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# EDITED TRANSCRIPT

POWI - Q3 2016 Power Integrations Inc Earnings Call

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## OVERVIEW:

POWI reported 3Q16 revenues of \$103.8m. Expects 4Q16 revenues to be \$101m plus or minus \$3m.



OCTOBER 27, 2016 / 8:30PM, POWI - Q3 2016 Power Integrations Inc Earnings Call

## CORPORATE PARTICIPANTS

**Joe Shiffler** *Power Integrations, Inc. - VP, IR*

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

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

## CONFERENCE CALL PARTICIPANTS

**Tore Svanberg** *Stifel Nicolaus - Analyst*

**Ross Seymore** *Deutsche Bank Securities - Analyst*

**David Williams** *Drexel Hamilton - Analyst*

## PRESENTATION

### Operator

Good afternoon. My name is Marianna and I will be your operator for today. At this time I would like to welcome everyone to the Power Integrations third-quarter 2016 earnings conference call. (Operator Instructions) Thank you.

I would now turn the call over to Mr. Joe Shiffler, Vice President of Investor Relations. Please go ahead, sir.

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**Joe Shiffler** - *Power Integrations, Inc. - VP, IR*

Thank you. Good afternoon. Thanks for joining us to discuss Power Integrations' financial results for the third quarter of 2016. With me on the call are Balu Balakrishnan, President and CEO of Power Integrations, and Sandeep Nayyar, our Chief Financial Officer.

During today's call, we will refer to financial measures not calculated according to generally accepted accounting principles. Please refer to today's press release available on our website at [investors.power.com](http://investors.power.com) for an explanation of our reasons for using such non-GAAP measures as well as tables reconciling these measures to our GAAP results.

Our discussion today, including the Q&A session, will include forward-looking statements reflecting our forecast of certain aspects of the Company's future business and financial results. Such statements are denoted by words like will, would, believe, should, expect, outlook, estimate, planned, goal, anticipate, forecast, and similar expressions that look towards future events or performance.

Forward-looking statements are based on current information that is dynamic and subject to abrupt changes. Our forward-looking statements are subject to risks and uncertainties which may cause actual results to differ materially from those projected or implied in our statements. Such risks and uncertainties are discussed in today's press release and in our most recent Form 10-K filed with the SEC on February 11, 2016.

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And now I'll turn the call over to Balu.

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

Thanks, Joe, and good afternoon.



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Power Integrations reached a noteworthy milestone in the third quarter, surpassing \$100 million in quarterly revenues for the first time in our history. We are on track for double-digit revenue growth this year, and we expect to carry strong momentum into 2017 on the strength of the InnoSwitch product cycle, new products for the high-power and lighting markets and a robust product pipeline that will further expand our addressable market in the years ahead.

Our third-quarter revenues were \$103.8 million, up 17% year over year. The communications end market led the way with growth of better than 20% as our InnoSwitch products continued to capture share in the mobile device market, driven by the ongoing adoption of higher-power rapid chargers for smartphones.

Revenues from the consumer end market also grew 20% year over year, driven by strong growth in appliances where we continued to gain share thanks to our exceptional energy efficiency performance and the reliability benefits of our highly integrated products.

Industrial revenues also contributed to the strong results, growing mid-teens year over year, driven by a broad range of applications, including utility meters, industrial control applications and fast-growing vertical markets such as chargers for electric bikes and battery-powered tools.

Through the first three quarters of this year revenues have increased 12% compared to 2015. We are forecasting strong year-over-year revenue growth again in the December quarter, putting us on course for a solid double-digit revenue growth for the year, well ahead of the projected growth rate of analog semiconductor industry.

The leading driver of this growth has been the rapid adoption of InnoSwitch, one of the fastest product ramps in our history. Revenues from InnoSwitch are on track to double this year, and will account for more than 10% of our sales in just its third year in the market.

The bulk of InnoSwitch sales today are from rapid-charging applications for smartphones, as reflected in the strong growth of our communications category, up nearly 30% through the first three quarters of the year. This growth reflects our increased share of charger market, but also higher dollar content per charger, which in turn is driven by rising power levels and the higher level of integration offered by InnoSwitch.

InnoSwitch is in production with all of the top tier Chinese and Korean smartphone OEMs for rapid-charging applications, and recently began shipping in high volume for a major American supplier of Android phones whose new flagship phone employs an 18-watt USB-PD charger.

We expect rapid charging to be a significant growth driver beyond the current year as the penetration rate of fast chargers continue to go up, power levels continue to rise in support of increasingly feature-rich devices, and new technologies such as USB-PD, direct charging, and Type-C connectors drive the need for sophisticated power conversion technologies such as InnoSwitch.

We also expect the rapid-charging trend to expand beyond handsets to other mobile devices such as tablets and notebooks. Our next-generation InnoSwitch, set to launch in the coming months, addresses higher power levels than the first-generation product and is extremely well suited for tablet and notebook chargers. Based on the positive feedback we've already received from customers who have sampled the product, we expect to generate meaningful revenues from these applications in the second half of 2017.

While rapid charging has been our biggest growth driver this year, it's far from the only one. Consumer revenues have increased more than 10% through the first three quarters of the year, driven by strong growth in appliance applications, including major appliances, countertop appliances, and air conditioners.

Given the high dollar value of these products and the costs associated with any quality issues, reliability is typically the most critical design criterion for appliance OEMs. Highly integrated power supplies are inherently more reliable than complex discrete designs which often contain twice the number of components as a Power Integrations design.

Dollar content also continues to rise as applications incorporate more electronic features, even as efficiency specs continue to tighten. We expect even further content growth as appliances add IoT functionality and as our higher value InnoSwitch products are adopted by appliance makers in the coming years.



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Industrial revenues are also contributing to our growth this year, driven by several fast growing vertical markets where technological shifts are creating demand for our products. We are seeing strong growth this year in smart utility meters, which require highly reliable power supplies to drive their electronic functionality.

Products that have not traditionally used battery chargers, such as lawn mowers, leaf blowers, and high-end power tools are now going electric, and our products are used in the chargers for many of these devices. Likewise in transportation, where battery-powered bicycles are replacing gas-powered scooters, bus fleets are being converted from gas to electric, and electric locomotives are now in widespread use.

Meanwhile, LEDs continue to replace traditional lighting technologies in general lighting applications. We have seen a return to growth in LED lighting in 2016, and expect growth to continue in 2017 on the strength of several new products launched earlier this year, even more products to come.

While we have ample growth opportunities to sustain our momentum into 2017, we believe the outlook is even brighter beyond next year as we begin to see revenue from recently announced products and other new products to be introduced in the coming quarters.

One such product is our new SCALE-iDriver family of IGBT drivers, the first product synergy from our acquisition of CT-Concept. While design cycles for high-powered applications tend to be quite long, SCALE-iDriver has already scored its first design-in at a major Asian industrial consortium, with high-volume shipments expected to begin in 2018.

We believe the SCALE-iDriver family and its derivatives will roughly double the size of our market opportunity for IGBT drivers, taking our total company SAM to more than \$3 billion. We expect that number to exceed \$4 billion in the near future as we bring more new products to the market.

And, with that, I'll turn it over to Sandeep for a review of the financials.

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

Thanks, Balu, and good afternoon.

I will quickly touch on a few financial highlights, focusing mainly on the non-GAAP numbers, which are reconciled to the corresponding GAAP figures in the tables accompanying our press release. I will then conclude with a brief comment on the new FASB revenue recognition standard which will require us to recognize sales into the distribution channel on a sell-in basis and which we are currently on track to adopt for fiscal year 2017.

Looking at the Q3 results, revenues were \$103.8 million, up 17% year over year and 7% sequentially. The sequential increase was driven by double-digit growth in the consumer end market and high single-digit growth in communications. Revenues from the industrial market grew slightly on a sequential basis, while computer revenues fell slightly. Revenue mix for the quarter was 37% consumer, 30% industrial, 28% communications, and 5% computer.

Gross margins ticked up slightly to 50.6% on a non-GAAP basis, an increase of 30 basis points sequentially, mainly reflecting above seasonal strength in the appliance market.

Non-GAAP operating expenses were flat on a sequential basis at \$30.7 million, coming in slightly below our projections due mainly to the timing of headcount additions.

Reflecting the strong revenue growth, slightly higher gross margin, and flat operating expenses, non-GAAP operating margin increased by more than 2 percentage points, coming in at 21% for the quarter.

Our non-GAAP tax rate for the quarter was just over 4%, resulting in non-GAAP net income of \$21.2 million, or \$0.72 per diluted share. That's up from \$0.55 in the year-ago quarter, an increase of 31%.

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We generated \$26.3 million in cash flow from operations in the quarter, while capital expenditures totaled \$3.2 million.

Cash and investments on the balance sheet totaled \$226.6 million at quarter end, an increase of \$24.3 million during the quarter.

Internal inventories increased modestly, ticking up by 1 day to 87 days on hand. That level is below our target range of 110 plus or minus 15 days, and we do anticipate building some inventory over the next several quarters.

Our outlook for the fourth quarter is for revenues of \$101 million plus or minus \$3 million, which would once again be a mid-teen year-over-year growth rate at the midpoint, and would bring our growth rate for the full year into the low teens.

We expect a slightly less favorable end market mix in the fourth quarter, driven mainly by the continued growth in rapid-charging revenues as well as a softer appliance market after the above-seasonal performance in Q3.

We will also begin to feel the effect of the stronger yen, which increases the cost of wafers from our Japanese foundry partners. Though partially offset by the favorable impact of higher production volumes, these factors should result in a lower gross margin in the fourth quarter, around 50% on a non-GAAP basis.

We expect non-GAAP operating expenses to be sequentially higher as headcount additions we had expected in Q3 will now occur in Q4. We also have decided to forego a holiday shutdown this year and will therefore not see the typical seasonal reduction that we have seen in past years. Specifically, we expect non-GAAP expenses to be in the range of \$31 million to \$32 million.

Lastly, our effective tax rate for the fourth quarter should be around 5%.

Before we go into Q&A, I would like touch on the new FASB revenue recognition standard, which requires sell-in revenue recognition on sales to distributors.

As you know, we currently utilize sell-through revenue recognition for all our distribution sales except for high-power products. While we have not yet made a final decision as to the timing, our current plan is to adopt the new standards and convert to sell-in revenue recognition effective January 1, 2017.

When we adopt the new standards we will recast prior-period financial data under the new standard in order to maintain comparability with historical results. Our forthcoming Form 10-Q will include preliminary revenue and cost of sales data computed on a sell-in basis for the past seven quarters. We will then publish full recast financials for 2015 and 2016 in conjunction with our fourth-quarter earnings release.

As for the impact on our results, the preliminary data for 2015 shows that, while the new rules will have some effect on the quarter-to-quarter seasonality of our revenues, the impact on annual revenues is very slight, with a difference of less than \$1 million under the two accounting methods. And, again, you will be able to see that data in our forthcoming 10-Q filing.

And with that, I will turn it back over to Joe.

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**Joe Shiffler** - Power Integrations, Inc. - VP, IR

Thanks, Sandeep. We'll go ahead and open it up for Q&A now. Marianna, would you please give the instructions for the Q&A session?

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## QUESTIONS AND ANSWERS

**Operator**

Certainly. (Operator Instructions) Tore Svanberg; Stifel Nicolaus.

**Tore Svanberg - Stifel Nicolaus - Analyst**

Congratulations on passing that \$100 million milestone. Pretty impressive. The first question is on the fourth-quarter outlook. So you talked about some of the moving parts with consumer probably being down seasonally and then communications still growing sequentially. But what about some of the other businesses, especially industrial? How should we think about growth there in the fourth quarter?

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

So I think industrial also, as a percentage of total revenue, will be I think slightly lower. And I would say that computer may be slightly up, picking up slightly. But I think the main drivers of the mix change will be the communication going up with the continued strength that we are seeing with rapid charging.

And the consumer, the only reason it's the timing of what has happened. Typically in Q3 we don't see consumer to be that strong, because air conditioning tends to be down. What has happened is we have seen quite a bit of success in the air conditioning. And it could have happened because of a timing issue where, because of the holiday in the first week of October. But we are also seeing strength where we are winning share as well as the content is increasing.

So the patterns have been a little uneven over the last couple of years. But considering the strength we saw in Q3, that's what we have taken into account in giving our guidance for Q4.

**Tore Svanberg - Stifel Nicolaus - Analyst**

Very good. And, Balu, you said that the next-gen InnoSwitch is going to be sampling here pretty soon. Could you talk a little bit more about the types of power levels we can expect from that generation?

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

Sure. Our current InnoSwitch goes up to 25 watts. The next generation will extend that power range all the way up to about 55 watts for adaptor-type applications and up to about 100-plus watts for open frame applications.

**Tore Svanberg - Stifel Nicolaus - Analyst**

Very good. And just one more question on the InnoSwitch. So you talked about a design win here in the US. You don't have to mention the name, but I assume it's the Pixel, and that uses USB-PD. Are we starting to finally see more and more design activity around the USB-PD standard?

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

Absolutely. The interest level in USB-PD is very high. It is certainly gaining momentum against more proprietary-type protocols, which was really causing a lot of confusion in the marketplace. We certainly get a feeling that most of the OEMs will eventually focus in on USB-PD.



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Having said that, I think the USB-PD adoption will really take off in 2018. Obviously we are seeing some early adopters like the one we just announced. That's our first USB-PD design. There are a number of other designs going on, but there is a little bit of hesitation because some of them have already chosen their own protocols. And so I think they'll continue to ship that for a little while.

And also, the USB-PD is adding some special features into USB to account for direct charging. And direct charging is a way of actually charging the cell phone directly from the charger, meaning the charging function is moved to the adaptor so that you have less power dissipation in the phone. And that requires some additional changes to the USB standard, which is being implemented. So once that's done, I think USB-PD will really take off.

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**Tore Svanberg** - *Stifel Nicolaus - Analyst*

Very good. Just one last question. You talked about soon getting up to \$4 billion from a SAM perspective. Is that primarily coming from new InnoSwitch products or is there something else that you're working on that you haven't talked about?

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

It actually comes not only from the next-generation InnoSwitch product, but from a number of other equally revolutionary products that we'll be introducing in the next few quarters. In some of them it will increase our ASP in existing markets. Some of them actually get us into new markets. So I will stop there.

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**Tore Svanberg** - *Stifel Nicolaus - Analyst*

Very good. Great. Congratulations again, guys. Thank you.

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**Operator**

Ross Seymore; Deutsche Bank.

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**Ross Seymore** - *Deutsche Bank Securities - Analyst*

On the next-gen InnoSwitch side of things, can you just talk about not just the power levels -- Tore asked that question -- but some of the end markets that you think that will apply to first? I know it's the second half of next year, but where would you expect that to occur?

And then the margin structure on that. The first-generation InnoSwitch ramping up had some dilutive impact on gross margin originally. Is this going to have the same effect? Or is the fact that it's going into different end markets change that dynamic?

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

The answer is yes. It will change the dynamic. And the reason for that is that it will go into applications where the performance becomes even more important than the current InnoSwitch.

For example, we will go into higher-power fast chargers for cell phones. We'll go into tablets, notebook adaptors. And the trend in all of those areas is higher efficiency to make the adaptor smaller. So, for example, the notebooks are now pretty much standardizing on about 45-watt charger.



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And that charger can also be used for tablets and cell phones if it's USB compatible. It can address a wide range of power levels with the same charger. And so that means that they really would like the charger to be very, very compact and offer extremely high performance in terms of feature set.

So we think the Inno 3 will have a higher margin for multiple reasons. One is as a performance requirement. Number two, it uses a new technology, which is a more cost effective technology. It's a more dense technology. And so the combination of those two will improve the gross margin.

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**Ross Seymore** - *Deutsche Bank Securities - Analyst*

I guess similar to that, the lack of a shutdown in the fourth quarter, I can't remember the last time a semiconductor company was not shutting down at the end of the calendar year. Can you just go into a little bit as to what's leading you to keep open?

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

Yes. The good news is we can't afford to shut down. We can't afford to shut down for two reasons, both from a production point of view we need to continue to work through the holidays, but also because of the new products. We have a number of very, very revolutionary new products and we want to get them into market as quickly as possible. So we definitely want our employees to work through the holidays.

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**Ross Seymore** - *Deutsche Bank Securities - Analyst*

I guess this is my last question in follow-up to that one, one for Sandeep. The fact that the OpEx isn't going down obviously is part of no shutdown and some of the incremental hiring. What does the seasonal pattern do to then in the first quarter where usually from fourth to first you'd have the OpEx go up? In this case, since it's not going down how should we think about OpEx as we look forward into 2017?

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

I think Q1 typically will go up because of the FICA resumption. And for 2017 I think we should model it like to our standard model where if we go to double-digit growth in revenue the expenses will grow at 60% of that.

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**Ross Seymore** - *Deutsche Bank Securities - Analyst*

Great. Thanks, and congrats on the great results.

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**Operator**

David Williams; Drexel Hamilton.

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**David Williams** - *Drexel Hamilton - Analyst*

First I guess if you could just talk a little bit about what you're hearing from maybe some of your customers in relation to what we're hearing out of Samsung. I understand you are not in that phone, but are you hearing anything, I guess maybe any concern or caution that maybe was something to do with the charging or perhaps that component that is at least contributing to the issues they're seeing there?





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

Hi, David, this is Balu. We haven't met but very nice to meet you by on the conference call.

What we know is that the rapid charging itself is unlikely to be an issue, because so many phones these days use rapid charging. Hundreds of millions of phones have been shipped with rapid charging, including other models of Samsung phones have rapid charging. So certainly that cannot be a fundamental issue.

But beyond that, we don't know what exactly is causing the problem. I believe Samsung has said it is not the battery anymore, even though originally they thought it was the battery. But we don't know what is causing it and I would hate to speculate on that.

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**David Williams** - *Drexel Hamilton - Analyst*

Right. Thanks. And then maybe if you could just kind of touch on your backlog position and how your bookings kind of fared through the quarter and really kind of how shaping up through the end of the year?

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

So our bookings have done pretty well and our book to bill has been over 1. And so if you look at July and August, were very strong months, September tapering down a bit from there. And October has continued to be at the level somewhere similar to September.

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

And that's pretty typical for us. If you look at last year it was the same way.

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**David Williams** - *Drexel Hamilton - Analyst*

Great. And then lastly, I guess if you can kind of talk a little about the ASPs in consumer and maybe your dollar content opportunity as you continue to ramp into that and we start seeing a little more growth there. What do you think that total dollar opportunity could be for you guys?

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

You mean in terms of the addressable market?

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**David Williams** - *Drexel Hamilton - Analyst*

Yes.

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

I mean, are you talking in terms of the content increase are you talking about? Or are you talking about the total addressable market?

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**David Williams** - *Drexel Hamilton - Analyst*

I'm sorry. Yes, just the dollar content opportunity that you see in that end market (inaudible).



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

Got it. So historically we have been in the auxiliary power supply that powers the electronics board. You know there's usually a control board that's connected to all the knobs on the appliance. But what's happening these days is that we are finding increasing content in multiple areas.

One is in reducing power consumption in standby. We have two products that have become very popular. One is CAPZero, which reduces losses related to input capacitor discharge circuitry. And then we also have what's called a SENZero product that reduces the consumption from sense circuitry. So that's adding content.

In addition to that, IoT features, like having a wireless node, typically increases the power requirement by 3 to 4 watts, which means that they have to use a more expensive, higher power supply chip from us. So that increases the content.

But more recently what we are finding is that many of the products have more than one power supply. For example, if you take a refrigerator they are now using electronically commutated motors that requires a separate controller. And they tend to use a separate power supply for that because of the physical separation of the motor from the rest of the circuitry.

The other area is LED lighting. As you've noticed, many of the refrigerators have LED lighting now. And they typically use a separate power supply because it's constant current drive. And a similar thing we are finding in the air conditioning, two separate power supplies, one for the control board, one for the motor.

So all of these things are increasing our content and therefore increasing our total SAM in this marketplace.

### **David Williams** - *Drexel Hamilton - Analyst*

Great. Thanks so much. Good luck on the quarter.

### **Operator**

Tore Svanberg; Stifel.

### **Tore Svanberg** - *Stifel Nicolaus - Analyst*

Yes, thanks, I just had a few follow-ups. First of all, on gross margins, obviously a lot of different moving parts there. But, Sandeep, how long would it take for you to get your inventories back up to your target level? And then, the other part of that question is, how much more impact are you expecting from the Japanese yen for the next few quarters?

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

So I think it's going to take a couple of quarters. With the demand continuing to be robust for us to build that inventory back, it'll take a few quarters.

For the Japanese yen, it's harder to predict. It takes five or six months for the impact of the Japanese yen to flow into our P&L. If you look at the beginning of this year, the yen was at about 120. And if you look where they are today, it's somewhere around 104 to 105. Now, we don't know what the full impact of this would be next year, because it's still some time to go before we know that. We'll be in a better position to know that. But if you look at just from the 120 to the 104 or 105, that's like 150 basis points because every 10% change in yen impacts us roughly 100 basis points.

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So directionally that's a big headwind for us, added to which the mix is obviously with rapid charging continuing to increase. But we have a lot of measures of cost reductions as well as going to lower die shrink as well as package cost, test cost.

So we have a lot of things which will be offsetting the headwinds that we have, but directionally obviously the headwinds are quite strong at this point of time. But it's a little early to tell.

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**Tore Svanberg** - *Stifel Nicolaus - Analyst*

Very good. And you talked about some of the dynamics in consumer and why that business is kind of seeing a resurgence. But if you look at the impact or what's boosting your growth there between, let's say, IoT or electronification versus more stringent standards, what's having a bigger impact, do you think, on your growth in consumer?

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

That's a good question. It's a hard question to answer. But directionally I would say that the content increase is probably our number one, whether it's because they're using multiple chips and/or multiple power supplies. That's probably the biggest impact, followed by IoT, because IoT increases our dollar content also. And then followed by share gains. We're actually gaining share against our competitors.

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**Tore Svanberg** - *Stifel Nicolaus - Analyst*

Very good. One last question. You talked about the IGBT driver revenue potentially contributing in 2018 with the new products. How should we think about that business from a profitability perspective? Because I assume those products are probably carrying higher than corporate gross margin.

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

That's correct. They are on the higher end of our range, 50% to 55% range. So those products will help the gross margin.

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**Tore Svanberg** - *Stifel Nicolaus - Analyst*

All right. Thanks again, guys. Thank you.

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**Operator**

(Operator Instructions) Ross Seymore; Deutsche Bank.

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**Ross Seymore** - *Deutsche Bank Securities - Analyst*

Also just a couple follow-ups here. The inventory side of things, Sandeep, I know you said it will take a couple quarters to get it back up to your target level. Can you remind us what that target level is?

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

It's 110 days plus or minus 15 days. As you know, for us inventory is like an asset, being able to supply at very short notice. So we actually want to build up to the 110, 120 days.



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**Ross Seymore** - *Deutsche Bank Securities - Analyst*

And as far as cash usage in general goes, you are back up to close to \$8 per share in cash on the balance sheet. Can you just talk about the possible uses of that cash and potentially what your CapEx should be for 2017 as an offset to that?

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

So if you look at, we have had a four-pronged approach where we first have invested internally, as you have seen that with the increase in the R&D spend over the years.

We have been also very strategic and opportunistic in terms of what acquisitions we do close to our core. Because we do acquisitions which are very close. And as you know, over the last four or five years we have spent nearly \$220 million on these acquisitions.

We also are very opportunistic in buybacks. And you can see in our history that we have spent in the last six, seven years over \$300 million at an average price of \$27 and change.

And we also provide a dividend to our shareholders as another means of returning value.

So I think the four-pronged approach is what we will continue to do. And obviously we like to keep our powder dry for any good opportunities.

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**Ross Seymore** - *Deutsche Bank Securities - Analyst*

And on the CapEx side for next year (inaudible)?

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

On the CapEx side, historically if you look on an average we have spent about \$20 million. This year we'll be a little under. But next year I believe, because of the growth and the investments we are making in new products and new packages, it will be a little over the average that we have talked about. So this year I would think it's like \$13 million to \$15 million. Next year more like \$25 million. But that's an early estimate. We haven't done our plans yet.

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**Ross Seymore** - *Deutsche Bank Securities - Analyst*

Good. And I guess my last question, if you aggregate up the dynamics that you see from the bookings that you have, the new products that you're going to launch, if we put that into an end market framework over the course of 2017 as a whole, which do you think would be the faster and slower growing, or even shrinking potentially, subsegments of your business by end market?

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

So I think the key drivers of the end market looks -- directionally, because since I haven't done the plan -- is going to be communication, the continued success in rapid charging and also the success in LED lighting and high-power driving the industrial segment. The computer segment will come back with what Balu indicated, with our entering the second half into the notebook and tablets.

I believe next year directionally would be a growth year for all our four end markets.

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

And we also expect the appliance market to continue to grow for the reasons I mentioned.

**Ross Seymore** - *Deutsche Bank Securities - Analyst*

Great.

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

(Inaudible) in the consumer market.

**Ross Seymore** - *Deutsche Bank Securities - Analyst*

Thank you.

**Operator**

There are no further questions at this time. I will turn the call back over to the presenters.

**Joe Shiffler** - *Power Integrations, Inc. - VP, IR*

Okay. Thanks, everyone, for listening. There will be a replay of this call available on our website, 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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