

CORPORATE PARTICIPANTS

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

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

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

PRESENTATION

Operator

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

And Joe Shiffler, you may begin your conference.

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

Thanks, Kathy. Good afternoon, everyone. Thanks 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.

During this call, we will refer to financial measures not calculated according to GAAP. 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. Our discussion today, including the Q&A, will include forward-looking statements denoted by words like will, would, believe, should, expect, outlook, forecast, anticipate, prospects and similar expressions that look toward future events or performance.

Such 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 today's press release and in our Form 10-K filed with the SEC on February 07, 2022. This call is the property of Power Integrations, and any recording or rebroadcast is expressly prohibited without the written consent of Power Integrations.

And one additional note before I turn it over to Balu, we plan to host an Investor Day on September 8th in New York. More details will be coming soon, but please do save the date again; that's September 8th, in New York.

Now I'll turn the call over to Balu.

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

Thanks, Joe, and good afternoon. 2022 is off to a great start for Power Integrations, with another quarter of record sales, strong earnings growth and healthy cash flow. Our growth continues to be fueled by share gains and rising dollar content across a broad range of applications, including appliances, advanced chargers for smartphones and notebooks and a diverse set of industrial applications, including utility meters, battery powered tools and home automation. New growth vectors, like our highly integrated GaN ICs and our BridgeSwitch motor drive products will make a significant

contribution to our top line this year and we are making good progress on our automotive initiative, a key piece of our roadmap to doubling our addressable market over the next 5 years.

While market share gains are mainly attributable to the strength of our product portfolio and the impact of secular trends like energy efficiency and advanced charging, we also continue to capitalize on industry-wide supply challenges in multiple ways. First, competing products require far more external components than our ICs. Integration has always been the core of our value proposition, bringing reliability, ease of use and time to market. In today's supply environment, integration has the added benefit of eliminating components that are difficult or more expensive to obtain.

Second, our ability to deliver parts in a timely fashion has enabled us to win against competitors that have struggled to deliver or chosen to allocate capacity to other applications. Our superior delivery performance is enabled by our unique foundry model, recent capacity additions and our efforts to ship to true demand. We have even sustained our delivery performance despite disruptions at some foundry locations following recent earthquakes in Japan, thanks to our strong inventory position and our practice of sourcing most products from multiple locations. Our operations team has also successfully navigated a variety of logistical challenges arising from China's lockdowns.

Our ability to supply parts has been especially impactful in the appliance market where we have expanded our share of AC to DC power supplies and our entry into motor drives has been aided by the scarcity of incumbent solutions like integrated power modules. Last year's new efficiency standards for air conditioning in China are providing an additional tailwind for our motor drive products, as is a new incentive program in India designed to accelerate the transition to brushless DC motors in ceiling fans. We expect our BridgeSwitch ICs to be in mass production this year with at least 10 customers, and we have a strong pipeline of designs that will enable us to grow this new revenue stream in 2023 and beyond.

Another important growth vector is our proprietary GaN technology, which is tightly integrated into our power conversion ICs and utilized in complementary products like MinE-CAP and ClampZero, which reduce the size of input capacitors and transformers, the bulkiest components in a power supply. We were the clear market leader in high-voltage GaN products last year and Q1 was another strong quarter in terms of shipments and design wins. Wins included multiple designs for notebook PCs and several multi-purpose aftermarket and OEM branded chargers, including a dual-port USB PD charger for a major cellphone and notebook OEM.

We also won a range of industrial and appliance designs demonstrating the expanding use cases for GaN beyond mobile devices. We expect GaN to replace silicon across a broad range of the power supply market in the years ahead and the technology features prominently in our roadmap as we look to double our addressable market over the next 5 years. Our newest GaN product is HiperPFS-5, the fifth generation of our highly integrated power factor correction ICs, and the industry's first power factor IC to incorporate a GaN switch. Power factor correction or PFC is required in most power supplies about 75 watts and is implemented as a separate stage of power supply prior to the main power conversion stage.

Thanks to the efficiency of our GaN switches, HiperPFS-5 implements PFC without a heat sink in applications up to 240 watts, including game consoles, e-bikes, power tools and high power adapters for PCs and mobile devices. The new IC can be paired with any of our AC-to-DC ICs for the power conversion stage, including GaN-based InnoSwitch 4 ICs or the new HiperLCS-2 for the more efficient resonant mode conversion needed at higher power levels. Introduced last month alongside the new power factor chip, HiperLCS-2 illustrates an important difference between Power Integrations and competitors offering a single technology in the form of discrete transistors. PI is the only company focused on complete system solutions for the power conversion market and we have developed a portfolio of switch and controller technologies, system topologies, isolated communication techniques and proprietary IC packages, all designed to work together to enable customers to build the world's best power converters.

As we develop products for different segments of the market, we can integrate these elements in whatever combination works best. For example, we designed our HiperLCS-2 product with a proprietary cost effective silicon switches known as FREDFETs to achieve the optimum balance of efficiency and cost in resonant topologies. This follows our recent introduction of a 1,700-volt version of our InnoSwitch products, incorporating a silicon carbide transistor, making it ideal for EV power supplies in 800-volt systems. We now offer InnoSwitch products with silicon, GaN and silicon carbide options, giving customers a level of flexibility that no one else can provide. The ability to mix and match technologies in this way is unique to Power Integrations and provides us a significant competitive advantage.

A couple of final notes before I turn it over to Sandeep. First, we recently published our 2021 sustainability data, including our estimated energy savings generated by our EcoSmart technology, which drastically reduces energy consumption from electronic products in standby or idle mode. This includes products like appliances, computers and TVs when they're not in use or adapters left plugged into the wall outlet after charging a device. This technology has been included in all of our power conversion ICs since 1998, and we have shipped more than 18 billion ICs with EcoSmart technology over that time. This proprietary technology saves power without any effort on the part of the end user and it helps our customers meet a broad range of regulatory requirements around the world.

Last year alone, we estimate that EcoSmart technology saved roughly 15 terawatt hours of electricity, enough to power almost 2 million homes for the entire year. And this is just one way our products contribute to a lower carbon future. Our GaN technology offers a dramatic increase in active mode efficiency over silicon MOSFETs and our gate drivers are widely used in carbon saving applications like solar and wind power, high voltage DC transmission lines and electric locomotives. We also have a huge opportunity ahead of us in EV drive trains, and we'll hit another milestone in that effort next month when we introduce a new line of gate drivers specifically targeting the EV market.

Finally, I'd like to acknowledge an important figure in the history of our company, Steve Sharp, who will step down from our Board of Directors at our annual meeting next month. Steve is a co-founder of Power Integrations, and we would not be here today had he not recognized the potential of the innovative process technology that served as the foundation of the company. In fact, Steve was such a believer in the technology that he left his venture capital role to help start the company, serving as an interim CEO in its earliest days. Steve figured prominently in the glory days of the Silicon Valley semiconductor industry, helping start several other prominent chip companies, including TriQuint, where he served as CEO for more than a decade. We thank Steve for his enormous contributions to our company and to our industry, and we wish him the best as he retires from the board. Sandeep?

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

Thanks, Balu, and good afternoon. Our Q1 results featured solid revenue growth against a difficult compare, strong earnings growth driven by continued margin expansion and very healthy cash flow. We have also taken advantage of market volatility and the turbulence caused by our promotion to the S&P midcap index to buy back a substantial amount of stock, which will provide meaningful EPS accretion in the coming quarters.

On a year-over-year basis, total revenues for the March quarter were up 5% to \$182 million. Consumer, industrial and computer revenues each grew in the mid-20s reflecting broad-based market share gains, while communication was down nearly 30%, reflecting last year's strong first quarter. As you may recall, cellphone OEMs bought aggressively in the early part of 2021, as they sought to take advantage of Huawei's supply chain challenges, resulting in an inventory overhang that lasted through the duration of the year.

The improved inventory situation is reflected in the sequential growth numbers for the March quarter with the communication category rising nearly 20% from the prior quarter, driven by new design wins. The computer category also increased sequentially growing high single digits, driven by monitors, notebooks and server standby power. Consumer revenues increased mid-single digits sequentially on continued strength in appliances and air condition, while industrial revenues ticked down modestly. Total revenues were up 5% on a sequential basis. Revenue mix for the first quarter was 35% consumer, 29% industrial, 26% communication and 10% computer.

While the strong sequential growth in communication resulted in less favorable mix, non-GAAP gross margin nevertheless expanded for the fourth straight quarter, rising 120 basis points to 55.7%. The primary driver of the increase was manufacturing efficiencies, including improved test times and yields, as well as the supportive pricing environment. Non-GAAP operating expenses for the quarter were \$40.8 million, in line with our forecast and up \$2 million from the prior quarter, reflecting increased headcount, the resumption of FICA, and the impact of the holiday shutdown in the prior quarter. Non-GAAP operating margin for the quarter was 33% and non-GAAP earnings were \$0.93 per diluted share, up 22% from a year ago.

Weighted average diluted share count for the quarter was 60.1 million, down 1.3 million shares from the prior quarter. We repurchased 1.6 million shares during the March quarter for \$135 million. We have bought back an additional 900,000 shares thus far in April, utilizing most of the \$83 million that remained on our authorization at quarter end. In total, we have bought back nearly 3 million shares since November, offsetting

most of the roughly 4 million shares dislodged from index holders on our promotion to the S&P 400 in December. Our board has allocated an additional \$75 million to the buyback, reflecting continued confidence in our growth prospects and cash flow generation.

Cash flow from operations in Q1 was very strong at \$75 million. In addition to the buyback, other uses of cash were \$15 million for capex and \$11 million for dividends, following the 20% dividend increase in the March quarter. Cash and investments on the balance sheet fell by \$86 million during the quarter to \$444 million.

Internal inventories ticked up by 1 day to 115 days, inching closer to our desired level of 125 days and enabling us to continue leveraging our delivery performance to win market share. Inventory in the distribution channel rose to 7.1 weeks from 6.3 weeks in the prior quarter. Looking ahead, we expect revenues for the June quarter to be \$190 million plus or minus \$5 million. We currently have backlog coverage to the midpoint of this range. I expect non-GAAP gross margin to improve again in Q2, driven by a more favorable end market mix, reflecting weaker demand in smartphone market relative to appliances and industrial. Also contributing to the higher margin in Q2 is the stronger dollar versus the Japanese yen, which favorably affects wafer costs. Specifically, I expect Q2 non-GAAP gross margin to be between 56% and 56.5%. I do expect higher wafer prices and other cost pressures to flow into the P&L as the year progresses, resulting in a tapering down of gross margin in the second half of the year.

However, our near term outlook for gross margin has clearly improved, thanks to a combination of factors, including manufacturing efficiencies, the stronger dollar, the pricing environment and a richer mix. Non-GAAP operating expenses should be \$44 million, plus or minus \$0.5 million. The sequential increase reflects annual merit increases, our accelerated investments in R&D, as well as the expansion of our sales force to capitalize on our momentum in the market. The non-GAAP effective tax rate for the second quarter and the year should be between 9% and 10%, and I expect diluted share count for Q2 to fall by about 1.5 million shares compared to March.

And now operator, let's begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) And our first question will come from Christopher Rolland of Susquehanna.

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

Hey, guys, thanks -- thanks for the question, and congrats on the quarter. I guess my first question is any thoughts on how the end markets kind of progressed from here or even kind of force rank the various segments into next quarter as well? Just any thoughts there would be great.

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

Well, we all know that there is a lot of things going on around the world. We have the war in Europe and lockdowns in China, and of course, higher fuel prices and the overall inflation. But for Q2, as we mentioned, we have backlog to the midpoint of our guidance already. And so we really have to wait till the end of Q2 to see what the sell through is like, and that will tell us how things will turn out in Q3 and Q4. We have had some cancellations in the cellphone area for all the reasons people know. Cell phone has been weak as a whole. And so as a result, the orders have moderated and we've had some cancellation, but that's all taken into account in our guidance for Q2. What we don't know in the second half is whether there'll be an overall demand reduction because of the macro type of issues. We just have to wait and see how that turns out. So the cellphone is well understood to us. What we don't understand is the impact of any slowdown fueled by the war in Europe and lockdowns and inflation.

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

Great. Thanks for that. And then secondly, you guys talked about this tight market and how you guys are a beneficiary of integration, for example, but also just having capacity. If we were to see a slowdown in the second half, do you think these share gains that you've taken, like, for example in motor controller or something like that, do you think that's going to be sticky or do you think you give some back to competitors that are maybe more aggressive on pricing or something like that?

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

No, that's an excellent question. I believe that our products are so attractive, we would've gotten our share over time anyway. What has happened is thanks to the supply issues with our competitors, that share transfer or share gains are happening in a very accelerated manner. But once we get those share gains, we really don't believe it'll go back because the attractiveness of integration, attractiveness of efficiency, lack of heat sink, all of those things are the reasons we will stay -- the current customers will stay with us. So we are feeling very good. This is a permanent share gain.

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

Awesome. Thanks, guys.

David Williams - The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Hey, good afternoon, and congrats on another really solid quarter.

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

Thanks, David.

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

Thanks, David.

David Williams - The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Yes, just wanted to maybe dig in a bit on the industrial side, it was off a little bit sequentially, just kind of curious if there was anything in particular from the industrial perspective that might be either shifting around or moving a bit?

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

Not really. I mean, if you look at it year over year, it grew something like 25%, 26%. So that shows how well it has done -- it is doing. There are some cyclical issues where industrial is usually weaker in Q1, but we are actually growing our share very nicely in many areas like IoT, power tools and so on. So there is nothing to be concerned about in industrial. I think it'll grow very nicely this year along with the computer and consumer. The only

one that is not clear is the cellphones, because it's down across the board, although some of our OEMs are doing actually better than they projected and some of them are doing much worse than they projected.

David Williams - The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Thanks. And then maybe just from the ongoing China and the COVID lockdown, I know you talked about this a bit on the call already, but is there anything that you're seeing there may be from a supply or a demand side that you think is going to be impactful into the second quarter, maybe even third quarter? Just, how do you think about China in general here just given the volatility and the lockdowns?

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

The lockdowns surprisingly are maybe we were very fortunate it didn't affect any -- our ability to sell to our customers. We don't have any major customers in Shanghai area. The Shenzhen lockdown was a relatively short lived and other areas have not impacted us. What it did do was really complicate our logistics. When Shanghai airport shut down, we had to find ways to get our products to our assembly plants through other channels. And the same thing happened in Shenzhen. When they shut down, we had to bring wafers and assembled units in different routes and actually paid quite a bit more to do that. In some cases, we had to truck it to the next available airport. But those were all very well managed by the company. Our team did a fantastic job. It had really no impact on our ability to supply products to our customers.

Now as far as we know, our Chinese customers are not directly impacted by these shutdowns in terms of production activities. What we don't know is secondary effects of this shutdown, and only time will tell what happens because I have to believe if people have to stay at home for so long, they're not going to be able to buy anything, certainly not buy cellphones or appliances and so on. On the other hand, it also appears to us that if there is a reduction in demand, that might be just temporary because it's just a situation they're going through now. Once the lockdowns are lifted the demand should come back. At least that's our thinking.

David Williams - The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Great color. Thanks so much. And one last one, if I can, real quick. But just from a compute standpoint and the volumes, there's a lot of discussion there about what the volumes could be this year, but we're hearing of a better mix into the enterprise and maybe pro-consumer type applications. Are you seeing something similar? And then, is there any way to kind of parse out to your potential dollar content as we think about the higher end versus the mid or lower end units?

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

Just to clear, when you say computer, you're talking about the computer market.

David Williams - The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Yes.

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

Yes, the good news for us in the computer market is we have such a low share of the notebook market, it almost doesn't matter what the overall market is doing because we have a lot of room to grow and we expect computer to be a very strong growth segment this year for us. We already have won number of notebook designs that are going into production as we speak. And we are a fantastic fit for notebooks. Our dollar content is very high because many of them have to use GaN, and many of them are multiport and so there are multiple devices. And you also have to remember, it's not just our InnoSwitch power conversion device, we can also sell MinE-CAPs to reduce capacitor size and also ClampZero to reduce

the transformer size. So there is quite a few -- if they use all of that, you're talking multiple dollars of content. So it's quite an attractive market for us, and it's a very good fit for our technology and products.

David Williams - The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Thanks again. Certainly appreciate the help.

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

You're welcome, David.

Operator

And our next question will come from Kunjan Sobhani of Deutsche Bank.

Kunjan Sobhani – Deutsche Bank

Hi, this is Kunjan asking on behalf of Ross Seymore. My first question is, you had a great upside to gross margin both in the print and the guide. Could you talk about what were the drivers here? How much was pricing versus manufacturing efficiencies? And then I'll ask my follow-up.

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

As I talked about on my -- in my script, basically the manufacturing efficiencies have helped us a lot in this and I'm not going to quantify each one, but the pricing the way it works for us is that we do value pricing. So, we just value with all the discretely that we eliminate. And the reason our Q2 margin is going up is because we're getting a yen benefit. But the one part I think you should realize is that the -- there is a timing difference of this benefit versus the cost input increase. We've already seen some increases, but Q3 and Q4 are going to see further impacts from these cost increases that we know of today, and you know how dynamic that market is.

But the good news is also that the efficiencies have really helped us, and typically we do these efficiencies to offset price declines that we have to give, which in this environment we don't need to do because of the challenges of cost increases. Additionally, as Balu mentioned earlier, with what's happening in the cellphone, the mix as we had anticipated at the beginning of the year is changing. Now, what happens for the rest of the year is harder, but the best we can model, we are definitely seeing that the cellphone is going to be a harder area for growth versus most of the growth will be coming from the other three areas as a result of which we will have favorable margins.

Kunjan Sobhani – Deutsche Bank

Thanks. And the follow-up of that, you have been -- now been at the high end of your gross margin, long term gross margin range, with that -- given that and what you're modeling, do you expect; one, your prior target of 53% to 54% range for the full year to upside? And is this going to be the new baseline going forward long term?

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

It's a good question. So for this year, again, it will depend on what's going to happen in the second half, which Balu mentioned is hard. But typically, what happens in Q3 is air conditioning also tends to taper off. So, along with the pricing pressures, you are going to see the mix also have a little impact. So as a result in the third and fourth quarter, as I mentioned on the script, margins will taper down from Q2. The best I can model right now

for the year for non-GAAP is around 55%. Again, the mix can really change that and the volumes can impact that. But my modeling tells me somewhere around 55% for the year, could be slightly higher.

As far as our model, our model is going to remain in the 50% to 55%, though as you know, we have changed our operating margin model, which used to be -- we had a -- we used to be running in low 20s, but we had a target of 25% and we have upped that to 25% to 30% because of the inherent leverage that we have in our model. So I think you should think about our model in the -- of our gross margin the 50% to 55%, though I think we will be tapering more in the higher end of that model in the near term, and the operating margin in the 25% to 30% even though we are at the higher end of that model, but I think you should again see, we'll taper back as we look ahead towards the 30%.

Kunjan Sobhani – Deutsche Bank

Thank you.

Operator

(Operator Instructions) We will now go to Tore Svanberg of Stifel.

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

Yes. Good afternoon. This is Jeremy calling for Tore. A quick question on -- in terms of the backlog coverage for the current quarter, am I correct in understanding that you have -- it's fully covered in backlog as of the -- as of right now?

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

Yes, that's correct as to the midpoint.

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

For the midpoint, right. So if there's additional terms orders, is it possible to have some upside in that situation?

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

Yes, that's a good question. Surprisingly, because of the supply situation, people are booking way ahead. So our turns business is relatively small. It's actually quite very small compared to what it used to be, and we also have to assume there could be some push outs. In fact, they've seen that in every quarter. So when you look at the turns business plus -- minus push outs, it just washes out. That's why we are saying 190 is our midpoint, even though we are fully booked to that.

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

And as Balu had indicated earlier, we also have a lot of uncertainty going on with a cellphone business, and you know, how some of our Chinese OEM are exposed to the Russia area and others, and that is impacting business. So I think we have to factor all this and based on that, we feel the pluses and minuses is the guide we gave.

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

And just to follow up on that. If there's some shifting in terms of -- some people pushing out orders, some people wanting to take orders that absorb those shifts, how fungible is the inventory, whether it's cellphone manufacturers from one to the other. Can you give us any color on that?

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

Well, one of the things we have done actually very well, especially compared to other companies, as I've heard, is that we are very careful to ship to real demand. And the way we do that is we monitor the distribution inventory. By the way, 75% of our revenue goes through distribution. So we don't ship unless they are shipping through. So we don't want to distribute our inventory everywhere. This way, the inventory is all in one place, that's with us, so that we can take care of all of our customers well. And we have also talked to the OEMs, the end customers, and we have discussed this with them and they have been extremely cooperative and they also want to make sure that they have supply. And so they at least tell us that they don't have much inventory and so we are reasonably sure, especially in appliances that there's very little inventory at our customers.

Cell phone is a little bit more dynamic because their demand is changing as we speak. So some of them might have some inventory, but I would say overall there is very little inventory at the end customer. There is reasonable at the distributor, as you can see, they've come within our range, 7 to 8, although they're on the low end of the range, 7 to 8 weeks. So they can serve the market very well as long as they're in the 7 to 8 week range. So the rest of the inventory we keep, and we don't ship it to distributors unless we know it's going through.

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

Great. Thank you. And as a second question, I guess, the -- your new, I guess automotive qualified switching IC with the integrated silicon carbide MOSFET, is this your own silicon carbide MOSFET that you're -- or can you help us understand, just have a little bit more insight into that product? Is it seems like a very, very interesting product.

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

Yes, this particular one is not our own technology. The volumes are not high enough for us to do it all, although we could do it sometime in the future, I guess, but for the foreseeable future we just outsource that particular die.

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

Great. And in terms of potential for seeing this in production, I understand automotive tends to have long development cycles, but EVs can sometimes see a little bit acceleration. Do you have a sense of how soon this could see market adoption?

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

A good question again. It depends on what application you are in. If you are, for example, a gate driver in an inverter for the main motor, that has like a 4-year to 5-year design cycle, because that becomes a safety component. But for example, this particular product goes into what's known as an emergency power supply, and that has a shorter design cycle. In fact, we got a major OEM design win that it has just gone into production and that uses the our silicon-based InnoSwitch because that's a 400-volt battery. But this silicon carbide-based InnoSwitch, which is for 1,700 volts, which is used with 800-volt battery, we are actually engaged with one another major OEM, and the design is in process and it is very, very possible we could get that design in and get into production in something more like 2-year timeframe rather than 4-year timeframe, simply because that particular item is less stringent from a safety point of view.

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

Very good. Thank you very much.

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

You're welcome.

Operator

[Operator instructions] And it does appear we have no further questions, I would like to turn the conference back to our presenters for any additional or closing comments.

Joe Shiffler - Power Integrations, Inc.

All right. Thanks, Kathy. Thanks everyone for joining us on a busy earnings afternoon. There'll be a replay of this call on our website, which is investors.power.com. Thanks again, and good afternoon.
