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# EDITED TRANSCRIPT

POWI - Q1 2020 Power Integrations Inc Earnings Call

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## OVERVIEW:

Co. reported 1Q20 revenues of just under \$110m and non-GAAP EPS of \$0.76.  
Expects 2Q20 revenue to be \$106m, plus or minus \$5m.



## CORPORATE PARTICIPANTS

**Balu Balakrishnan** *Power Integrations, Inc. - President, CEO & Director*

**Joe Shiffler** *Power Integrations, Inc. - Director of IR & Corporate Communications*

**Sandeep Nayyar** *Power Integrations, Inc. - CFO & VP of Finance*

## CONFERENCE CALL PARTICIPANTS

**Christopher Adam Jackson Rolland** *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

**David Neil Williams** *Loop Capital Markets LLC, Research Division - VP*

**Jeremy Lobyen Kwan** *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

**Ross Clark Seymore** *Deutsche Bank AG, Research Division - MD*

## PRESENTATION

### Operator

Thank you for standing by, and welcome to the Power Integrations' first quarter earnings call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I'd now like to hand the conference over to your speaker today, Joe Shiffler, Director of Investor Relations.

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**Joe Shiffler** - *Power Integrations, Inc. - Director of IR & Corporate Communications*

Thank you. Good afternoon. Thanks, everyone, for joining us. With me on the call today are Balu Balakrishnan, President and CEO of Power Integrations; and Sandeep Nayyar, our Chief Financial Officer.

Our discussion today, including the Q&A session, will include forward-looking statements denoted by words like will, would, believe, should, expect, outlook, forecast and similar expressions that look toward future events or performance. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those projected or implied. Such risks and uncertainties are discussed in our press release and in our most recent Form 10-K filed with the SEC on February 7, 2020. During this call, we will refer to financial measures not calculated according to generally accepted accounting principles. Non-GAAP measures exclude stock-based compensation expenses, amortization of acquisition-related intangible assets and the tax effects of these items. A reconciliation of non-GAAP measures to our GAAP results is included in our press release.

Finally, this call is the property of Power Integrations, and any recording or rebroadcast is expressly prohibited without the written consent of Power Integrations.

Now I'll turn the call over to Balu.

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

Thanks, Joe, and good afternoon. Power Integrations had a strong first quarter with revenues just under \$110 million. That's in line with our guidance and up 23% from a year ago.



Non-GAAP EPS was \$0.76 per share, up more than 80% from a year ago, and we generated \$26 million of cash flow from operations. The year-over-year revenue growth was driven equally by the communications and consumer categories, reflecting growth in smartphone chargers and appliances. Industrial also turned to year-over-year growth for the first time in 5 quarters, completing the recovery from last year's cyclical decline.

While conditions have obviously changed since the end of the quarter, our Q1 results, nevertheless, demonstrated the fundamental strength of our business. We think we are well positioned to weather the economic shock caused by the pandemic, and we will stay focused on long-term growth while managing prudently through the downturn. We also benefit from a strong balance sheet, especially in the wake of our recent litigation settlement, which left us with well over \$400 million in cash and investments. Reflecting both our confidence in the future of our business and our healthy cash position, our Board has increased our quarterly dividend by more than 10%, beginning with the June payout.

As to how the pandemic is affecting our business, I am pleased to say that our day-to-day operations have continued to function effectively. Since mid-March, our San Jose headquarters has been subject to a shelter-in-place order, which will remain in effect until at least the end of May. Most other employees around the world also continue to work remotely, though our sales force in China has been back in office for some time now, and our applications engineering center in the Philippines has partially reopened.

Innovation is the key hallmark of our company so it's not surprising that our employees have found clever ways to keep us moving forward seamlessly during these challenging times, including remote operation of lab equipment, expanded online sales training and customer support and many other examples. The investments we have made in our online presence at power.com have also proven enormously valuable during the pandemic. Overall web traffic, including usage of our online support forums has risen notably. And usage of our PI Expert design software has jumped over 20%.

Our virtual trade show booth for the Applied Power Electronics Conference, which was canceled just days before its scheduled opening, has driven nearly 10,000 web sessions and 9,000 views of the product and technology videos we produced.

With respect to the supply chain, our supply of wafers, which comes primarily from Japan and to a lesser extent, from the U.S., has not been affected by the pandemic. Our Chinese assembly and test vendors were affected by the extended shutdown following the Lunar New Year holiday, but have been back to essentially full speed since mid-February. One of our other assembly and test subcontracts in Malaysia was closed for 2 weeks in mid- to late March due to a government-mandated shutdown and operated at reduced capacity through most of April, but is now fully supporting our capacity needs. The EMS subcontractor that assembles our high-powered Gate Driver boards was also closed for 2 weeks in March, followed by a period of reduced capacity but is expected to resume normal operations shortly. We've also ramped up a second supplier, which should enable us to satisfy high power demand in Q2.

While the supply chain disruptions have created short-term challenges, the impact on our customers and our results to date have been mitigated, to a large extent, by the diversification of our supplier base, multi-sourcing of high volume products, safety stocks of key inputs such as lead frames and maintaining an ample dye bank. Barring any further disruptions, we believe we have adequate supply to meet our revenue projections for the June quarter.

Turning to the demand environment. Our experience has been similar to that described by some of our peers. We saw strong bookings in March after the extended shutdown in February across China. That was followed by a slowdown in bookings in April, though the average of March and April was consistent with the monthly run rate implied by our guidance for the June quarter, which is \$106 million, plus or minus \$5 million. That would be up 3% year-over-year at the midpoint.

In terms of end markets, while appliance and industrial applications will likely exhibit softness in Q2, driven by the economic slowdown, we expect sequential growth in Communications category, reflecting further adoption of faster smartphone chargers. We expect the sequential growth to be driven primarily by Chinese OEMs, which continue to roll out faster chargers at an aggressive pace. We believe we are expanding our lead in the rapid charging market where integration and efficiency are crucial to achieving attractive form factors. Our competitive advantage widens as power levels rise, and functionality increases, which is the direction market is clearly heading. We are seeing a growing number of OEM and aftermarket chargers with exceptionally high power levels, innovative form factors and multiport charging. We believe these differentiated high-end designs will become an increasingly important part of the mobile ecosystem going forward. OEMs are now thinking strategically about charging



like never before, thanks to the higher power needs of 5G, advanced technologies like GaN Switches and the emergence of USB PD and programmable chargers that can deliver whatever amount of power is demanded by a mobile device.

For a significant portion of the market, the days of the charger as a disposable commodity are clearly over, and we expect to see a variety of new approaches emerge over time. Some OEMs will offer fast in-box chargers to differentiate their handsets and win market share, while others may offer chargers only as accessories, letting the consumer choose from a range of lower cost or higher performance options or multiport chargers for consumers who own multiple devices. Fixed USB charging ports in homes and offices and hotels are also becoming an important part of the mobile ecosystem. Fast mobile chargers and fixed charging ports not only require higher reliability than standard chargers, a particular advantage of our highly integrated products, but also bring higher dollar content. This is especially true of chargers with multiple ports since we would typically sell 1 IC for each output. The use of GaN technology also brings a significant increase in our dollar content. The buzz in the power electronics industry are on GaN has exploded since we announced last summer that we had begun shipping GaN-based InnoSwitch ICs in high volume. Since then, we have announced several new products featuring GaN, including 2 in just the past couple of months. In March, we announced an expanded range of InnoSwitch ICs with smaller-sized GaN devices, increasing the cost effectiveness of GaN devices down to as little as 27 watts. In April, we extended the power range of our InnoMux chipset for display power supplies by incorporating GaN switches for higher power TVs, monitors and appliances with the LED displays.

Also in March, we announced that our scale iDriver ICs for silicon carbide MOSFETs, which we introduced last year have achieved AEC-Q100 automotive qualification. This is our third gate driver IC to be qualified for automotive use, a particularly important step as EV market continues to move towards silicon carbide in place of traditional IGBTs. While material revenues from EV drivetrain applications are still a few years away, we believe automotive has the potential to be our largest addressable market in the future, and we continue to work closely with carmakers while investing in products and infrastructure to support this market.

Finally, I'd like to highlight the addition of Anita Ganti to our Board of Directors on April 1. Anita has extensive experience in technology space, most recently as Senior VP of Engineering Services at Wipro and previously as VP of Global Technology at Flex. She also has strong experience in analog semiconductors, having worked as a General Manager for several years at Texas Instruments. We are excited to welcome Anita to the Board.

And now I'll turn it over to Sandeep.

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**Sandeep Nayyar** - *Power Integrations, Inc. - CFO & VP of Finance*

Thanks, Balu, and good afternoon. Our Q1 results were strong with revenue growth of 23% year-over-year and 85% increase in non-GAAP EPS. On a sequential basis, revenues declined 4% with the Communications and Computer categories, each falling about 25% compared to the fourth quarter.

Consumer revenues increased roughly 10% sequentially on seasonal growth in air conditioning and higher revenues from major appliances. Industrial revenues were up low single digits with increases across a broad range of applications. Revenue mix for the quarter was 41% Consumer, 33% Industrial, 22% Communication and 4% Computer. With Consumer and Industrial both increasing as a percentage of the revenue mix, non-GAAP gross margin improved to 52.6%, up 50 basis points from the prior quarter.

Non-GAAP operating expenses were \$34.8 million, about \$700,000 below our expectations, mainly reflecting a slower pace of hiring and reduced travel stemming from the pandemic. The non-GAAP effective tax rate for the quarter was 7%, resulting in non-GAAP earnings of \$0.76 per diluted share. Inventories on the balance sheet rose by about \$6 million during the quarter, and we had 166 days of inventory on hand at quarter end. While this is above our long-term target range, we believe it is advantageous to have ample inventory, given the uncertainty of the current supply and demand environment and the long shelf life of our product. We have slowed wafer starts in response to the weaker demand environment, but we intend to carry above normal levels of inventory through the downturn to guard against any further supply disruptions and to be ready in the event of a strong recovery as we saw coming out of the 2009 financial crisis. As is typical of the March quarter, channel inventory rose by about 1 week during the quarter to 7.6 weeks, coming off the multiyear low we saw in the prior quarter.

Cash flow from operations was \$26.4 million for the quarter while capital expenditures were \$11.6 million. We paid out \$5.6 million in dividends and used \$2 million for stock repurchases. The average price per share on the repurchases during the quarter was \$83 and change. Cash and investments on the balance sheet increased by \$12 million during the quarter and stood at \$423 million on March 31. As Balu noted, our Board has raised the quarterly dividend by \$0.02, effective with the next payout in June.

Looking ahead to the second quarter, we expect revenues to be in the range of \$106 million plus or minus \$5 million, with a wider than normal range, reflecting the high level of uncertainty in this environment. We expect higher revenues from the Communication category in the June quarter, reflecting both seasonality and the ramp of new cellphone design wins. Combined with softer demand in Consumer and Industrial, this should contribute to a lower non-GAAP gross margin of 51% to 51.5%.

On expenses, as Balu indicated, we are tightening our belt but plan to continue investing in our long-term growth, especially in our people. While we have slowed the pace of hiring considerably, we have not reduced headcount or salaries, and we gave our normal annual merit increases in April. As a result, operating expenses should increase modestly in the June quarter to approximately \$35.5 million. For the year, we now expect non-GAAP operating expenses to grow between 2.5% and 3%, down from our previous expectation of 5% to 6%. Other income should decrease slightly in Q2, reflecting the lower interest rate environment. I expect the tax rate to remain around 7%.

Regarding capital expenditures, we have reduced our plan for 2020 from \$60 million to \$50 million, with half of the reduction coming from facilities and half from a reduction in capacity additions. We now expect to spend about \$20 million on facilities this year with the balance spent on capacity and other needs.

Operator, kindly give instructions for the Q&A.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes from Ross Seymore from Deutsche Bank.

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### Ross Clark Seymore - Deutsche Bank AG, Research Division - MD

So my first question, in the first quarter, it looks like communications declined a lot more than what we had modeled sequentially and that Consumer beat our expectations pretty well. Was this -- were these dynamics in line with your expectations in the quarter? And if not, what were the big surprises that you saw in 1Q by end market?

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### Balu Balakrishnan - Power Integrations, Inc. - President, CEO & Director

Well, Q1 is seasonally, usually is down. But we thought we would do better than seasonality. We'll be down only slightly, but obviously, it turned out to be a stronger downturn in that market than we thought. It's primarily because of the pandemic impacts in China and other -- around the world.

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### Sandeep Nayyar - Power Integrations, Inc. - CFO & VP of Finance

Plus, we also had a little bit of supply impact related to the cell phone business. So it was a combination of the pandemic and a little bit on the supply side.



**Ross Clark Seymore** - *Deutsche Bank AG, Research Division - MD*

Okay. I got it. And then, I guess, bigger picture, there are some fears that the coronavirus crisis might slow the adoption of 5G, mainly in the adoption of 5G phones by consumers and then to build-out the infrastructure. How should we think about the adoption of 5G phones in terms of like units affecting your business? Are you guys so much of a content story that units don't really make a huge difference? Or do you think that volatility and the adoption of 5G phones could maybe threaten your growth?

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

Well, yes and no. The 5G phones will require higher power because they can use a lot more energy while you're downloading at very high speeds. To that extent, we expect there'll be a need for faster chargers on 5G phones. So the penetration of the faster chargers will be higher on the 5G phones. So that's -- and to the extent 5G phones are delayed, our faster -- the fast charger penetration may be somewhat subdued. Having said that, I would say that Chinese OEMs have been extremely aggressive in expanding faster charger penetration into a wider range of phones, starting not only in the high end, but also on the medium end, even in some low-end phones. So it is really hard to say whether it'll have an impact. In principle, it would. But we are seeing varying levels of penetration into a wider range of phone models depending on the OEM.

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**Ross Clark Seymore** - *Deutsche Bank AG, Research Division - MD*

Okay. Got it. And then one last one for me. Just when you're looking at the geographic trends in the first quarter, can you talk about -- and specifically, with respect to demand, I know the supply stuff can have different effects. But for demand that you saw in China, would you say it was more of a V-shaped recovery where it paused a little bit and then slowly started coming back to normal? Or what would you say like the demand trends were in China for the first quarter? And what implications could that have on other geographies now in the second quarter?

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

Well, in general, it's really hard for us to tell where the end products go. We ship 80% of our -- 80-plus percent of our products into Asia and a lot of it into China. And then they end up in various countries. Having said that, there are a couple of areas we know that China is very weak, especially in Q2, which is, one is the Consumer. The appliances are weak in China. So that's because of the pandemic and the economic downturn. The other thing we know is that China -- Chinese cell phone OEMs are doing well relative to our business, meaning that they are gaining share from other OEMs. But on top of that, the penetration of fast charging is quite significant in China. They are pushing the fast charging to even the low-end phones. So we are seeing a growth and we expect the communications to grow in Q2, even though the overall market is weak worldwide, as you know. I hope I answered that question.

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**Operator**

Your next question comes from David Williams with Loop Capital.

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**David Neil Williams** - *Loop Capital Markets LLC, Research Division - VP*

Congrats on the good quarter. I wanted to see maybe if you could give a little bit of the puts and takes to the guidance in terms of the upside or potential risk that you see. How much of that do you think is baked in if we think about your order book today? And how much risk do you think is baked into that as well?

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

Well, in terms of starting backlog, we had a very strong starting backlog, just like in Q1. Q1 was because Lunar New Year was early. Q2 backlog was strong because of very strong bookings in March, but that's not entirely meaningful because we've had some cancellations and the pushouts in

April, although I would say, if you take the net bookings in April and average it with March, the average bookings between those 2 months is consistent with the rate of bookings we need to meet the guidance that we have given. That's how we have calculated the guidance. Now can there be additional surprises for -- during the rest of the quarter? Absolutely. We see that many customers change their forecasts all the time. But taking all the information we know to date, this is the best number we could come up with. And as Sandeep pointed out, we have given you a wider range. Normally, we do plus or minus \$3 million, we did plus or minus \$5 million simply because it's just a very uncertain world there, things are very fluid. But I think fundamentally, we will do better than most of our peers because we are growing our share in the most areas, especially in fast chargers.

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**David Neil Williams** - *Loop Capital Markets LLC, Research Division - VP*

Okay. Great. Is there -- you talked a little bit about the push-outs and cancellations. Is there any specific areas that you're maybe more optimistic about for demand growth or potential upside there?

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

I would say that we expect that the communications will do better than other areas in Q2. We said that in our script simply because of the penetration of fast chargers into the cellphone market. We also know that the appliances will be weak in Q2. Based on everything we know now, Chinese appliance manufacturers have been very slow in their bookings. And also we've had some cancellations. So those are the 2 things we know. Beyond that, we don't have a good feeling. Industrial is all over the place. We have some infrastructure programs, which are doing well like in China. But things like fracking is, of course, very weak. Nobody is installing fracking equipment. So there is a mixture of things going on. It's really hard to predict where those things will end up in the quarter. But we're already 1/3 into the quarter. So we have done the best we can to come up with a number.

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**David Neil Williams** - *Loop Capital Markets LLC, Research Division - VP*

Okay, great. And just one more for me. If you could maybe talk a little bit about your design wins within GaN. I know you've announced several new products. Can you talk about the design win traction that you're seeing there? And then any -- maybe if you could quantify any automotive design wins that you currently have in hand.

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

Okay. In terms of GaN, most of our design wins are on the high end of the cell phone chargers to date. Now we do have GaN designs outside of cellphone chargers like in appliances, and we are now introducing products into displays that we expect to have some design wins there. But to date, mostly, it's in the high end of the fast chargers either very high-power chargers or aftermarket chargers. We have a number of design wins on aftermarket chargers. As we mentioned, aftermarket is an important part of our long-term strategy. Because we think, over the longer term, some of the OEMs could potentially offer chargers as an accessory rather than in-the-box. And so we are focusing on providing the highest performance, smallest size, highest reliability. And I think GaN really fits into that picture because GaN offers the smallest size. And if the consumer have to choose, they would really focus on size and the looks and the reliability if they're going to use the same charger over multiple generations of phones.

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**Operator**

Your next question comes from Jeremy Kwan with Stifel, Nicolaus.

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**Jeremy Lobyen Kwan** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

And let me add my congrats on the GaN progress. Just some more questions about the GaN itself. I think you talk about the sweet spot being something in the 18 watts going to 24 watts in the past. Can you give us an update there? Have you seen a trend keep building up power levels? And is there a difference maybe in the mainstream versus the premium versus the low end?

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

So in terms of where GaN really fits, it's roughly about 30 watts. 30 watts and above, GaN makes a lot of sense. Because without GaN, the chargers will be bigger. They'll be less efficient, so it will generate more heat. And even though GaN is more expensive as a device we sell, the system cost becomes meaningful about 30 watts. And that's where we see most of the designs. We have designs all the way up to 65 watts. I mean we talked about that in the last call. We have a design win for a charger at 65 watts for a cell phone, which is really mind-boggling when you think about putting that much power into a cell phone. So as you go to higher power levels, it becomes meaningful. The last -- the latest InnoSwitch product we introduced, we start at 27 watts. Because as I said, 30 watts is where we think is the crossover point is for most applications.

But we also have announced products for InnoMux, which goes into display applications, where we are actually using GaN to expand the power to much higher power levels. Our first generation of products went up to about 30, 40, 50 watts. With GaN, we can go to higher power levels, which is required for things like televisions and large screen displays and appliances and so on and so forth. So as far as we are concerned, we see GaN as a continuum. We will use silicon up to certain power level. And beyond that, we will just switch over to GaN. We think GaN is a very, very viable technology. It is cost-effective at a system level. It gives us very high ASP for our product. And we have made it so easy to use with our integration solution that I think we are getting a very, very strong traction in the marketplace. In fact, as far as we know, we are the only one shipping in high volume, even though there are many, many companies who have talked about GaN for many years in the past.

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**Jeremy Lobyen Kwan** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

That's very helpful. And speaking of which, it seems like third-party research seems to suggest you guys had half the market last year. Do you see that shifting materially this year given that you are the only one in high-volume? And what are the things that you're doing that you can extend that kind of competitive advantage?

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

I'm not sure I understood the question. Can you repeat the question again?

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**Jeremy Lobyen Kwan** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Yes. So it sounds like maybe you had -- based on some third-party research, you had half the market, half the GaN market last year. Can you talk about where that looks like maybe in 2020 given that you guys are the only one shipping in high volume?

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

I understand that now. Yes, we are seeing continuous design wins in GaN. Our expectation this year will be that we'll have a nice growth over last year. The only thing that we don't know is the impact of the pandemic on the demand side of it. We were expecting GaN to be in double-digit millions this year. But given the uncertainties of demand, it's hard for me to predict what it will be this year. All I can say is we continue to gain share. But the question mark is demand. The economy.



**Jeremy Lobyen Kwan** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Great. And maybe just one last question for now is, switching over to the automotive side. Balu, you made a comment that this could be the largest market for you in the future. Is there -- can you give us some inflection points, some [tells] that we should look for to see that transition? And then when might the timing be?

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

So there are many sockets for us in the car. Electric car. But the highest revenue is in the drivetrain. And that's the one that takes the longest design cycle simply because it has to go through very rigorous testing, not just electrical testing, but also road testing for almost a year before they will go into production. So on the drivetrain, even though we are engaged with customers already, we don't expect to see any significant revenue until 2023, '24 time frame.

Having said that, there are many other sockets that we can get earlier depending upon the functionality. So we have already introduced 3 products with automotive qualification. We plan to introduce more this year. And we expect to start generating a little bit of revenue this year, and that will gradually increase over the years. But the main increase or a hockey stick kind of an increase will only happen when we get into the drivetrain. That will be in the, I would say, 2023 -- late 2023 or 2024. But we should see meaningful revenue in other applications, things like off-board chargers, onboard chargers and emergency power supplies. There are many power supplies that convert from the battery voltage, which is either 400 or 800 volts down to lower voltages for various subsystems, and those all require power supplies, and we are qualifying our AC to DC products for that application.

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**Jeremy Lobyen Kwan** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

And can you just remind us really quickly what the current solutions are and how you might replace them?

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

So the current architecture is quite different from what the new future architecture will be. Currently, most electric cars use the 400-volt battery only for driving the motor, the main motor. Everything else in the car is operated at 12 volts, using a 12-volt battery. And the reason for that is all of the subsystems are designed for 12 volts, just as the lead acid battery. Actually, you'll be shocked. I have the high-end Tesla car, and it has a 12-volt lead acid battery that powers all of the electronics, your computer system, your wiper. Everything in the car is operating at 12 volts, except the main motor, which operates at 400 volts. Now that's going to change. Everything you're going to operate from high-voltage in the future simply because it is much more efficient to operate from high voltage, it has less weight if you use high-voltage cables because the currents are much lower. So the trend is towards higher voltages and using higher voltages to operate subsystems. And in fact, even the battery voltage, which is currently 400 volts, is expected to go to 800 volts over the next 4 to 5 years. So we are not working on the existing platform. We are working on the next-generation platform, which is a different architecture altogether.

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**Operator**

(Operator Instructions) Your next question comes from Christopher Rolland with Susquehanna.

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**Christopher Adam Jackson Rolland** - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

If I heard you correctly, I think you said that your stock purchases in the quarter were at \$83 on average. If I got that right, and that was Sandeep, who did that. I was wondering, Sandeep, can you common-trade my IRA for me?

**Sandeep Nayyar** - *Power Integrations, Inc. - CFO & VP of Finance*

Well, Chris, we've always been opportunistic, as I've always said. And historically, if you look at the discipline we have had here, and now the stock moved up and down very quite rapidly, and -- but we're opportunistic, as you know, and our approach will continue to be opportunistic as market does what it does.

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

Just to add to that, we have a matrix that we'll purchase more stock as the price goes down. It's a very, very strong function of the stock price. Unfortunately, our stock didn't stay down long enough for us to buy a lot of it. Because it was so volatile, it went down and came back up, otherwise, we'd have purchased even more.

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**Christopher Adam Jackson Rolland** - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

That's truly fantastic anyway, but that's nice, guys. I guess for my first real question. For comms, I guess, perhaps talk about the magnitude of the bounce back we're going to have in June. But I'm particularly interested in September and December. And should we think this year of more of a push of revenue from September to December as some others have suggested this year? And then secondly, would you expect your revenue for comms to easily be up for the second half this year versus the second half of last year?

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**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

Okay. So let me first talk about Q2. We think Communication will be up meaningfully. Exactly how much it will be up is really hard to tell. The bookings are very volatile. They go up and down on a daily basis, so it's hard to tell. But we think we are comfortable that'd be meaningfully up, but we can't put a number on it.

Q3 and Q4 is really, really hard to predict. Like if you just take our normal seasonality, I would expect Q3 to be stronger than Q2. That's how it usually is. But given the uncertainties of the pandemic, it is really hard to predict. You have to understand, even if there is demand -- demand is a major issue, we don't know how the demand is going to turn out in the second half. But there could also be disruptions in supply chain on other components that could prevent people from making the phones or chargers. It's not just our components, but also other components could have an impact, so it is very hard to predict.

What I can say with some confidence is that we will outperform our peers, most of our peers, I should say. And the reason for that is we are continuing to gain share in most of the areas we're in, especially in cell phones and in appliances and industrial and because of that, we will outperform them. The other advantage is that we have a lot of inventory. We can afford to carry the inventory because our products don't go obsolete. So when it comes back, we'll be in a much better position to address the demand, even if there are some supply disruptions because of the inventory we carry. So because of our share gains and inventory, we think we are much better positioned to outdo our -- the analog industry. I mean we did that last year, I think we outgrew the analog industry by 8% to 9%. And I think we will outgrow analog industry again this year.

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**Christopher Adam Jackson Rolland** - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Okay. Great. And then perhaps you can talk about lead times. Have they extended because of the supply chain for you guys? And then also, some other guys -- it seems as if that there might be some double ordering because people are worried about intermittent supply chain disruptions. Are you confident that this isn't taking place? Or do you think there's ultimately a little bit of double ordering that you're comfortable around?



**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

Actually, I am confident that some of the ordering in March was the double ordering because we know that some of those got pushed out and canceled in April. That's why we always average April and March to see what the real demand is. Because we are taking April bookings net of cancellations and pushouts and then adding it to March and averaging it, and that average is consistent with what we need in Q2 to meet our midpoint of our guidance. So that's the way I look at it.

So the other question, I'm trying to remember what the first question was. Do you remember the question?

**Christopher Adam Jackson Rolland** - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Yes, lead times?

**Balu Balakrishnan** - *Power Integrations, Inc. - President, CEO & Director*

Yes, lead times. Lead times, on most of our products, our lead times are still pretty normal. We are in the 4- to 6-week lead times. There are certain products which were impacted by the shutdown we had in Malaysia. That we will catch up very quickly. But right now, we are -- we have a little bit of a shortage there, and those lead times are longer, but our goal is to catch up on that over the next couple of months.

**Operator**

There are no further questions at this time.

**Joe Shiffler** - *Power Integrations, Inc. - Director of IR & Corporate Communications*

Okay. Then we'll wrap it up here. Thanks, everyone, for listening. There will be a replay of this call available on our website, which is investors.power.com. Thanks again for listening, and good afternoon.

**Operator**

This concludes today's conference call. You may now disconnect.

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