
  - GAAP other income, net, was \$0.8 million for the quarter ended September 30, 2021, compared with \$2.5 million for the quarter ended September 30, 2020.
  - Non-GAAP (1) other income, net, was \$1.2 million for the quarter ended September 30, 2021, excluding \$0.4 million for deferred compensation plan expense, compared with \$0.9 million for the quarter ended September 30, 2020, excluding \$1.6 million for deferred compensation plan income.
  - GAAP income before income taxes was \$77.9 million for the quarter ended September 30, 2021, compared with \$62.5 million for the quarter ended September 30, 2020.
  - Non-GAAP (1) income before income taxes was \$109.6 million for the quarter ended September 30, 2021, excluding \$31.6 million for stock-based compensation expense and \$0.1 million for deferred compensation plan expense, compared with \$85.8 million for the quarter ended September 30, 2020, excluding \$23.0 million for stock-based compensation expense, and \$0.3 million for deferred compensation plan expense.
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- GAAP net income was \$68.8 million and \$1.44 per diluted share for the quarter ended September 30, 2021. Comparatively, GAAP net income was \$55.6 million and \$1.18 per diluted share for the quarter ended September 30, 2020.
- Non-GAAP (1) net income was \$98.6 million and \$2.06 per diluted share for the quarter ended September 30, 2021, excluding stock-based compensation expense, net deferred compensation plan expense and related tax effects, compared with non-GAAP net income (1) of \$79.4 million and \$1.69 per diluted share for the quarter ended September 30, 2020, excluding stock-based compensation expense, net deferred compensation plan expense and related tax effects.

The financial results for the nine months ended September 30, 2021 are as follows:

- Revenue was \$871.3 million for the nine months ended September 30, 2021, a 42.5% increase from \$611.4 million for the nine months ended September 30, 2020.
  - GAAP gross margin was 56.4% for the nine months ended September 30, 2021, compared with 55.1% for the nine months ended September 30, 2020.
  - Non-GAAP (1) gross margin was 56.7% for the nine months ended September 30, 2021, excluding the impact of \$2.6 million for stock-based compensation expense and \$0.1 million for deferred compensation plan expense, compared with 55.5% for the nine months ended September 30, 2020, excluding the impact of \$1.9 million for stock-based compensation expense and \$0.7 million for the deferred compensation plan expense.
  - GAAP operating expenses were \$307.7 million for the nine months ended September 30, 2021, compared with \$218.2 million for the nine months ended September 30, 2020.
  - Non-GAAP (1) operating expenses were \$215.2 million for the nine months ended September 30, 2021, excluding \$89.7 million for stock-based compensation expense and \$2.8 million for deferred compensation plan expense, compared with \$155.8 million for the nine months ended September 30, 2020, excluding \$60.7 million for stock-based compensation expense and \$1.7 million for deferred compensation plan expense.
  - GAAP operating income was \$183.8 million for the nine months ended September 30, 2021, compared with \$118.9 million for the nine months ended September 30, 2020.
  - Non-GAAP (1) operating income was \$279.1 million for the nine months ended September 30, 2021, excluding \$92.3 million for stock-based compensation expense and \$2.9 million for deferred compensation plan expense, compared with \$183.8 million for the nine months ended September 30, 2020, excluding \$62.6 million for stock-based compensation expense and \$2.3 million for deferred compensation plan expense.
  - GAAP other income, net, was \$6.4 million for the nine months ended September 30, 2021, compared with \$6.0 million for the nine months ended September 30, 2020.
  - Non-GAAP (1) other income, net was \$3.8 million for the nine months ended September 30, 2021, excluding \$2.6 million for deferred compensation plan income, compared with \$4.6 million for the nine months ended September 30, 2020, excluding \$1.4 million for deferred compensation plan income.
  - GAAP income before income taxes was \$190.3 million for the nine months ended September 30, 2021, compared with \$124.9 million for the nine months ended September 30, 2020.
  - Non-GAAP (1) income before income taxes was \$282.9 million for the nine months ended September 30, 2021, excluding \$92.3 million for stock-based compensation expense and \$0.3 million for deferred compensation plan expense, compared with \$188.4 million for the nine months ended September 30, 2020, excluding \$62.6 million for stock-based compensation expense, and \$0.9 million for deferred compensation plan expense.
  - GAAP net income was \$169.4 million and \$3.55 per diluted share for the nine months ended September 30, 2021. Comparatively, GAAP net income was \$121.5 million and \$2.59 per diluted share for the nine months ended September 30, 2020.
  - Non-GAAP (1) net income was \$254.6 million and \$5.33 per diluted share for the nine months ended September 30, 2021, excluding stock-based compensation expense, net deferred compensation plan expense and related tax effects, compared with non-GAAP net income (1) of \$174.3 million and \$3.72 per diluted share for the nine months ended September 30, 2020, excluding stock-based compensation expense, net deferred compensation plan expense and related tax effects.
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The following is a summary of revenue by end market for the periods indicated (in thousands):

End Market	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Computing and storage	\$ 98,601	\$ 75,301	\$ 253,819	\$ 191,345
Automotive	54,416	28,512	147,982	69,603
Industrial	52,185	30,658	135,296	82,487
Communications	44,687	54,705	118,215	112,670
Consumer	73,633	70,246	215,982	155,304
Total	<u>\$ 323,522</u>	<u>\$ 259,422</u>	<u>\$ 871,294</u>	<u>\$ 611,409</u>

The following is a summary of revenue by product family for the periods indicated (in thousands):

Product Family	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
DC to DC	\$ 307,368	\$ 247,561	\$ 827,605	\$ 580,549
Lighting Control	16,154	11,861	43,689	30,860
Total	<u>\$ 323,522</u>	<u>\$ 259,422</u>	<u>\$ 871,294</u>	<u>\$ 611,409</u>

“We are continuing to execute our strategy,” said Michael Hsing, CEO and founder of MPS.

### Business Outlook

The following are MPS’s financial targets for the fourth quarter ending December 31, 2021:

- Revenue in the range of \$314.0 million to \$326.0 million.
- GAAP gross margin between 56.0% and 56.6%. Non-GAAP (1) gross margin between 56.3% and 56.9%, which excludes an estimated impact of stock-based compensation expenses of 0.3%.
- GAAP research and development (“R&D”) and selling, general and administrative (“SG&A”) expenses between \$107.8 million and \$111.8 million. Non-GAAP (1) R&D and SG&A expenses between \$77.9 million and \$79.9 million, which excludes estimated stock-based compensation expenses in the range of \$29.9 million to \$31.9 million.
- Total stock-based compensation expense of \$30.8 million to \$32.8 million.
- Litigation expense is expected to be in the range of \$3.5 million and \$3.9 million.
- Interest income of \$1.0 million to \$1.4 million.
- Fully diluted shares outstanding between 47.9 million and 48.9 million.

(1) Non-GAAP net income, non-GAAP earnings per share, non-GAAP gross margin, non-GAAP R&D and SG&A expenses, non-GAAP operating expenses, non-GAAP other income, net, non-GAAP operating income and non-GAAP income before taxes differ from net income, earnings per share, gross margin, R&D and SG&A expenses, operating expenses, other income, net, operating income and income before taxes determined in accordance with Generally Accepted Accounting Principles in the United States (GAAP). Non-GAAP net income and non-GAAP earnings per share exclude the effect of stock-based compensation expense, deferred compensation plan income/expense and related tax effects. Non-GAAP gross margin excludes the effect of stock-based compensation expense, deferred compensation plan income/expense, and a one-time litigation settlement. Non-GAAP operating expenses exclude the effect of stock-based compensation expense and deferred compensation plan income/expense. Non-GAAP other income, net excludes the effect of deferred compensation plan income/expense. Non-GAAP operating income excludes the effect of stock-based compensation expense and deferred compensation plan income/expense. Non-GAAP income before taxes excludes the effect of stock-based compensation expense and deferred compensation plan income/expense. Projected non-GAAP gross margin excludes the effect of stock-based compensation expense. Projected non-GAAP R&D and SG&A expenses exclude the effect of stock-based compensation expense. These non-GAAP financial measures are not prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. A schedule reconciling non-GAAP financial measures is included at the end of this press release. 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's 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 financial measures used by MPS.

#### **Earnings Webinar**

MPS plans to host a Zoom webinar covering its financial results at 2:00 p.m. PT / 5:00 p.m. ET, October 28, 2021. You can access the webinar at: <https://mpsic.zoom.us/j/97341463994>. The webinar will be archived and available for replay for one year under the Investor Relations page on the MPS website.

#### **Safe Harbor Statement**

This press release contains, and statements that will be made during the accompanying teleconference will contain, forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including, among other things, (i) projected revenues, GAAP and non-GAAP gross margin, GAAP and non-GAAP R&D and SG&A expenses, stock-based compensation expenses, litigation expenses, interest income, and diluted shares outstanding, (ii) our outlook for the long-term prospects of the company, including our performance against our business plan, revenue growth in certain of our market segments, our continued investment into R&D, expected revenue growth, customers' acceptance of our new product offerings, the prospects of our new product development, and our expectations regarding market and industry segment trends and prospects, (iii) our ability to penetrate new markets and expand our market share, (iv) the seasonality of our business, (v) our ability to reduce our expenses, and (vi) statements of the assumptions underlying or relating to any statement described in (i), (ii), (iii), (iv), or (v). These forward-looking 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 significant 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, which speak only as of the date hereof. Factors that could cause actual results to differ include, but are not limited to, our ability to attract new customers and retain existing customers; acceptance of, or demand for, MPS's products, in particular the new products launched recently, being different than expected; our ability to efficiently and effectively develop new products and receive a return on our R&D expense investment; our ability to increase market share in our targeted markets; our ability to meet customer demand for our products due to constraints on our third-party suppliers' ability to manufacture sufficient quantities of our products or otherwise; competition generally and the increasingly competitive nature of our industry; any market disruptions or interruptions in MPS's schedule of new product development releases; adverse changes in production and testing efficiency of our products; our ability to manage our inventory levels; our ability to effectively manage our growth and attract and retain qualified personnel; the effect of export controls, trade and economic sanctions regulations and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets, particularly in China; our ability to obtain governmental licenses and approvals for international trading activities or technology transfers, including export licenses; adverse changes in laws and government regulations such as tariffs on imports of foreign goods, export regulations and export classifications, including in foreign countries where MPS has offices or operations; adverse events arising from orders of governmental entities, including such orders that impact our customers, and adoption of new or amended accounting standards; the effect of epidemics and pandemics, such as the COVID-19 outbreak first identified in December 2019, on the global economy and on our business; adequate supply of our products from our third-party manufacturing partners; the risks, uncertainties and costs of litigation in which we are involved; the outcome of any upcoming trials, hearings, motions and appeals; the adverse impact on MPS's financial performance if its tax and litigation provisions are inadequate; adverse changes or developments in the semiconductor industry generally, which is cyclical in nature, and our ability to adjust our operations to address such changes or developments; difficulty in predicting or budgeting for future customer demand and channel inventories, expenses and financial contingencies (including as a result of the COVID-19 pandemic); our ability to realize the anticipated benefits of companies and products that we acquire, and our ability to effectively and efficiently integrate these acquired companies and products into our operations; the ongoing consolidation of companies in the semiconductor industry; and other important risk factors identified in MPS's Securities and Exchange Commission (SEC) filings, including, but not limited to, our Annual Report on Form 10-K filed with the SEC on March 1, 2021 and our quarterly report on Form 10-Q filed with the SEC on August 9, 2021. The forward-looking statements in this press release and statements made during the accompanying teleconference represent MPS's projections and current expectations, as of the date hereof, not predictions of actual performance. MPS assumes no obligation to update the information in this press release or in the accompanying conference call.

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**About Monolithic Power Systems**

Monolithic Power Systems, Inc. (MPS) is a global company that provides high-performance, semiconductor-based power electronics solutions. MPS's mission is to reduce energy and material consumption to improve all aspects of quality of life. Founded in 1997 by Michael Hsing, MPS has three core strengths: deep system-level knowledge, strong semiconductor design expertise, and innovative proprietary semiconductor process and system integration technologies. These combined advantages enable MPS to provide customers with reliable, compact and monolithic solutions that offer highly energy-efficient and cost-effective products, as well as providing a consistent return on investment to our stockholders. MPS can be contacted through its website at [www.monolithicpower.com](http://www.monolithicpower.com) or its support offices around the world.

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:**

Bernie Blegen

Chief Financial Officer

Monolithic Power Systems, Inc.

408-826-0777

[investors@monolithicpower.com](mailto:investors@monolithicpower.com)

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**Monolithic Power Systems, Inc.**  
**Condensed Consolidated Balance Sheets**  
(Unaudited, in thousands, except par value)

	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 226,091	\$ 334,944
Short-term investments	515,947	260,169
Accounts receivable, net	79,859	66,843
Inventories	208,062	157,062
Other current assets	34,535	22,980
Total current assets	1,064,494	841,998
Property and equipment, net	340,060	281,528
Goodwill	6,571	6,571
Deferred tax assets, net	17,726	18,556
Other long-term assets	67,050	59,838
Total assets	<u>\$ 1,495,901</u>	<u>\$ 1,208,491</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 72,092	\$ 38,169
Accrued compensation and related benefits	75,815	45,840
Other accrued liabilities	79,756	62,960
Total current liabilities	227,663	146,969
Income tax liabilities	41,019	37,062
Other long-term liabilities	64,506	57,873
Total liabilities	333,188	241,904
Commitments and contingencies		
Stockholders' equity:		
Common stock and additional paid-in capital: \$0.001 par value; shares authorized: 150,000; shares issued and outstanding: 46,091 and 45,267, respectively	769,858	657,701
Retained earnings	381,193	298,746
Accumulated other comprehensive income	11,662	10,140
Total stockholders' equity	1,162,713	966,587
Total liabilities and stockholders' equity	<u>\$ 1,495,901</u>	<u>\$ 1,208,491</u>

**Monolithic Power Systems, Inc.**  
**Condensed Consolidated Statements of Operations**  
(Unaudited, in thousands, except per share amounts)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Revenue	\$ 323,522	\$ 259,422	\$ 871,294	\$ 611,409
Cost of revenue	137,211	116,382	379,709	274,329
Gross profit	186,311	143,040	491,585	337,080
Operating expenses:				
Research and development	49,468	37,717	136,113	95,346
Selling, general and administrative	56,291	43,503	164,982	116,550
Litigation expense	3,421	1,841	6,645	6,264
Total operating expenses	109,180	83,061	307,740	218,160
Income from operations	77,131	59,979	183,845	118,920
Other income, net	793	2,494	6,411	5,980
Income before income taxes	77,924	62,473	190,256	124,900
Income tax expense	9,154	6,907	20,904	3,412
Net income	\$ 68,770	\$ 55,566	\$ 169,352	\$ 121,488
Net income per share:				
Basic	\$ 1.50	\$ 1.24	\$ 3.70	\$ 2.72
Diluted	\$ 1.44	\$ 1.18	\$ 3.55	\$ 2.59
Weighted-average shares outstanding:				
Basic	45,970	44,970	45,754	44,737
Diluted	47,852	46,955	47,772	46,819

**SUPPLEMENTAL FINANCIAL INFORMATION**  
**STOCK-BASED COMPENSATION EXPENSE**  
(Unaudited, in thousands)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Cost of revenue	\$ 922	\$ 707	\$ 2,622	\$ 1,906
Research and development	6,646	5,334	19,564	14,666
Selling, general and administrative	24,004	16,934	70,096	46,009
Total stock-based compensation expense	<u>\$ 31,572</u>	<u>\$ 22,975</u>	<u>\$ 92,282</u>	<u>\$ 62,581</u>

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# RECONCILIATION OF NET INCOME TO NON-GAAP NET INCOME

(Unaudited, in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 68,770	\$ 55,566	\$ 169,352	\$ 121,488
Adjustments to reconcile net income to non-GAAP net income:				
Stock-based compensation expense	31,572	22,975	92,282	62,581
Amortization of purchased intangible assets	11	-	11	-
Deferred compensation plan expense	76	347	309	901
Tax effect	(1,804)	472	(7,382)	(10,717)
Non-GAAP net income	\$ 98,625	\$ 79,360	\$ 254,572	\$ 174,253
Non-GAAP net income per share:				
Basic	\$ 2.15	\$ 1.76	\$ 5.56	\$ 3.90
Diluted	\$ 2.06	\$ 1.69	\$ 5.33	\$ 3.72
Shares used in the calculation of non-GAAP net income per share:				
Basic	45,970	44,970	45,754	44,737
Diluted	47,852	46,955	47,772	46,819

# **RECONCILIATION OF GROSS MARGIN TO NON-GAAP GROSS MARGIN**

(Unaudited, in thousands)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Gross profit	<u>\$ 186,311</u>	<u>\$ 143,040</u>	<u>\$ 491,585</u>	<u>\$ 337,080</u>
Gross margin	<u>57.6%</u>	<u>55.1%</u>	<u>56.4%</u>	<u>55.1%</u>
Adjustments to reconcile gross profit to non-GAAP gross profit:				
Stock-based compensation expense	922	707	2,622	1,906
Deferred compensation plan expense (income)	(190)	244	100	650
Non-GAAP gross profit	<u>\$ 187,043</u>	<u>\$ 143,991</u>	<u>\$ 494,307</u>	<u>\$ 339,636</u>
Non-GAAP gross margin	<u>57.8%</u>	<u>55.5%</u>	<u>56.7%</u>	<u>55.5%</u>
Non-GAAP gross profit	\$ 187,043			
One-time litigation settlement	(4,000)			
Non-GAAP gross profit, excluding litigation settlement	<u>\$ 183,043</u>			
Non-GAAP gross margin, excluding litigation settlement	<u>56.6%</u>			

# **RECONCILIATION OF OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES**

(Unaudited, in thousands)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Total operating expenses	<u>\$ 109,180</u>	<u>\$ 83,061</u>	<u>\$ 307,740</u>	<u>\$ 218,160</u>
Adjustments to reconcile total operating expenses to non-GAAP total operating expenses:				
Stock-based compensation expense	(30,650)	(22,268)	(89,660)	(60,675)
Amortization of purchased intangible assets	(11)	-	(11)	-
Deferred compensation plan income (expense)	134	(1,701)	(2,847)	(1,672)
Non-GAAP operating expenses	<u>\$ 78,653</u>	<u>\$ 59,092</u>	<u>\$ 215,222</u>	<u>\$ 155,813</u>

**RECONCILIATION OF OPERATING INCOME TO NON-GAAP OPERATING INCOME**

(Unaudited, in thousands)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Total operating income	<u>\$ 77,131</u>	<u>\$ 59,979</u>	<u>\$ 183,845</u>	<u>\$ 118,920</u>
Adjustments to reconcile total operating income to non-GAAP total operating income:				
Stock-based compensation expense	31,572	22,975	92,282	62,581
Amortization of purchased intangible assets	11	-	11	-
Deferred compensation plan expense (income)	(324)	1,946	2,948	2,322
Non-GAAP operating income	<u>\$ 108,390</u>	<u>\$ 84,900</u>	<u>\$ 279,086</u>	<u>\$ 183,823</u>

**RECONCILIATION OF OTHER INCOME, NET, TO NON-GAAP OTHER INCOME, NET**

(Unaudited, in thousands)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Total other income, net	<u>\$ 793</u>	<u>\$ 2,494</u>	<u>\$ 6,411</u>	<u>\$ 5,980</u>
Adjustments to reconcile other income, net to non-GAAP other income, net:				
Deferred compensation plan expense (income)	399	(1,598)	(2,639)	(1,421)
Non-GAAP other income, net	<u>\$ 1,192</u>	<u>\$ 896</u>	<u>\$ 3,772</u>	<u>\$ 4,559</u>

**RECONCILIATION OF INCOME BEFORE INCOME TAXES TO NON-GAAP INCOME BEFORE INCOME TAXES**

(Unaudited, in thousands)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Total income before income taxes	<u>\$ 77,924</u>	<u>\$ 62,473</u>	<u>\$ 190,256</u>	<u>\$ 124,900</u>
Adjustments to reconcile income before income taxes to non-GAAP income before income taxes:				
Stock-based compensation expense	31,572	22,975	92,282	62,581
Amortization of purchased intangible assets	11	-	11	-
Deferred compensation plan expense	76	347	309	901
Non-GAAP income before income taxes	<u>\$ 109,583</u>	<u>\$ 85,795</u>	<u>\$ 282,858</u>	<u>\$ 188,382</u>

**2021 FOURTH QUARTER OUTLOOK**  
**RECONCILIATION OF GROSS MARGIN TO NON-GAAP GROSS MARGIN**  
(Unaudited)

	<b>Three Months Ending December 31, 2021</b>	
	<b>Low</b>	<b>High</b>
Gross margin	56.0%	56.6%
Adjustment to reconcile gross margin to non-GAAP gross margin:		
Stock-based compensation expense	0.3%	0.3%
Non-GAAP gross margin	56.3%	56.9%

**RECONCILIATION OF R&D AND SG&A EXPENSES TO NON-GAAP R&D AND SG&A EXPENSES**  
(Unaudited, in thousands)

	<b>Three Months Ending December 31, 2021</b>	
	<b>Low</b>	<b>High</b>
R&D and SG&A expense	\$ 107,800	\$ 111,800
Adjustments to reconcile R&D and SG&A expense to non-GAAP R&D and SG&A expense:		
Stock-based compensation expense	(29,900)	(31,900)
Non-GAAP R&D and SG&A expense	\$ 77,900	\$ 79,900

# **Monolithic Power Systems**

## **Q3 '21 Earnings Call**

**Michael Hsing – CEO and Founder**  
**Bernie Blegen – VP and CFO**

October 28, 2021

rev 20180504



#### Safe Harbor Statement

This presentation contains, and statements that will be made during the accompanying teleconference will contain, forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including, among other things, (i) projected revenues, GAAP and non-GAAP gross margin, GAAP and non-GAAP R&D and SG&A expenses, stock-based compensation expenses, litigation expenses, interest income, and diluted shares outstanding, (ii) our outlook for the long-term prospects of the company, including our performance against our business plan, revenue growth in certain of our market segments, our continued investment into R&D, expected revenue growth, customers' acceptance of our new product offerings, the prospects of our new product development, and our expectations regarding market and industry segment trends and prospects, (iii) our ability to penetrate new markets and expand our market share, (iv) the seasonality of our business, (v) our ability to reduce our expenses, and (vi) statements of the assumptions underlying or relating to any statement described in (i), (ii), (iii), (iv), or (v). These forward-looking 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 significant 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, which speak only as of the date hereof. Factors that could cause actual results to differ include, but are not limited to, our ability to attract new customers and retain existing customers; acceptance of, or demand for, MPS's products, in particular the new products launched recently; being different than expected; our ability to efficiently and effectively develop new products and receive a return on our R&D expense investment; our ability to increase market share in our targeted markets; our ability to meet customer demand for our products due to constraints on our third-party suppliers' ability to manufacture sufficient quantities of our products or otherwise; competition generally and the increasingly competitive nature of our industry; any market disruptions or interruptions in MPS's schedule of new product development releases; adverse changes in production and testing efficiency of our products; our ability to manage our inventory levels; our ability to effectively manage our growth and attract and retain qualified personnel; the effect of export controls, trade and economic sanctions regulations and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets, particularly in China; our ability to obtain governmental licenses and approvals for international trading activities or technology transfers, including export licenses; adverse changes in laws and government regulations such as tariffs on imports of foreign goods, export regulations and export classifications, including in foreign countries where MPS has offices or operations; adverse events arising from orders of governmental entities, including such orders that impact our customers, and adoption of new or amended accounting standards; the effect of epidemics and pandemics, such as the COVID-19 outbreak first identified in December 2019, on the global economy and on our business; adequate supply of our products from our third-party manufacturing partners; the risks, uncertainties and costs of litigation in which we are involved; the outcome of any upcoming trials, hearings, motions and appeals; the adverse impact on MPS's financial performance if its tax and litigation provisions are inadequate, adverse changes or developments in the semiconductor industry generally, which is cyclical in nature, and our ability to adjust our operations to address such changes or developments; difficulty in predicting or budgeting for future customer demand and channel inventories; expenses and financial contingencies (including as a result of the COVID-19 pandemic); our ability to realize the anticipated benefits of companies and products that we acquire, and our ability to effectively and efficiently integrate these acquired companies and products into our operations; the ongoing consolidation of companies in the semiconductor industry; and other important risk factors identified in MPS's Securities and Exchange Commission (SEC) filings, including, but not limited to, our Annual Report on Form 10-K filed with the SEC on March 1, 2021 and our quarterly report on Form 10-Q filed with the SEC on August 9, 2021. The forward-looking statements in this presentation and statements made during the accompanying teleconference represent MPS's projections and current expectations, as of the date hereof, not predictions of actual performance. MPS assumes no obligation to update the information in this press release or in the accompanying conference call.

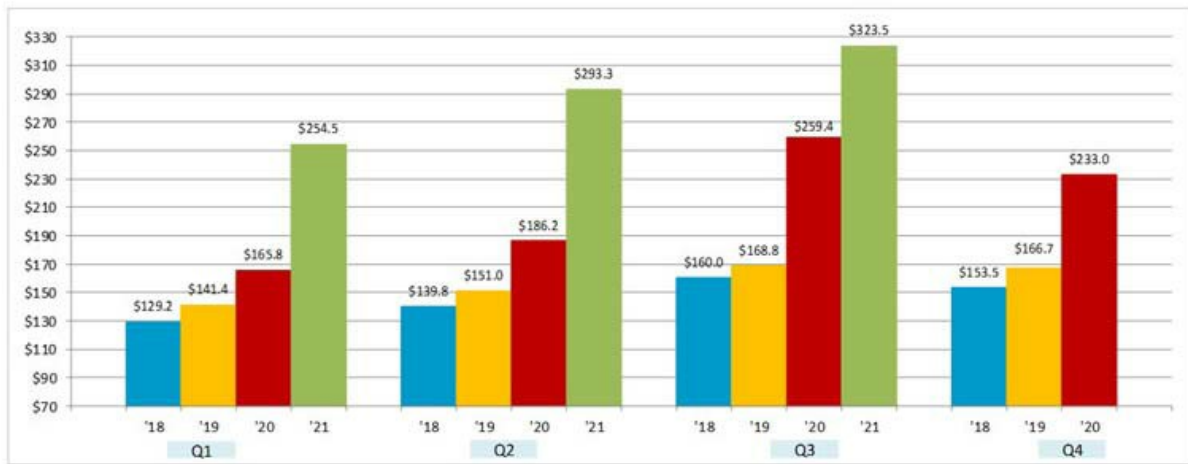
#### Non-GAAP Measures

Non-GAAP net income, non-GAAP earnings per share, non-GAAP gross margin, non-GAAP R&D and SG&A expenses, non-GAAP operating expenses, non-GAAP other income, net non-GAAP operating income and non-GAAP income before taxes differ from net income, earnings per share, gross margin, R&D and SG&A expenses, operating expenses, other income, net operating income and income before taxes determined in accordance with Generally Accepted Accounting Principles in the United States (GAAP). Non-GAAP net income and non-GAAP earnings per share exclude the effect of stock-based compensation expense, deferred compensation plan income/expense and related tax effects. Non-GAAP gross margin excludes the effect of stock-based compensation expense, deferred compensation plan income/expense, and a one-time litigation settlement. Non-GAAP operating expenses exclude the effect of stock-based compensation expense and deferred compensation plan income/expense. Non-GAAP other income, net excludes the effect of deferred compensation plan income/expense. Non-GAAP operating income excludes the effect of stock-based compensation expense and deferred compensation plan income/expense. Non-GAAP income before taxes excludes the effect of stock-based compensation expense and deferred compensation plan income/expense. Projected non-GAAP gross margin excludes the effect of stock-based compensation expense. Projected non-GAAP R&D and SG&A expenses exclude the effect of stock-based compensation expense. These non-GAAP financial measures are not prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. A schedule reconciling non-GAAP financial measures is included at the end of this press release. 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 assets 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's 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 financial measures used by MPS.



## Quarterly Revenue 2018 to 2021

\$ in millions



## Revenue Growth by Market – Q3'21

	<u>vs Q2'21</u>	<u>% of Total Revenue</u>
Industrial	20.5 %	16.1 %
Communications	19.3 %	13.8 %
Computing and Storage	12.4 %	30.5 %
Automotive	11.7 %	16.8 %
Consumer	(3.3) %	22.8 %
Total Revenue	10.3 %	100.0 %



## Selected P&L Data

\$ and shares in millions,  
except per share amounts

	<u>Q3'21</u>	<u>Q2'21</u>	<u>Q3'20</u>
Revenue	\$323.5	\$293.3	\$259.4
<b><u>GAAP</u></b>			
Gross Margin	57.6%	56.0%	55.1%
OPEX	\$109.2	\$103.6	\$83.1
Operating Income	\$77.1	\$60.6	\$60.0
Operating Margin	23.8%	20.7%	23.1%
Stock Comp.	\$31.6	\$32.1	\$23.0
Net Income	\$68.8	\$55.2	\$55.6
<b>EPS</b>	<b>\$1.44</b>	<b>\$1.16</b>	<b>\$1.18</b>
Shares O/S (FD)	47.9	47.8	47.0
<b><u>Non- GAAP</u></b>			
Gross Margin	57.8%	56.3%	55.5%
OPEX	\$78.7	\$70.3	\$59.1
Operating Income	\$108.4	\$94.9	\$84.9
Operating Margin	33.5%	32.4%	32.7%
Net Income	\$98.6	\$86.5	\$79.4
<b>EPS</b>	<b>\$2.06</b>	<b>\$1.81</b>	<b>\$1.69</b>

Q2'21 GAAP and non-GAAP results include a one-time \$AM settlement

## Selected Balance Sheet Data

\$ in millions

	<u>Q3'21</u>	<u>Q2'21</u>	<u>Q3'20</u>
Cash, Cash Equivalents & Investments	\$744.5	\$672.9	\$554.5
Cash Flow from Operations	\$117.8	\$96.9	\$77.4
Capital Spending	\$18.6	\$39.3	\$19.6
Accounts Receivable			
Dollars	\$79.9	\$77.6	\$93.5
Days	22	24	33
Inventory			
Dollars	\$208.1	\$177.3	\$148.1
Days – Current quarter revenue	134	125	116
Next quarter's revenue	135	117	129

## 2021 Q4 Outlook

\$ and shares in millions

	Range	
	<u>From</u>	<u>To</u>
Revenue	\$314.0	\$326.0
GAAP		
Gross Margin	56.0%	56.6%
R&D and SG&A	\$(107.8)	\$(111.8)
Non-GAAP		
Gross Margin	56.3%	56.9%
R&D and SG&A	\$(77.9)	\$(79.9)
Total Stock Compensation	\$(30.8)	\$(32.8)
Litigation Expenses	\$(3.5)	\$(3.9)
Interest Income	\$1.0	\$1.4
Shares Outstanding (FD)	47.9	48.9

# **Monolithic Power Systems**

## **Q3 '21 Earnings Call**

**Michael Hsing – CEO and Founder**  
**Bernie Blegen – VP and CFO**

October 28, 2021

rev 20180504



# Net Income to Non-GAAP Net Income Reconciliation

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 68,770	\$ 55,566	\$ 169,352	\$ 121,488
Adjustments to reconcile net income to non-GAAP net income:				
Stock-based compensation expense	31,572	22,975	92,282	62,581
Amortization of purchased intangible assets	11	-	11	-
Deferred compensation plan expense	76	347	309	901
Tax effect	(1,804)	472	(7,382)	(10,717)
Non-GAAP net income	\$ 98,625	\$ 79,360	\$ 254,572	\$ 174,253
Non-GAAP net income per share:				
Basic	\$ 2.15	\$ 1.76	\$ 5.56	\$ 3.90
Diluted	\$ 2.06	\$ 1.69	\$ 5.33	\$ 3.72
Shares used in the calculation of non-GAAP net income per share:				
Basic	45,970	44,970	45,754	44,737
Diluted	47,852	46,955	47,772	46,819

# GAAP to Non-GAAP Reconciliation

RECONCILIATION OF GROSS MARGINS TO NON-GAAP GROSS MARGIN				
(Unaudited, in thousands)				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Gross profit	\$ 186,051	\$ 151,030	\$ 491,505	\$ 417,080
Gross margin	57.0%	55.1%	56.0%	55.1%
Adjustments to reconcile gross profit to non-GAAP gross profit:				
Stock-based compensation expense	822	797	2,422	1,806
Deferred compensation plan expense (income)	(790)	244	300	626
Non-GAAP gross profit	\$ 187,083	\$ 152,071	\$ 494,027	\$ 419,512
Non-GAAP gross margin	57.8%	55.5%	56.7%	55.5%
Non-GAAP gross profit	\$ 187,083			
One-time litigation settlement	(4,890)			
Non-GAAP gross profit, including litigation settlement	\$ 182,193			
Non-GAAP gross margin, including litigation settlement	56.0%			
RECONCILIATION OF OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES				
(Unaudited, in thousands)				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total operating expenses	\$ 100,086	\$ 83,681	\$ 287,540	\$ 278,160
Adjustments to reconcile total operating expenses to non-GAAP total operating expenses:				
Stock-based compensation expense	(30,690)	(22,340)	(89,080)	(68,676)
Amortization of purchased intangible assets	(51)	-	(10)	-
Deferred compensation plan expense (income)	106	(1,700)	(2,407)	(3,672)
Non-GAAP operating expenses	\$ 69,351	\$ 59,641	\$ 195,943	\$ 205,812
RECONCILIATION OF OPERATING INCOME TO NON-GAAP OPERATING INCOME				
(Unaudited, in thousands)				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total operating income	\$ 77,015	\$ 70,579	\$ 193,565	\$ 178,920
Adjustments to reconcile total operating income to non-GAAP total operating income:				
Stock-based compensation expense	31,972	22,978	92,242	62,781
Amortization of purchased intangible assets	11	-	11	-
Deferred compensation plan expense (income)	(522)	1,900	2,088	2,722
Non-GAAP operating income	\$ 108,486	\$ 95,457	\$ 278,906	\$ 244,423
RECONCILIATION OF OTHER INCOME, NET, TO NON-GAAP OTHER INCOME, NET				
(Unaudited, in thousands)				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total other income, net	\$ 791	\$ 2,494	\$ 6,611	\$ 5,960
Adjustments to reconcile other income, net to non-GAAP other income, net:				
Deferred compensation plan expense (income)	398	(1,590)	(2,600)	(3,421)
Non-GAAP other income, net	\$ 1,189	\$ 904	\$ 4,011	\$ 2,539
RECONCILIATION OF INCOME BEFORE INCOME TAXES TO NON-GAAP INCOME BEFORE INCOME TAXES				
(Unaudited, in thousands)				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total income before income taxes	\$ 77,824	\$ 72,473	\$ 195,796	\$ 174,960
Adjustments to reconcile income before income taxes to non-GAAP income before income taxes:				
Stock-based compensation expense	31,972	22,978	92,242	62,781
Amortization of purchased intangible assets	11	-	11	-
Deferred compensation plan expense	56	2,617	209	261
Non-GAAP income before income taxes	\$ 109,863	\$ 98,068	\$ 278,258	\$ 238,002

**MPS**

# GAAP to Non-GAAP Reconciliation

## 2021 FOURTH QUARTER OUTLOOK RECONCILIATION OF GROSS MARGIN TO NON-GAAP GROSS MARGIN (Unaudited)

	Three Months Ending December 31, 2021	
	Low	High
Gross margin	56.0%	56.6%
Adjustment to reconcile gross margin to non-GAAP gross margin:		
Stock-based compensation expense	0.3%	0.3%
Non-GAAP gross margin	56.3%	56.9%

## RECONCILIATION OF R&D AND SG&A EXPENSES TO NON-GAAP R&D AND SG&A EXPENSES (Unaudited, in thousands)

	Three Months Ending December 31, 2021	
	Low	High
R&D and SG&A expense	\$ 107,800	\$ 111,800
Adjustments to reconcile R&D and SG&A expense to non-GAAP R&D and SG&A expense:		
Stock-based compensation expense	(29,900)	(31,900)
Non-GAAP R&D and SG&A expense	\$ 77,900	\$ 79,900