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## **Power Integrations Reports Fourth-Quarter and Full-Year Financial Results**

*Quarterly revenues increased 15 percent year-over-year to \$172.7 million; GAAP earnings were \$0.66 per diluted share; non-GAAP earnings were \$0.83 per diluted share*

*Full-year revenues grew 44 percent to \$703.3 million; full-year GAAP earnings were \$2.67 per diluted share; non-GAAP earnings grew 92 percent to \$3.26 per diluted share*

*Full-year cash flow from operations was \$230.9 million; \$100M added to repurchase authorization; quarterly dividend rises by 20 percent to \$0.18 per share*

**SAN JOSE, CALIF. – February 3, 2022 –** Power Integrations (Nasdaq: [POWI](#)) today announced financial results for the quarter and year ended December 31, 2021. Net revenues for the fourth quarter of 2021 were \$172.7 million, down two percent compared to the prior quarter and up 15 percent from the fourth quarter of 2020. Net income for the fourth quarter was \$40.7 million or \$0.66 per diluted share compared to \$0.69 per diluted share in the prior quarter and \$0.45 per diluted share in the fourth quarter of 2020. Cash flow from operations for the fourth quarter was \$47.2 million.

In addition to its GAAP results, the company provided certain non-GAAP measures that exclude stock-based compensation, amortization of acquisition-related intangible assets and the tax effects of these items. Non-GAAP net income for the fourth quarter of 2021 was \$50.9 million or \$0.83 per diluted share compared with \$0.84 per diluted share in the prior quarter and \$0.60 per diluted share in the fourth quarter of 2020. A reconciliation of GAAP to non-GAAP financial results is included with the tables accompanying this press release.

For the full year, net revenues were \$703.3 million, an increase of 44 percent compared to the prior year. Net income was \$164.4 million or \$2.67 per diluted share, compared to \$1.17 per diluted share in the prior year. Non-GAAP net income was \$200.2 million or \$3.26 per diluted share, up 92 percent compared to \$1.70 per diluted share in the prior year. Cash flow from operations for the year was \$230.9 million.

Commented Balu Balakrishnan, president and CEO of Power Integrations: “We capped an outstanding year with another strong quarter, and we are excited about the opportunities ahead. The secular trends underpinning our 2021 results—including energy efficiency, electrification, smart homes and appliances, and advanced chargers—remain in full effect for 2022. Our highly integrated GaN products are driving a revolution in smartphone and notebook chargers, and we expect a wide range of impressive new designs to come to market in the year ahead. Our BridgeSwitch™ motor-drive ICs are ramping at top-tier appliance customers, adding a new revenue stream for 2022. Our manufacturing model and our investments in capacity have been competitive advantages for us in this supply-constrained environment, and we are well positioned in terms of inventory and capacity to support strong demand in 2022.”

### **Additional Highlights**

- Power Integrations repurchased approximately 423,000 shares of its common stock during the fourth quarter and approximately 820,000 shares in January, exhausting the \$105 million remaining on the company’s repurchase authorization. The company’s board of directors has subsequently allocated an additional \$100 million for share repurchases.
- The company paid a cash dividend of \$0.15 per share on December 31, 2021. The company’s board of directors has declared a dividend of \$0.18 per share to be paid on March 31, 2022 to stockholders of record as of February 28, 2022.

### **Financial Outlook**

The company issued the following forecast for the first quarter of 2022:

- Revenues are expected to be \$180 million plus or minus \$5 million.
- Gross margins are expected to be similar to the levels of the prior quarter.
- GAAP operating expenses are expected to be between \$48.5 million and \$49.5 million; non-GAAP operating expenses are expected to be between \$40.5 million and \$41.5 million. Non-GAAP expenses are expected to exclude approximately \$7.8 million of stock-based compensation and \$0.2 million of amortization of acquisition-related intangible assets.

### **Conference Call Today at 1:30 p.m. Pacific Time**

Power Integrations management will hold a conference call today at 1:30 p.m. Pacific time. Members of the investment community can register for the call by visiting the following link: <https://conferencingportals.com/event/jobnvsok>. A live webcast of the call will also be available on the investor section of the company’s website, <http://investors.power.com>.

### **About Power Integrations**

[Power Integrations, Inc.](#) is a leading innovator in semiconductor technologies for high-voltage power conversion. The company's products are key building blocks in the clean-power ecosystem, enabling the generation of renewable energy as well as the efficient transmission and consumption of power in applications ranging from milliwatts to megawatts. For more information please visit [www.power.com](http://www.power.com).

### **Note Regarding Use of Non-GAAP Financial Measures**

In addition to the company's consolidated financial statements, which are presented according to GAAP, the company provides certain non-GAAP financial information that excludes stock-based compensation expenses recorded under ASC 718-10, amortization of acquisition-related intangible assets, and the tax effects of these items. The company uses these measures in its financial and operational decision-making and, with respect to one measure, in setting performance targets for compensation purposes. The company believes that these non-GAAP measures offer important analytical tools to help investors understand its operating results, and to facilitate comparability with the results of companies that provide similar measures. Non-GAAP measures have limitations as analytical tools and are not meant to be considered in isolation or as a substitute for GAAP financial information. For example, stock-based compensation is an important component of the company's compensation mix, and will continue to result in significant expenses in the company's GAAP results for the foreseeable future, but is not reflected in the non-GAAP measures. Also, other companies, including companies in Power Integrations' industry, may calculate non-GAAP measures differently, limiting their usefulness as comparative measures. Reconciliations of non-GAAP measures to GAAP measures are attached to this press release.

### **Note Regarding Forward-Looking Statements**

The above statements regarding the company's forecast for its first-quarter financial performance, secular trends remaining in full effect, adoption of GaN products, new designs coming to market and its ability to support strong demand in 2022 are forward-looking statements reflecting management's current expectations and beliefs. These forward-looking statements are based on current information that is, by its nature, subject to rapid and even abrupt change. Due to risks and uncertainties associated with the company's business, actual results could differ materially from those projected or implied by these statements. These risks and uncertainties include, but are not limited to: the impact of the COVID-19 pandemic on demand for the company's products, its ability to supply products and its ability to conduct other aspects of its business such as competing for new design wins; changes in global macroeconomic conditions, including changing tariffs and uncertainty regarding trade negotiations, which may impact the level of demand for the company's products; potential changes and shifts in customer demand away from end products that utilize the company's integrated circuits to end products that do not incorporate the company's products; the effects of competition, which may cause the company's revenues to decrease or cause the company to decrease its selling prices for its products; unforeseen costs and expenses; and unfavorable fluctuations in component costs or operating expenses resulting from changes in commodity prices and/or exchange rates. In addition, new product introductions and design wins are subject to the risks and uncertainties that typically accompany development and delivery of complex technologies to the marketplace, including product development delays and defects and market acceptance of the new products. These and other risk factors that may cause actual results to differ are more fully explained under the caption "Risk Factors" in the company's most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission (SEC) on February 5, 2021. The company is under no obligation (and expressly disclaims any obligation) to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

*Power Integrations, BridgeSwitch and the Power Integrations logo are trademarks or registered trademarks of Power Integrations, Inc.*

**Contact:**

Joe Shiffler  
Power Integrations, Inc.  
(408) 414-8528  
[joe@power.com](mailto:joe@power.com)

**POWER INTEGRATIONS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per-share amounts)

	<u>December 31, 2021</u>	<u>Three Months Ended September 30, 2021</u>	<u>December 31, 2020</u>	<u>Twelve Months Ended December 31, 2021</u>	<u>December 31, 2020</u>
NET REVENUES	\$ 172,654	\$ 176,776	\$ 150,693	\$ 703,277	\$ 488,318
COST OF REVENUES	79,478	85,037	76,688	342,638	244,728
GROSS PROFIT	93,176	91,739	74,005	360,639	243,590
OPERATING EXPENSES:					
Research and development	22,028	21,137	21,921	84,933	81,711
Sales and marketing	15,590	15,443	14,113	60,037	53,578
General and administrative	11,073	9,386	10,028	39,840	36,895
Amortization of acquisition-related intangible assets	181	181	216	771	919
Total operating expenses	48,872	46,147	46,278	185,581	173,103
INCOME FROM OPERATIONS	44,304	45,592	27,727	175,058	70,487
OTHER INCOME	101	206	630	1,077	4,764
INCOME BEFORE INCOME TAXES	44,405	45,798	28,357	176,135	75,251
PROVISION FOR INCOME TAXES	3,705	3,764	1,079	11,722	4,075
NET INCOME	<u>\$ 40,700</u>	<u>\$ 42,034</u>	<u>\$ 27,278</u>	<u>\$ 164,413</u>	<u>\$ 71,176</u>
EARNINGS PER SHARE:					
Basic	<u>\$ 0.68</u>	<u>\$ 0.70</u>	<u>\$ 0.46</u>	<u>\$ 2.73</u>	<u>\$ 1.19</u>
Diluted	<u>\$ 0.66</u>	<u>\$ 0.69</u>	<u>\$ 0.45</u>	<u>\$ 2.67</u>	<u>\$ 1.17</u>
SHARES USED IN PER-SHARE CALCULATION:					
Basic	60,259	60,319	59,879	60,327	59,657
Diluted	61,381	61,363	61,176	61,467	60,845
SUPPLEMENTAL INFORMATION:					
Stock-based compensation expenses included in:					
Cost of revenues	\$ 424	\$ 664	\$ 713	\$ 2,359	\$ 1,963
Research and development	3,522	3,055	2,942	12,127	10,378
Sales and marketing	2,090	2,201	1,740	7,630	6,290
General and administrative	4,248	3,725	3,468	15,493	12,281
Total stock-based compensation expense	<u>\$ 10,284</u>	<u>\$ 9,645</u>	<u>\$ 8,863</u>	<u>\$ 37,609</u>	<u>\$ 30,912</u>
Cost of revenues includes:					
Amortization of acquisition-related intangible assets	<u>\$ 552</u>	<u>\$ 552</u>	<u>\$ 799</u>	<u>\$ 2,477</u>	<u>\$ 3,196</u>
REVENUE MIX BY END MARKET					
Communications	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Communications	23%	25%	34%	30%	30%
Computer	10%	11%	9%	10%	7%
Consumer	35%	34%	31%	32%	33%
Industrial	32%	30%	26%	28%	30%

**POWER INTEGRATIONS, INC.**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP RESULTS**  
(In thousands, except per-share amounts)

	Three Months Ended			Twelve Months Ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>RECONCILIATION OF GROSS PROFIT</b>					
GAAP gross profit	\$ 93,176	\$ 91,739	\$ 74,005	\$ 360,639	\$ 243,590
GAAP gross margin	54.0%	51.9%	49.1%	51.3%	49.9%
Stock-based compensation included in cost of revenues	424	664	713	2,359	1,963
Amortization of acquisition-related intangible assets	552	552	799	2,477	3,196
Non-GAAP gross profit	\$ 94,152	\$ 92,955	\$ 75,517	\$ 365,475	\$ 248,749
Non-GAAP gross margin	54.5%	52.6%	50.1%	52.0%	50.9%
<b>RECONCILIATION OF OPERATING EXPENSES</b>					
GAAP operating expenses	\$ 48,872	\$ 46,147	\$ 46,278	\$ 185,581	\$ 173,103
Less: Stock-based compensation expense included in operating expenses					
Research and development	3,522	3,055	2,942	12,127	10,378
Sales and marketing	2,090	2,201	1,740	7,630	6,290
General and administrative	4,248	3,725	3,468	15,493	12,281
Total	9,860	8,981	8,150	35,250	28,949
Amortization of acquisition-related intangible assets	181	181	216	771	919
Non-GAAP operating expenses	\$ 38,831	\$ 36,985	\$ 37,912	\$ 149,560	\$ 143,235
<b>RECONCILIATION OF INCOME FROM OPERATIONS</b>					
GAAP income from operations	\$ 44,304	\$ 45,592	\$ 27,727	\$ 175,058	\$ 70,487
GAAP operating margin	25.7%	25.8%	18.4%	24.9%	14.4%
Add: Total stock-based compensation	10,284	9,645	8,863	37,609	30,912
Amortization of acquisition-related intangible assets	733	733	1,015	3,248	4,115
Non-GAAP income from operations	\$ 55,321	\$ 55,970	\$ 37,605	\$ 215,915	\$ 105,514
Non-GAAP operating margin	32.0%	31.7%	25.0%	30.7%	21.6%
<b>RECONCILIATION OF PROVISION FOR INCOME TAXES</b>					
GAAP provision for income taxes	\$ 3,705	\$ 3,764	\$ 1,079	\$ 11,722	\$ 4,075
GAAP effective tax rate	8.3%	8.2%	3.8%	6.7%	5.4%
Tax effect of adjustments to GAAP results	(800)	(565)	(725)	(5,044)	(2,719)
Non-GAAP provision for income taxes	\$ 4,505	\$ 4,329	\$ 1,804	\$ 16,766	\$ 6,794
Non-GAAP effective tax rate	8.1%	7.7%	4.7%	7.7%	6.2%
<b>RECONCILIATION OF NET INCOME PER SHARE (DILUTED)</b>					
GAAP net income	\$ 40,700	\$ 42,034	\$ 27,278	\$ 164,413	\$ 71,176
Adjustments to GAAP net income					
Stock-based compensation	10,284	9,645	8,863	37,609	30,912
Amortization of acquisition-related intangible assets	733	733	1,015	3,248	4,115
Tax effect of items excluded from non-GAAP results	(800)	(565)	(725)	(5,044)	(2,719)
Non-GAAP net income	\$ 50,917	\$ 51,847	\$ 36,431	\$ 200,226	\$ 103,484
Average shares outstanding for calculation of non-GAAP net income per share (diluted)	61,381	61,363	61,176	61,467	60,845
Non-GAAP net income per share (diluted)	\$ 0.83	\$ 0.84	\$ 0.60	\$ 3.26	\$ 1.70
GAAP net income per share (diluted)	\$ 0.66	\$ 0.69	\$ 0.45	\$ 2.67	\$ 1.17

**POWER INTEGRATIONS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 158,117	\$ 262,435	\$ 258,874
Short-term marketable securities	372,235	286,506	190,318
Accounts receivable, net	41,393	38,872	35,910
Inventories	99,266	91,814	102,878
Prepaid expenses and other current assets	<u>15,804</u>	<u>23,720</u>	<u>13,252</u>
Total current assets	<u>686,815</u>	<u>703,347</u>	<u>601,232</u>
PROPERTY AND EQUIPMENT, net	179,824	168,498	166,188
INTANGIBLE ASSETS, net	9,012	9,807	12,506
GOODWILL	91,849	91,849	91,849
DEFERRED TAX ASSETS	16,433	3,266	3,339
OTHER ASSETS	<u>30,554</u>	<u>28,223</u>	<u>28,225</u>
Total assets	<u>\$ 1,014,487</u>	<u>\$ 1,004,990</u>	<u>\$ 903,339</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
CURRENT LIABILITIES:			
Accounts payable	\$ 43,721	\$ 40,390	\$ 34,712
Accrued payroll and related expenses	15,492	14,064	14,806
Taxes payable	1,210	970	902
Other accrued liabilities	<u>11,898</u>	<u>10,638</u>	<u>12,106</u>
Total current liabilities	<u>72,321</u>	<u>66,062</u>	<u>62,526</u>
LONG-TERM LIABILITIES:			
Income taxes payable	15,280	14,644	15,588
Other liabilities	<u>14,854</u>	<u>15,928</u>	<u>14,814</u>
Total liabilities	<u>102,455</u>	<u>96,634</u>	<u>92,928</u>
<b>STOCKHOLDERS' EQUITY:</b>			
Common stock	28	28	28
Additional paid-in capital	162,301	189,790	190,920
Accumulated other comprehensive loss	(3,737)	(3,249)	(2,163)
Retained earnings	<u>753,440</u>	<u>721,787</u>	<u>621,626</u>
Total stockholders' equity	<u>912,032</u>	<u>908,356</u>	<u>810,411</u>
Total liabilities and stockholders' equity	<u>\$ 1,014,487</u>	<u>\$ 1,004,990</u>	<u>\$ 903,339</u>

**POWER INTEGRATIONS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Three Months Ended			Twelve Months Ended	
	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net income	\$ 40,700	\$ 42,034	\$ 27,278	\$ 164,413	\$ 71,176
Adjustments to reconcile net income to cash provided by operating activities					
Depreciation	8,054	8,126	6,672	31,454	23,743
Amortization of intangible assets	795	794	1,076	3,494	4,359
Loss on disposal of property and equipment	905	2,162	214	3,105	525
Stock-based compensation expense	10,284	9,645	8,863	37,609	30,912
Amortization of premium on marketable securities	815	475	180	1,590	705
Deferred income taxes	(13,228)	(1,194)	(692)	(13,240)	(592)
Increase (decrease) in accounts receivable allowance for credit losses	1	(74)	(491)	18	(336)
Change in operating assets and liabilities:					
Accounts receivable	(2,522)	2,554	(5,972)	(5,501)	(11,300)
Inventories	(7,452)	(2,171)	1,927	3,612	(12,498)
Prepaid expenses and other assets	9,299	(472)	3,020	4,326	9,153
Accounts payable	(2,566)	(1,420)	(668)	4,067	5,697
Taxes payable and other accrued liabilities	2,078	(1,724)	4,959	(4,079)	4,095
Net cash provided by operating activities	<u>47,163</u>	<u>58,735</u>	<u>46,366</u>	<u>230,868</u>	<u>125,639</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchases of property and equipment	(16,967)	(11,011)	(34,860)	(47,272)	(70,598)
Proceeds from sale of property and equipment	-	-	320	35	651
Purchases of marketable securities	(172,115)	(193,150)	(43,637)	(554,018)	(109,703)
Proceeds from sales and maturities of marketable securities	84,421	123,953	64,390	368,457	151,385
Net cash used in investing activities	<u>(104,661)</u>	<u>(80,208)</u>	<u>(13,787)</u>	<u>(232,798)</u>	<u>(28,265)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Net proceeds from issuance of common stock	-	4,058	865	7,710	10,527
Repurchase of common stock	(37,773)	(9,791)	-	(73,938)	(2,636)
Payments of dividends to stockholders	(9,047)	(7,840)	(6,584)	(32,599)	(25,081)
Net cash used in financing activities	<u>(46,820)</u>	<u>(13,573)</u>	<u>(5,719)</u>	<u>(98,827)</u>	<u>(17,190)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(104,318)</b>	<b>(35,046)</b>	<b>26,860</b>	<b>(100,757)</b>	<b>80,184</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b><u>262,435</u></b>	<b><u>297,481</u></b>	<b><u>232,014</u></b>	<b><u>258,874</u></b>	<b><u>178,690</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>\$ 158,117</u></b>	<b><u>\$ 262,435</u></b>	<b><u>\$ 258,874</u></b>	<b><u>\$ 158,117</u></b>	<b><u>\$ 258,874</u></b>