

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2024**

or

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____**

Commission File Number 000-23441

POWER INTEGRATIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware

94-3065014

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

**5245 Hellyer Avenue
San Jose, California**

95138

(Address of Principal Executive Offices)

(Zip Code)

(408) 414-9200

(Registrant's telephone number, including area code)

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

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Common Stock

POWI

The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Emerging Growth Company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Shares Outstanding at May 3, 2024

Common Stock, \$0.001 par value

56,763,897

POWER INTEGRATIONS, INC.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes a number of forward-looking statements that involve many risks and uncertainties. Forward-looking statements are identified by the use of the words “would,” “could,” “will,” “may,” “expect,” “believe,” “should,” “anticipate,” “if,” “future,” “intend,” “plan,” “estimate,” “potential,” “target,” “seek,” or “continue” and similar words and phrases, including the negatives of these terms, or other variations of these terms, that denote future events. These statements reflect our current views with respect to future events and our potential financial performance and are subject to risks and uncertainties that could cause our actual results and financial position to differ materially and/or adversely from what is projected or implied in any forward-looking statements included in this Quarterly Report on Form 10-Q. These factors include, but are not limited to: if demand for our products continues to decline in our major end markets, our net revenues will decline further; we do not have long-term contracts with any of our customers and if they fail to place, or if they cancel or reschedule orders for our products, our operating results and our business may suffer; our products are sold through distributors, which limits our direct interaction with our end customers, therefore reducing our ability to forecast sales and increasing the complexity of our business; if our products do not penetrate additional markets, our business will not grow as we expect; intense competition in the high-voltage power supply industry may lead to a decrease in our average selling price and reduced sales volume of our products; we depend on third-party suppliers to provide us with wafers for our products, and if they fail to provide us sufficient quantities of wafers, our business may suffer; if we are unable to adequately protect or enforce our intellectual property rights, we could lose market share, incur costly litigation expenses, suffer incremental price erosion or lose valuable assets, any of which could harm our operations and negatively impact our profitability; and the other risk factors described under the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023, and in Part I, Item 2 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Quarterly Report on Form 10-Q. We make these forward-looking statements based upon information available on the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information or otherwise, except as required by laws.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****POWER INTEGRATIONS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)**

(In thousands)	March 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 56,443	\$ 63,929
Short-term marketable securities	243,163	247,640
Accounts receivable, net	12,279	14,674
Inventories	167,865	163,164
Prepaid expenses and other current assets	22,714	22,193
Total current assets	502,464	511,600
PROPERTY AND EQUIPMENT, net	159,945	164,213
INTANGIBLE ASSETS, net	3,881	4,424
GOODWILL	91,849	91,849
DEFERRED TAX ASSETS	29,654	28,325
OTHER ASSETS	17,983	19,457
Total assets	\$ 805,776	\$ 819,868
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 27,361	\$ 26,390
Accrued payroll and related expenses	11,822	13,551
Taxes payable	878	1,016
Other accrued liabilities	9,474	7,910
Total current liabilities	49,535	48,867
LONG-TERM INCOME TAXES PAYABLE	6,193	6,244
OTHER LIABILITIES	11,870	12,516
Total liabilities	67,598	67,627
COMMITMENTS AND CONTINGENCIES (Notes 11, 12 and 13)		
STOCKHOLDERS' EQUITY:		
Common stock	22	23
Additional paid-in capital	—	—
Accumulated other comprehensive loss	(2,559)	(1,462)
Retained earnings	740,715	753,680
Total stockholders' equity	738,178	752,241
Total liabilities and stockholders' equity	\$ 805,776	\$ 819,868

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

POWER INTEGRATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended	
	March 31,	
	2024	2023
NET REVENUES	\$ 91,688	\$ 106,297
COST OF REVENUES	43,908	52,340
GROSS PROFIT	<u>47,780</u>	<u>53,957</u>
OPERATING EXPENSES:		
Research and development	23,225	23,981
Sales and marketing	15,722	15,885
General and administrative	8,363	8,334
Total operating expenses	<u>47,310</u>	<u>48,200</u>
INCOME FROM OPERATIONS	470	5,757
OTHER INCOME	3,502	1,714
INCOME BEFORE INCOME TAXES	3,972	7,471
PROVISION FOR INCOME TAXES	18	596
NET INCOME	<u>\$ 3,954</u>	<u>\$ 6,875</u>
EARNINGS PER SHARE:		
Basic	<u>\$ 0.07</u>	<u>\$ 0.12</u>
Diluted	<u>\$ 0.07</u>	<u>\$ 0.12</u>
SHARES USED IN PER SHARE CALCULATION:		
Basic	<u>56,833</u>	<u>57,105</u>
Diluted	<u>57,132</u>	<u>57,579</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

POWER INTEGRATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended March 31,	
	2024	2023
Net income	\$ 3,954	\$ 6,875
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments, net of \$0 tax in each of the three months ended March 31, 2024 and 2023	(366)	148
Unrealized gain (loss) on marketable securities, net of \$0 tax in each of the three months ended March 31, 2024 and 2023	(688)	2,172
Amortization of defined benefit pension items, net of tax of (\$8) and (\$4) in the three months ended March 31, 2024 and 2023, respectively	(43)	(20)
Total other comprehensive income (loss)	(1,097)	2,300
TOTAL COMPREHENSIVE INCOME	\$ 2,857	\$ 9,175

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

POWER INTEGRATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(In thousands)	Three Months Ended	
	March 31,	
	2024	2023
Common stock		
Beginning balance	\$ 23	\$ 24
Repurchase of common stock	(1)	(1)
Ending balance	22	23
Additional paid-in capital		
Beginning balance	—	—
Common stock issued under employee stock plans	2,691	3,098
Repurchase of common stock	(9,105)	(1,686)
Stock-based compensation	6,414	7,368
Ending balance	—	8,780
Accumulated other comprehensive loss		
Beginning balance	(1,462)	(7,344)
Other comprehensive income (loss)	(1,097)	2,300
Ending balance	(2,559)	(5,044)
Retained earnings		
Beginning balance	753,680	762,536
Net income	3,954	6,875
Repurchase of common stock	(5,535)	—
Payment of dividends to stockholders	(11,384)	(10,868)
Ending balance	740,715	758,543
Total stockholders' equity	\$ 738,178	\$ 762,302

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

POWER INTEGRATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Three Months Ended March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,954	\$ 6,875
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,715	8,961
Amortization of intangibles	543	543
Loss on disposal of property and equipment	8	7
Stock-based compensation expense	6,414	7,368
Amortization of premium (accretion of discount) on marketable securities	(496)	404
Deferred income taxes	(1,330)	(738)
Increase (decrease) in accounts receivable allowance for credit losses	163	(454)
Change in operating assets and liabilities:		
Accounts receivable	2,232	705
Inventories	(4,701)	(7,024)
Prepaid expenses and other assets	846	(2,302)
Accounts payable	1,294	2,926
Taxes payable and accrued liabilities	(1,737)	(686)
Net cash provided by operating activities	15,905	16,585
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,343)	(4,082)
Purchases of marketable securities	(49,912)	(36,922)
Proceeds from sales and maturities of marketable securities	54,198	22,693
Net cash used in investing activities	(57)	(18,311)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock under employee stock plans	2,691	3,098
Repurchase of common stock	(14,641)	(1,687)
Payments of dividends to stockholders	(11,384)	(10,868)
Net cash used in financing activities	(23,334)	(9,457)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,486)	(11,183)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	63,929	105,372
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 56,443	\$ 94,189
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Unpaid property and equipment	\$ 2,424	\$ 2,762
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes, net	\$ 410	\$ 3,665

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION:

The condensed consolidated financial statements include the accounts of Power Integrations, Inc., a Delaware corporation (the “Company”), and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

While the financial information furnished is unaudited, the condensed consolidated financial statements included in this report reflect all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for the fair presentation of the results of operations for the interim periods covered and the financial condition of the Company at the date of the interim balance sheet in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The results for interim periods are not necessarily indicative of the results for the entire year. The condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and the notes thereto for the year ended December 31, 2023, included in its Form 10-K filed on February 12, 2024, with the Securities and Exchange Commission.

2. SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS:

Significant Accounting Policies and Estimates

No material changes have been made to the Company’s significant accounting policies disclosed in Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*, of the Company’s financial statements set forth in Item 8 of the Company’s Annual Report on Form 10-K, filed on February 12, 2024, for the year ended December 31, 2023.

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (“ASU 2023-07”), which is intended to improve reportable segment disclosure requirements and expand public entities’ segment disclosures in the annual and interim financial statements. The amendment will require disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and within each reported measure of segment profit or loss, an amount and description of its composition for other segment items and interim disclosures of a reportable segment’s profit or loss and assets. All disclosure requirements of ASU 2023-07 are required for entities with a single reportable segment. The Company is required to adopt the amendments in fiscal year 2024 for annual and retrospective reporting periods and in the first quarter of fiscal year 2025 for all interim and retrospective reporting periods; with early adoption permitted. The Company does not expect the amendment to have a material impact on its consolidated financial statements upon adoption.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (“ASU 2023-09”), which modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (3) income tax expense or benefit from continuing operations (separated by federal, state and foreign). ASU 2023-09 also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. The guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. ASU 2023-09 should be applied on a prospective basis, but retrospective application is permitted. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements.

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. COMPONENTS OF THE COMPANY'S CONDENSED CONSOLIDATED BALANCE SHEETS:

Accounts Receivable

(In thousands)	March 31, 2024	December 31, 2023
Accounts receivable trade	\$ 42,325	\$ 53,147
Allowance for ship and debit	(26,754)	(36,017)
Allowance for stock rotation and rebate	(2,448)	(1,775)
Allowance for credit losses	(844)	(681)
Total	<u>\$ 12,279</u>	<u>\$ 14,674</u>

The Company maintains an allowance for estimated credit losses resulting from the inability of customers to make required payments. This allowance is established using estimates formulated by the Company's management based upon factors such as the composition of the accounts receivable aging, historical losses, changes in payment patterns, customer creditworthiness and current economic trends. Receivables determined to be uncollectible are written off and deducted from the allowance.

(In thousands)	Allowance for Credit Losses	
	Three Months Ended	
	March 31,	
	2024	2023
Beginning balance	\$ (681)	\$ (1,135)
Provision for credit loss expense	(684)	(439)
Receivables written off	—	—
Recoveries collected	521	893
Ending balance	<u>\$ (844)</u>	<u>\$ (681)</u>

Inventories

(In thousands)	March 31, 2024	December 31, 2023
Raw materials	\$ 98,292	\$ 96,467
Work-in-process	31,260	24,727
Finished goods	38,313	41,970
Total	<u>\$ 167,865</u>	<u>\$ 163,164</u>

Intangible Assets

(In thousands)	March 31, 2024			December 31, 2023		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	Domain name	\$ 1,261	\$ —	\$ 1,261	\$ 1,261	\$ —
Developed technology	37,960	(35,941)	2,019	37,960	(35,459)	2,501
Technology licenses	1,926	(1,325)	601	1,926	(1,264)	662
Total intangible assets	<u>\$ 41,147</u>	<u>\$ (37,266)</u>	<u>\$ 3,881</u>	<u>\$ 41,147</u>	<u>\$ (36,723)</u>	<u>\$ 4,424</u>

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The estimated future amortization expense related to finite-lived intangible assets at March 31, 2024, is as follows:

Fiscal Year	Estimated Amortization (In thousands)
2024 (remaining nine months)	\$ 736
2025	832
2026	687
2027	365
Total	<u>\$ 2,620</u>

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023, were as follows:

(In thousands)	Unrealized Gains and Losses on Marketable Securities		Defined Benefit Pension Items		Foreign Currency Items		Total	
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
	2024	2023	2024	2023	2024	2023	2024	2023
Beginning balance	\$ 256	\$ (5,323)	\$ 1,585	\$ 862	\$ (3,303)	\$ (2,883)	\$ (1,462)	\$ (7,344)
Other comprehensive income (loss) before reclassifications	(688)	2,172	—	—	(366)	148	(1,054)	2,320
Amounts reclassified from accumulated other comprehensive loss	—	—	(43) ⁽¹⁾	(20) ⁽¹⁾	—	—	(43)	(20)
Net-current period other comprehensive income (loss)	(688)	2,172	(43)	(20)	(366)	148	(1,097)	2,300
Ending balance	<u>\$ (432)</u>	<u>\$ (3,151)</u>	<u>\$ 1,542</u>	<u>\$ 842</u>	<u>\$ (3,669)</u>	<u>\$ (2,735)</u>	<u>\$ (2,559)</u>	<u>\$ (5,044)</u>

(1) This component of accumulated other comprehensive loss is included in the computation of net periodic pension cost for the three months ended March 31, 2024 and 2023.

4. FAIR VALUE MEASUREMENTS:

The FASB established a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices for identical assets in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company's cash equivalents and short-term marketable securities are classified within Level 1 or Level 2 of the fair-value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair-value hierarchy of the Company's cash equivalents and marketable securities at March 31, 2024 and December 31, 2023, was as follows:

(In thousands)	Fair Value Measurement at March 31, 2024		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
		(Level 1)	(Level 2)
Commercial paper	\$ 3,223	\$ —	\$ 3,223
Corporate securities	242,444	—	242,444
Money market funds	9,457	9,457	—
U.S. government securities	1,000	1,000	—
Total	\$ 256,124	\$ 10,457	\$ 245,667

(In thousands)	Fair Value Measurement at December 31, 2023		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
		(Level 1)	(Level 2)
Commercial paper	\$ 20,275	\$ —	\$ 20,275
Corporate securities	246,922	—	246,922
Money market funds	491	491	—
Total	\$ 267,688	\$ 491	\$ 267,197

The Company did not transfer any investments between Level 1 and Level 2 of the fair-value hierarchy in the three months ended March 31, 2024 and the twelve months ended December 31, 2023.

5. MARKETABLE SECURITIES:

Amortized cost and estimated fair market value of marketable securities classified as available-for-sale (excluding cash equivalents) at March 31, 2024, were as follows:

(In thousands)	Amortized Cost	Gross Unrealized		Estimated Fair Market Value
		Gains	Losses	
Investments due in 3 months or less:				
Corporate securities	\$ 18,891	\$ 2	\$ (63)	\$ 18,830
Total	18,891	2	(63)	18,830
Investments due in 4-12 months:				
Commercial paper	728	—	—	728
Corporate securities	34,004	6	(206)	33,804
Total	34,732	6	(206)	34,532
Investments due in 12 months or greater:				
Corporate securities	189,972	314	(485)	189,801
Total	189,972	314	(485)	189,801
Total marketable securities	\$ 243,595	\$ 322	\$ (754)	\$ 243,163

Accrued interest receivable was \$2.5 million at March 31, 2024 and was recorded within prepaid expenses and other current assets on the condensed consolidated balance sheet.

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amortized cost and estimated fair market value of marketable securities classified as available-for-sale (excluding cash equivalents) at December 31, 2023, were as follows:

(In thousands)	Amortized Cost	Gross Unrealized		Estimated Fair Market Value
		Gains	Losses	
Investments due in 3 months or less:				
Corporate securities	\$ 10,688	\$ —	\$ (42)	\$ 10,646
Total	10,688	—	(42)	10,646
Investments due in 4-12 months:				
Commercial paper	718	—	—	718
Corporate securities	48,680	15	(347)	48,348
Total	49,398	15	(347)	49,066
Investments due in 12 months or greater:				
Corporate securities	187,298	952	(322)	187,928
Total	187,298	952	(322)	187,928
Total marketable securities	\$ 247,384	\$ 967	\$ (711)	\$ 247,640

Accrued interest receivable was \$2.3 million at December 31, 2023 and was recorded within prepaid expenses and other current assets on the condensed consolidated balance sheet.

The following table summarizes marketable securities classified as available-for-sale (excluding cash equivalents) in a continuous unrealized loss position for which an allowance for credit losses was not recorded at March 31, 2024:

(In thousands)	Less Than 12 Months		12 Months or Longer		Total	
	Estimated Fair Market Value	Gross Unrealized Losses	Estimated Fair Market Value	Gross Unrealized Losses	Estimated Fair Market Value	Gross Unrealized Losses
	Corporate securities	\$ 136,703	\$ (595)	\$ 19,309	\$ (159)	\$ 156,012
Total marketable securities	\$ 136,703	\$ (595)	\$ 19,309	\$ (159)	\$ 156,012	\$ (754)

In the three months ended March 31, 2024 and 2023, no unrealized losses on marketable securities were recognized in income.

The Company does not intend to sell and it is unlikely that it will be required to sell securities prior to their anticipated recovery. The issuers are high quality (investment grade) and the decline in fair value is largely due to changes in interest rates. Additionally, the issuers continue to make timely interest payments on the marketable securities with the fair value expected to recover as they reach maturity.

6. STOCK-BASED COMPENSATION:

The following table summarizes the stock-based compensation expense recognized in accordance with ASC 718-10 for the three months ended March 31, 2024 and 2023:

(In thousands)	Three Months Ended March 31,	
	2024	2023
Cost of revenues	\$ 346	\$ 301
Research and development	2,425	2,668
Sales and marketing	1,604	1,653
General and administrative	2,039	2,746
Total stock-based compensation expense	\$ 6,414	\$ 7,368

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-based compensation expense in the three months ended March 31, 2024, was approximately \$6.4 million, comprising approximately \$6.1 million related to restricted stock unit (“RSU”) awards, an immaterial amount related to performance-based (“PSU”) awards and long-term performance-based (“PRSU”) awards and \$0.3 million related to the Company’s employee stock purchase plan.

Stock-based compensation expense in the three months ended March 31, 2023, was approximately \$7.4 million, comprising approximately \$5.9 million related to RSUs, \$1.0 million related to PSUs and PRSUs and \$0.5 million related to the Company’s employee stock purchase plan.

PSU Awards

Under the performance-based awards program, the Company grants awards in the performance year in an amount equal to twice the target number of shares to be issued if the maximum performance metrics are met. The number of shares that are released at the end of the performance year can range from zero to 200% of the target number depending on the Company’s performance. The performance metrics of this program are annual targets consisting of a combination of net revenue, non-GAAP operating income and strategic goals.

As the net revenue, non-GAAP operating income and strategic goals are considered performance conditions, expense associated with these awards, net of estimated forfeitures, is recognized over the service period based on an assessment of the expected achievement of the performance targets. The fair value of these PSUs is determined using the fair value of the Company’s common stock on the date of the grant, reduced by the discounted present value of dividends expected to be declared before the awards vest. If the performance conditions are not achieved, no compensation cost is recognized and any previously recognized compensation is reversed.

In February 2024, it was determined that approximately 38,000 shares subject to the PSUs granted in 2023 vested in aggregate; the shares were released to the Company’s employees and executives in the first quarter of 2024.

A summary of PSUs outstanding as of March 31, 2024 and activity during the three months ended, is presented below:

	Shares (In thousands)	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2024	38	\$ 82.95		
Granted	1	\$ 74.25		
Vested	(38)	\$ 82.94		
Forfeited	—	—		
Outstanding at March 31, 2024	<u>1</u>	<u>\$ 74.79</u>	<u>0.75</u>	<u>\$ 60</u>
Outstanding and expected to vest at March 31, 2024	<u>1</u>		<u>0.75</u>	<u>\$ 43</u>

PRSU Awards

The Company’s PRSU program provides for the issuance of PRSUs which will vest based on the Company’s performance measured against the PRSU program’s established performance targets. PRSUs are granted in an amount equal to twice the target number of shares to be issued if the maximum performance metrics are met. The actual number of shares the recipient receives is determined at the end of a three-year performance period based on results achieved versus the Company’s performance goals, and may range from zero to 200% of the target number. The performance goals for PRSUs granted in fiscal 2022 and 2023 were based on the Company’s compound annual growth rate (“CAGR”) of revenue as measured against the revenue CAGR of the analog semiconductor industry (“Relative Measure”), in each case over the respective three-year performance period. In addition, the PRSUs granted in 2023 (“2023 PRSUs”) also include a performance goal related to the Company’s revenue growth over the respective three-year performance period as compared to defined targets (“Absolute Measure”) with the actual vesting of the 2023 PRSUs calculated based on higher achievement under the Relative Measure or the Absolute Measure. Expense associated with these awards, net of estimated forfeitures, is recorded throughout the year based on an assessment of the expected achievement of the performance targets. If the performance conditions are not achieved, no compensation cost is recognized and any previously recognized compensation is reversed.

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In February 2024, it was determined that no shares subject to the PRSUs granted in 2021 vested; thus no shares were released to the Company's executives in the first quarter of 2024.

A summary of PRSUs outstanding as of March 31, 2024 and activity during the three months ended, is presented below:

	Shares (In thousands)	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2024	256	\$ 80.08		
Granted	—	—		
Vested	—	—		
Forfeited	—	—		
Outstanding at March 31, 2024	<u>256</u>	<u>\$ 80.08</u>	<u>1.32</u>	<u>\$ 18,288</u>
Outstanding and expected to vest at March 31, 2024	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

RSU Awards

A summary of RSUs outstanding as of March 31, 2024 and activity during the three months ended, is presented below:

	Shares (In thousands)	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2024	981	\$ 70.27		
Granted	7	\$ 71.28		
Vested	(148)	\$ 73.09		
Forfeited	(4)	\$ 80.80		
Outstanding at March 31, 2024	<u>836</u>	<u>\$ 69.72</u>	<u>1.85</u>	<u>\$ 59,803</u>
Outstanding and expected to vest at March 31, 2024	<u>781</u>	<u>—</u>	<u>1.40</u>	<u>\$ 55,916</u>

7. SIGNIFICANT CUSTOMERS AND GEOGRAPHIC NET REVENUES:

Segment Reporting

The Company is organized and operates as one reportable segment, the design, development, manufacture and marketing of integrated circuits and related components for use primarily in the high-voltage power-conversion market. The Company's chief operating decision maker, the Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance.

Customer Concentration

The Company's top ten customers accounted for approximately 77% and 78% of net revenues for the three months ended March 31, 2024 and 2023, respectively. A significant portion of these revenues are attributable to sales of the Company's products to distributors of electronic components. These distributors sell the Company's products to a broad, diverse range of end users, including original equipment manufacturers ("OEMs") and merchant power-supply manufacturers. Similarly, merchant power-supply manufacturers sell power supplies incorporating the Company's products to a broad range of OEMs. Sales to distributors were \$66.4 million and \$66.8 million in the three months ended March 31, 2024 and 2023, respectively. Direct sales to OEMs and power-supply manufacturers accounted for the remainder.

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following customers represented 10% or more of the Company’s net revenues for the respective periods:

Customer	Three Months Ended	
	March 31,	
	2024	2023
Avnet	29 %	25 %
Honestar Technologies Co., Ltd.	11 %	12 %
Salcomp Group	*	13 %

* Total customer revenue was less than 10% of net revenues.

No other customers accounted for 10% or more of the Company’s net revenues in the periods presented.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash investments and trade receivables. The Company does not have any off-balance-sheet credit exposure related to its customers.

As of March 31, 2024 and December 31, 2023, 88% and 86% of accounts receivable were concentrated with the Company’s top ten customers.

The following customers represented 10% or more of accounts receivable at March 31, 2024 and December 31, 2023:

Customer	March 31,	December 31,
	2024	2023
Avnet	33 %	39 %
Powertech Distribution Ltd.	13 %	*
Honestar Technologies Co., Ltd.	10 %	20 %
Salcomp Group	*	10 %

* Total customer accounts receivable was less than 10% of accounts receivable.

No other customers accounted for 10% or more of the Company’s accounts receivable in the periods presented.

Geographic Net Revenues

The Company markets its products globally through its sales personnel and a worldwide network of independent sales representatives and distributors. Geographic net revenues by region and country with 5% or more of the Company’s revenue during any of the periods presented, based on “bill to” customer locations were as follows:

(In thousands)	Three Months Ended	
	March 31,	
	2024	2023
Americas:	\$ 5,005	\$ 6,483
EMEA:		
Germany	5,889	7,474
Other EMEA	6,314	6,915
APAC:		
Hong Kong/China	49,680	59,598
India	5,380	6,729
Japan	2,465	5,339
Korea	9,520	6,801
Taiwan	4,758	2,009
Other APAC	2,677	4,949
Total net revenues	\$ 91,688	\$ 106,297

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. STOCKHOLDERS' EQUITY:

Common Stock Shares Outstanding

(In thousands)	Three Months Ended March 31,	
	2024	2023
Beginning balance	56,738	56,961
Common stock issued under employee stock plans	228	268
Repurchased	(207)	(23)
Ending balance	56,759	57,206

Common Stock Repurchases

As of December 31, 2023, the Company had \$26.0 million remaining under its authorized stock-repurchase program. In the three months ended March 31, 2024, the Company purchased approximately 207,000 shares for \$14.6 million, leaving \$11.3 million remaining on the repurchase authorization as of March 31, 2024. Authorization of future repurchase programs is at the discretion of the Company's board of directors and will depend on the Company's financial condition, results of operations, capital requirements, business conditions and other factors; the program has no expiration date.

Cash Dividends

In February 2023, the Company's board of directors declared dividends of \$0.19 per share to be paid to stockholders of record at the end of each quarter in 2023.

In October 2023, the Company's board of directors raised the quarterly cash dividend with the declaration of five cash dividends of \$0.20 per share to be paid to stockholders of record at the end of the fourth quarter in 2023 (in lieu of the \$0.19 per share announced in February 2023) and at the end of each quarter in 2024.

For the three months ended March 31, 2024 and 2023, cash dividends declared and paid were as follows:

(In thousands, except per share amounts)	Three Months Ended March 31,	
	2024	2023
Dividends declared and paid	\$ 11,384	\$ 10,868
Dividends declared per common share	\$ 0.20	\$ 0.19

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. EARNINGS PER SHARE:

Basic earnings per share are calculated by dividing net income by the weighted-average shares of common stock outstanding during the period. Diluted earnings per share are calculated by dividing net income by the weighted-average shares of common stock and dilutive common equivalent shares outstanding during the period. Dilutive common equivalent shares included in this calculation consist of dilutive shares issuable upon the assumed exercise of outstanding common stock options, the assumed vesting of outstanding restricted stock units, the assumed issuance of awards under the stock purchase plan and contingently issuable performance-based awards, as computed using the treasury stock method.

A summary of the earnings per share calculation is as follows:

(In thousands, except per share amounts)	Three Months Ended March 31,	
	2024	2023
Basic earnings per share:		
Net income	\$ 3,954	\$ 6,875
Weighted-average common shares	56,833	57,105
Basic earnings per share	\$ 0.07	\$ 0.12
Diluted earnings per share: ⁽¹⁾		
Net income	\$ 3,954	\$ 6,875
Weighted-average common shares	56,833	57,105
Effect of dilutive awards:		
Employee stock plans	299	474
Diluted weighted-average common shares	57,132	57,579
Diluted earnings per share	\$ 0.07	\$ 0.12

(1) The Company includes the shares underlying performance-based awards in the calculation of diluted earnings per share if the performance conditions have been satisfied as of the end of the reporting period and excludes such shares when the necessary conditions have not been met. The Company has excluded the shares underlying the outstanding performance-based awards in the 2024 and 2023 calculations as the shares were not contingently issuable as of the end of the reporting periods.

In the three months ended March 31, 2024 and 2023, no outstanding stock awards were determined to be anti-dilutive and therefore excluded from the computation of diluted earnings per share.

10. PROVISION FOR INCOME TAXES:

Income-tax expense includes a provision for federal, state and foreign taxes based on the annual estimated effective tax rate applicable to the Company and its subsidiaries, adjusted for certain discrete items which are fully recognized in the period they occur. Accordingly, the interim effective tax rate may not be reflective of the annual estimated effective tax rate.

The Company's effective tax rate for the three months ended March 31, 2024 and 2023 was 0.5% and 8.0%, respectively. The effective tax rate in these periods were lower than the statutory federal income-tax rate of 21% due to the geographic distribution of the Company's world-wide earnings in lower-tax jurisdictions and federal research tax credits. Additionally, in the three months ended March 31, 2024 and 2023, our effective tax rate was favorably impacted by the recognition of excess tax benefits related to share-based payments and the release of unrecognized tax benefits. These benefits were partially offset by foreign income subject to U.S. tax, known as global intangible low-taxed income. The Company's primary jurisdiction where foreign earnings are derived is the Cayman Islands, which is a non-taxing jurisdiction. Income earned in other foreign jurisdictions was not material. The Company has not been granted any incentivized tax rates and does not operate under any tax holidays in any jurisdiction.

As of March 31, 2024, the Company maintained a valuation allowance on its California deferred tax assets, New Jersey deferred tax assets and a valuation allowance with respect to its deferred tax assets relating to tax credits in Canada.

Determining the consolidated provision for income-tax expense, income-tax liabilities and deferred tax assets and liabilities involves judgment. The Company calculates and provides for income taxes in each of the tax jurisdictions in

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

which it operates, which involves estimating current tax exposures as well as making judgments regarding the recoverability of deferred tax assets in each jurisdiction. The estimates used could differ from actual results, which may have a significant impact on operating results in future periods.

11. COMMITMENTS:

Supplier Agreements

Under the terms of the Company's wafer-supply agreements with Seiko Epson Corporation ("Epson") and ROHM Lapis Semiconductor Co., Ltd. ("Lapis"), the wafers purchased from these suppliers are priced in U.S. dollars, with mutual sharing of the impact of fluctuations in the exchange rate between the Japanese yen and the U.S. dollar on future purchases. Each year, the Company's management and these two suppliers review and negotiate future pricing; the negotiated pricing is denominated in U.S. dollars but is subject to contractual exchange-rate provisions. The fluctuation in the exchange rate is shared equally between the Company and each of these suppliers on future purchases.

12. LEGAL PROCEEDINGS AND CONTINGENCIES:

From time to time in the ordinary course of business, the Company becomes involved in lawsuits, or customers and distributors may make claims against the Company. In accordance with ASC 450-10, *Contingencies*, the Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

On January 6, 2020, the Company filed a complaint against CogniPower LLC in the United States District Court for the District of Delaware for infringement of two of the Company's patents and seeking a declaration of non-infringement with respect to patents that CogniPower had charged the Company's customers with infringing, based on customer use of the Company's products. In response, CogniPower filed a motion to dismiss the Company's declaratory judgment claims on the basis that CogniPower had not threatened the Company directly with suit. That motion was granted, and CogniPower's claims for infringement went forward separately in CogniPower's lawsuit against the Company's customers in the District of Delaware. The Company filed a motion to intervene in that lawsuit and received a ruling allowing the Company to intervene on February 1, 2021, and the parties thereafter agreed to dismiss the Company's separate lawsuit against CogniPower. The remaining case remained stayed until February 26, 2024, when the Court lifted the stay. The Delaware Court then set a schedule for the remainder of the case, with further proceedings in the coming months, and a trial scheduled in August 2025.

The Company believes it has strong claims and defenses with respect to all of CogniPower's asserted patents, and intends to vigorously defend itself against CogniPower's claims against the Company's technology, with appeals to follow if necessary.

On October 31, 2022, Waverly Licensing LLC filed a complaint against the Company in the United States District Court for the Western District of Texas. In its complaint, Waverly alleged that the Company was infringing one patent pertaining to charging a battery-operated device. The Company believes it has strong claims and defenses, and intends to vigorously defend itself against Waverly's claims, with appeals to follow if necessary. Because the Company believed that Waverly's Texas complaint was improperly filed in the wrong court, the Company filed a motion to dismiss, and on November 30, 2022, the Company filed a complaint against Waverly Licensing LLC and related entities IP Edge LLC, Mavexar LLC, and Array IP LLC in the United States District Court for the District of Delaware seeking a declaration of non-infringement with respect to a patent that Waverly charged the Company with infringing. The Texas court thereafter dismissed Waverly's Texas complaint. On March 12, 2024 the Delaware Court dismissed the remaining case in view of a series of covenants not to sue that the Delaware defendants filed with the Court.

The Company is unable to predict the outcome of legal proceedings with certainty, and there can be no assurance that the Company will prevail in the above-mentioned unsettled litigations. These litigations, whether or not determined in the Company's favor or settled, will be costly and will divert the efforts and attention of the Company's management and technical personnel from normal business operations, potentially causing a material adverse effect on the business, financial condition and operating results. Currently, the Company is not able to estimate a loss or a range of loss for the ongoing litigations disclosed above, however adverse determinations in litigation could result in monetary losses, the loss

POWER INTEGRATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

of proprietary rights, subject the Company to significant liabilities, require the Company to seek licenses from third parties or prevent the Company from licensing the technology, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

13. INDEMNIFICATIONS:

The Company sells products to its distributors under contracts, collectively referred to as Distributor Sales Agreements ("DSA"). Each DSA contains the relevant terms of the contractual arrangement with the distributor, and generally includes certain provisions for indemnifying the distributor against losses, expenses, and liabilities from damages that may be awarded against the distributor in the event the Company's products are found to infringe upon a patent, copyright, trademark, or other proprietary right of a third party ("Customer Indemnification"). The DSA generally limits the scope of and remedies for the Customer Indemnification obligations in a variety of industry-standard respects, including, but not limited to, limitations based on time and geography, and a right to replace an infringing product. The Company also, from time to time, has granted a specific indemnification right to individual customers.

The Company believes its internal development processes and other policies and practices limit its exposure related to such indemnifications. In addition, the Company requires its employees to sign a proprietary information and inventions agreement, which assigns the rights to its employees' development work to the Company. To date, the Company has not had to reimburse any of its distributors or customers for any losses related to these indemnifications and no material claims were outstanding as of March 31, 2024. For several reasons, including the lack of prior indemnification claims and the lack of a monetary liability limit for certain infringement cases, the Company cannot determine the maximum amount of potential future payments, if any, related to such indemnifications.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis has been prepared as an aid to understanding our financial condition and results of operations. It should be read in conjunction with the condensed consolidated financial statements and the notes to those statements included elsewhere in this Quarterly Report on Form 10-Q, and with the consolidated financial statements and management’s discussion and analysis of our financial condition and results of operations in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 12, 2024. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed under the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023, and in Part II, Item 1A - “Risk Factors” and elsewhere in this report. See also “Cautionary Note Regarding Forward-Looking Statements” at the beginning of this report.

Overview

We design, develop and market analog and mixed-signal integrated circuits (“ICs”) and other electronic components and circuitry used in high-voltage power conversion. Our products are used in power converters that convert electricity from a high-voltage source to the type of power required for a specified downstream use. In most cases, this conversion entails, among other functions, converting alternating current (“AC”) to direct current (“DC”) or vice versa, reducing or increasing the voltage, and regulating the output voltage and/or current according to the customer’s specifications.

A large percentage of our products are ICs used in AC-DC power supplies, which convert the high-voltage AC from a wall outlet to the low-voltage DC required by most electronic devices. Power supplies incorporating our products are used with all manner of electronic products including mobile phones, computing and networking equipment, appliances, electronic utility meters, battery-powered tools, industrial controls, and “home-automation,” or “internet of things” applications such as networked thermostats, power strips and security devices. Variations of our power-supply ICs are used for high-voltage power conversion in electric vehicles (“EVs”). We also supply high-voltage LED drivers, which are AC-DC ICs specifically designed for lighting applications that utilize light-emitting diodes, and motor-driver ICs for brushless DC (“BLDC”) motors used in consumer appliances, HVAC systems, ceiling fans and a variety of industrial applications.

We also offer high-voltage gate drivers—either standalone ICs or circuit boards containing ICs, electrical isolation components and other circuitry—used to operate high-voltage switches such as insulated-gate bipolar transistors (“IGBTs”) and silicon-carbide (“SiC”) MOSFETs. These combinations of switches and drivers are used for power conversion in high-power applications (i.e., power levels ranging from approximately 100 kilowatts up to gigawatts) such as industrial motors, solar- and wind-power systems, EVs and high-voltage DC transmission systems.

Our products bring a number of important benefits to the power-conversion market compared with less advanced alternatives, including reduced component count and design complexity, smaller size, higher reliability and reduced time-to-market. Our products also reduce the energy consumption of power converters during normal use and in “standby” operation, when the end product is not in use. In addition to the environmental benefits of reduced energy usage, our energy-saving technologies provide a number of benefits to our customers; these include helping them meet the increasingly stringent efficiency standards now in effect for many electronic products, and enabling the elimination of bulky heatsinks used to dissipate the heat produced by wasted electricity.

Our power-conversion products are distinguished by their “system-level” nature; that is, they incorporate into a single product numerous elements of a power-conversion system including a high-voltage transistor, drivers, advanced control circuitry and, in some cases, a communication link connecting the primary (i.e., input) and secondary (i.e., output) sides of the power converter while maintaining safety isolation to protect the end user from exposure to high voltage. Alternatively, a power converter can be designed and assembled using discrete components purchased from a variety of suppliers.

Our system-level products offer a number of important benefits compared with discrete designs, including: reduced design complexity; smaller size; lower component count, which in turn results in higher reliability and easier sourcing of components; reduced time-to-market; and more efficient use of engineering resources. Our products also

reduce the energy consumption of power converters during normal use and in “standby” operation, when the end product is not in use. In addition to the environmental and economic benefits of reduced energy usage, our energy-saving technologies provide a number of benefits to our customers; these include helping them meet the increasingly stringent efficiency standards now in effect for many electronic products, and enabling the elimination of bulky, costly heatsinks used to dissipate the heat produced by wasted electricity. By reducing component count, circuit-board size and the need for heatsinks, our products also contribute to a reduction in materials usage and electronic waste.

While the size of our addressable market fluctuates with changes in macroeconomic and industry conditions, the market has generally exhibited a modest growth rate over time as growth in the unit volume of power converters has been offset to a large degree by reductions in the average selling price of components in this market. Therefore, the growth of our business depends largely on increasing our penetration of the markets that we serve and on further expanding our addressable market. Our growth strategy includes the following elements:

- *Increase our penetration of the markets we serve.* We currently address AC-DC applications with power outputs up to approximately 500 watts, gate-driver applications ranging approximately 100 kilowatts up to gigawatts, and motor-drive applications up to approximately 400 watts. Through our research and development efforts, we seek to introduce more advanced products for these markets offering higher levels of integration and performance compared to earlier products. We also continue to expand our sales and application-engineering staff and our network of distributors, as well as our offerings of technical documentation and design-support tools and services to help customers use our products. These tools and services include our PI Expert™ design software, which we offer free of charge, and our transformer-sample service. In 2022 we launched PowerPros™, a live online video support service that enables power-supply designers to talk directly with members of our applications engineering team 24 hours a day, six days a week, anywhere in the world.
- *Capitalize on efforts to reduce carbon emissions by providing products that contribute to improved energy efficiency and increased use of renewable energy.* In its 2019 [World Energy Outlook](#), the International Energy Agency estimated that more than two-thirds of the reduction in carbon-dioxide (“CO2”) emissions needed to achieve the “Sustainable Development Scenario” of the United Nations Sustainable Development Agenda is to come from improved energy efficiency and increased use of renewable energy. Energy savings enabled by our products help our customers comply with regulations that seek to curb energy consumption in support of reducing CO2 emissions. For example: our EcoSmart™ technology drastically reduces the amount of energy consumed by electronic products when they are plugged in but not in use; our PowiGaN™ gallium-nitride (“GaN”) transistors reduce energy consumption compared to silicon transistors; and our BridgeSwitch™ motor-driver ICs provide highly efficient power conversion for BLDC motors in appliances and industrial applications. Also, our gate-driver products are critical components in energy-efficient DC motor drives, solar- and wind-power systems, efficient high-voltage DC transmission systems (including transmission of energy from renewable energy installations to the power grid), and low-emissions transportation applications such as electric locomotives.
- *Increase the size of our addressable market.* Prior to 2010 our addressable market consisted of AC-DC applications with up to about 50 watts of output, a served available market (“SAM”) opportunity of approximately \$1.5 billion. Since then we have expanded our SAM to approximately \$4 billion through a variety of means. These include the introduction of products that enable us to address higher-power AC-DC applications (such as our Hiper™ product families), the introduction of LED-driver products, and our entry into the gate-driver market through the acquisition of CT-Concept Technologie AG in 2012. In 2016 we introduced the SCALE-iDriver™ family of ICs, broadening the range of gate-driver applications we can address, and in 2018 we introduced our BridgeSwitch™ motor-driver ICs for BLDC motors. We have recently introduced a series of automotive-qualified versions of our products, including SCALE-iDriver, InnoSwitch™ and LinkSwitch™ ICs, targeting the EV market; we expect to introduce additional products targeting EVs in the future, and expect automotive applications to become a significant portion of our SAM over time.

Also contributing to our SAM expansion has been the emergence of new applications within the power ranges that our products can address. For example, applications such as “smart” utility meters, battery-

powered lawn equipment and bicycles, and USB power receptacles (often installed alongside traditional AC wall outlets) can incorporate our products. The increased use of connectivity, LED lighting and other power-consuming electronic features in consumer appliances has also enhanced our SAM.

We have also expanded our SAM through the development of technologies and architectures that increase the value (and therefore the average selling prices) of our products. For example, our InnoSwitch™ ICs integrate circuitry from the secondary, or low-voltage, side of AC-DC power supplies, whereas earlier product families integrated circuitry only on the primary, or high-voltage side. Our InnoMux™ IC families provide up to three DC outputs, eliminating the need for additional power-management circuitry in certain end products requiring multiple voltages while significantly increasing efficiency. In 2019 we began incorporating our proprietary GaN transistors in some of our products, enabling a higher level of energy efficiency than ICs with silicon transistors. Since then, we have introduced a variety of new products utilizing GaN technology, as well as new generations of our GaN technology capable of supporting higher voltages (as high as 1250 volts). We are currently developing new products incorporating these technologies, which we believe will enable us to address higher-power applications than we address with our current range of products and therefore further expand our SAM.

We intend to continue expanding our SAM in the years ahead through all of the means described above.

Our quarterly operating results are difficult to predict and subject to significant fluctuations. We plan our production and inventory levels based on internal forecasts of projected customer demand, which are highly unpredictable and can fluctuate substantially. Customers typically may cancel or reschedule orders on short notice without significant penalty and, conversely, often place orders with very short lead times to delivery. Also, external factors such as supply-chain dynamics, widespread health emergencies like the COVID-19 pandemic, and macroeconomic conditions including inflation, fluctuations in interest and exchange rates and bank failures, have caused and can continue to cause our operating results to be volatile. Furthermore, because our industry is intensely price-sensitive, our gross margin (gross profit divided by net revenues) is subject to change based on the relative pricing of solutions that compete with ours. Variations in product mix, end-market mix and customer mix can also cause our gross margin to fluctuate. Because we purchase a large percentage of our silicon wafers from foundries located in Japan, our gross margin is influenced by fluctuations in the exchange rate between the U.S. dollar and the Japanese yen. Changes in the prices of raw materials used in our products, such as copper and gold, can also affect our gross margin. Although our wafer fabrication and assembly operations are outsourced, as are most of our test operations, a portion of our production costs are fixed in nature. As a result, our unit costs and gross margin are impacted by the volume of units we produce.

Recent Results

Our net revenues were \$91.7 million and \$106.3 million in the three months ended March 31, 2024 and 2023, respectively. We believe that demand for our products has been negatively affected by an array of macroeconomic and geopolitical factors including reduced consumer spending and a reduction in home sales in response to inflation and higher interest rates, general economic weakness in China, weaker industrial activity and the conflicts in Ukraine and the Middle East. We believe these factors have exacerbated the effects of an ongoing cyclical downturn in the semiconductor industry; such downturns are commonly experienced following periods of strong growth during which supply-chain participants tend to accumulate excess inventories. Also contributing to the decrease in revenues has been a reduction in sales of our products for mobile-phone chargers; this reflects a variety of factors including increased decoupling of smartphone handsets and chargers, shifts in market share among handset vendors and diversification of component suppliers among Chinese handset OEMs, including greater use of Chinese-made components.

Our top ten customers, including distributors that resell to original equipment manufacturers (“OEMs”) and merchant power supply manufacturers, accounted for 77% and 78% of net revenues for the three months ended March 31, 2024 and 2023, respectively. International sales accounted for 98% of our net revenues in both the three months ended March 31, 2024 and 2023.

Our gross margin was 52% and 51% for the three months ended March 31, 2024 and 2023, respectively. The increase in gross margin was primarily due to favorable end-market mix and favorable impact of the dollar/yen exchange rate on our wafer costs.

Total operating expenses were \$47.3 million and \$48.2 million for the three months ended March 31, 2024 and 2023, respectively. The decrease in operating expenses for the three-month period was primarily due to lower stock-based

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compensation expense related to the timing of grants for performance-based awards, as well as decreased product-development expenses. Partially offsetting these decreases were higher salary and related expenses driven by annual salary increases and increased travel expenses. In addition, we recognized a credit to expenses in the first quarter of 2023 related to the recovery of bad debt.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those listed below. We base our estimates on historical facts and various other assumptions that we believe to be reasonable at the time the estimates are made. Actual results could differ from those estimates.

Critical accounting policies are important to the portrayal of our financial condition and results of operations and require us to make judgments and estimates about matters that are inherently uncertain. There have been no material changes to our critical accounting policies and estimates disclosed in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates” and Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*, in each case in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 12, 2024. Currently, our only critical accounting policies relate to revenue recognition and estimating write-downs for excess and obsolete inventory.

Results of Operations

The following table sets forth certain operating data as a percentage of net revenues for the periods indicated:

	Three Months Ended	
	March 31,	
	2024	2023
Net revenues	100.0 %	100.0 %
Cost of revenues	47.9	49.2
Gross profit	52.1	50.8
Operating expenses:		
Research and development	25.3	22.6
Sales and marketing	17.2	14.9
General and administrative	9.1	7.8
Total operating expenses	51.6	45.3
Income from operations	0.5	5.5
Other income	3.8	1.6
Income before income taxes	4.3	7.1
Provision for income taxes	—	0.6
Net income	4.3 %	6.5 %

Comparison of the three months ended March 31, 2024 and 2023

Net revenues. Net revenues consist of revenues from product sales, which are calculated net of returns and allowances. Net revenues for the three months ended March 31, 2024 and 2023 were \$91.7 million and \$106.3 million, respectively.

We believe that demand for our products has been negatively affected by an array of macroeconomic and geopolitical factors including reduced consumer spending and a reduction in home sales in response to inflation and higher interest rates, general economic weakness in China, weaker industrial activity and the conflicts in Ukraine and the Middle East. We believe these factors have exacerbated the effects of an ongoing cyclical downturn in the semiconductor industry; such downturns are commonly experienced following periods of strong growth during which supply-chain participants tend to accumulate excess inventories. Also contributing to the decrease in revenues has been a reduction in sales of our products for mobile-phone chargers; this reflects a variety of factors including increased decoupling of smartphone handsets and chargers, shifts in market share among handset vendors, and diversification of component suppliers among Chinese handset OEMs, including greater use of Chinese-made components. As a result of these factors, revenues from our communications category were lower in the three months ended March 31, 2024, as compared to the corresponding

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period of 2023. The reduction was partially offset by growth in the consumer category reflecting reduced supply-chain inventories related to consumer appliances.

Our revenue mix by end market for the three months ended March 31, 2024 and 2023 was as follows:

End Market	Three Months Ended March 31,	
	2024	2023
Communications	11 %	28 %
Computer	11 %	14 %
Consumer	41 %	24 %
Industrial	37 %	34 %

International sales, consisting of sales outside of the United States of America based on “bill to” customer locations, were \$90.1 million and \$103.8 million in the three months ended March 31, 2024 and 2023, respectively. Although power converters using our products are distributed to end markets worldwide, most are manufactured in Asia. As a result, sales to this region represented 81% and 80% of our net revenues in the three months ended March 31, 2024 and 2023, respectively. We expect international sales, and sales to the Asia region in particular, to continue to account for a large portion of our net revenues in the future.

Sales to distributors accounted for 72% and 63% in the three months ended March 31, 2024 and 2023, respectively. Direct sales to OEMs and power-supply manufacturers accounted for the remainder.

The following customers represented 10% or more of our net revenues for the respective periods:

Customer	Three Months Ended March 31,	
	2024	2023
Avnet	29 %	25 %
Honestar Technologies Co., Ltd.	11 %	12 %
Salcomp Group	*	13 %

*Total customer revenue was less than 10% of net revenues.

No other customers accounted for 10% or more of our net revenues in these periods.

Gross profit. Gross profit is net revenues less cost of revenues. Our cost of revenues consists primarily of the purchase of wafers from our contracted foundries, the assembly, packaging and testing of our products by sub-contractors, product testing performed in our own facility, overhead associated with the management of our supply chain. Gross margin is gross profit divided by net revenues. The following table compares gross profit and gross margin for the three months ended March 31, 2024 and 2023:

(dollars in millions)	Three Months Ended March 31,	
	2024	2023
Net revenues	\$ 91.7	\$ 106.3
Gross profit	\$ 47.8	\$ 54.0
Gross margin	52.1 %	50.8 %

The increase in gross margin was primarily due to favorable end-market mix and favorable impact of the dollar/yen exchange rate on our wafer costs.

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Research and development expenses. Research and development (“R&D”) expenses consist primarily of employee-related expenses, including stock-based compensation, and expensed material and facility costs associated with the development of new technologies and new products. We also record R&D expenses for prototype wafers related to new products until such products are released to production. The table below compares R&D expenses for the three months ended March 31, 2024 and 2023:

(dollars in millions)	Three Months Ended March 31,	
	2024	2023
R&D expenses	\$ 23.2	\$ 24.0
Headcount (at period end)	299	296

R&D expenses decreased for the three months ended March 31, 2024, as compared to the corresponding period of 2023 primarily due to decreased stock-based compensation expense related to the timing of grants of performance-based awards, as well as decreased product-development expenses. These decreases were partially offset by higher salary and related expenses driven by annual salary increases, as well as increased travel expenses.

Sales and marketing expenses. Sales and marketing (“S&M”) expenses consist primarily of employee-related expenses, including stock-based compensation, commissions to sales representatives, amortization of intangible assets and facilities expenses, including expenses associated with our regional sales and support offices. The table below compares S&M expenses for the three months ended March 31, 2024 and 2023:

(dollars in millions)	Three Months Ended March 31,	
	2024	2023
Sales and marketing expenses	\$ 15.7	\$ 15.9
Headcount (at period end)	322	318

S&M expenses for the three months ended March 31, 2024 were consistent with the corresponding period of 2023.

General and administrative expenses. General and administrative (“G&A”) expenses consist primarily of employee-related expenses, including stock-based compensation expense, for administration, finance, human resources and general management, as well as consulting, professional services, legal and audit expenses. The table below compares G&A expenses for the three months ended March 31, 2024 and 2023:

(dollars in millions)	Three Months Ended March 31,	
	2024	2023
G&A expenses	\$ 8.4	\$ 8.3
Headcount (at period end)	74	74

G&A expenses increased for the three months ended March 31, 2024, as compared to the corresponding period of 2023, primarily due to a credit to expenses related to the recovery of bad debt in the prior year period. The comparative increase in the three months ended March 31, 2024 was partially offset by decreased stock-based compensation expense related to the timing of grants of performance-based awards.

Other income. Other income consists primarily of interest income earned on cash and cash equivalents, marketable securities and other investments, and the impact of foreign exchange gains or losses. The table below compares other income for the three months ended March 31, 2024 and 2023:

(dollars in millions)	Three Months Ended March 31,	
	2024	2023
Other income	\$ 3.5	\$ 1.7

Other income increased for the three months ended March 31, 2024, as compared to the corresponding period of 2023, primarily due to higher interest income driven by higher interest rates on investments.

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Provision for income taxes. Provision for income taxes represents federal, state and foreign taxes. The table below compares income-tax expense for the three months ended March 31, 2024 and 2023:

(dollars in millions)	Three Months Ended March 31,	
	2024	2023
Provision for income taxes	\$ —	\$ 0.6
Effective tax rate	0.5 %	8.0 %

Income-tax expense includes a provision for federal, state and foreign taxes based on the annual estimated effective tax rate applicable to us and our subsidiaries, adjusted for certain discrete items which are fully recognized in the period in which they occur. Accordingly, the interim effective tax rate may not be reflective of the annual estimated effective tax rate.

Our effective tax rate for the three months ended March 31, 2024 and 2023 was 0.5% and 8.0%, respectively. The effective tax rate in these periods was lower than the statutory federal income-tax rate of 21% due to the geographic distribution of our world-wide earnings in lower-tax jurisdictions and the impact of federal research tax credits. Additionally, in the three months ended March 31, 2024 and 2023, our effective tax rate was favorably impacted by the recognition of excess tax benefits related to share-based payments and the release of unrecognized tax benefits. These benefits were partially offset by U.S. tax on foreign income, known as global intangible low-taxed income. The primary jurisdiction from which our foreign earnings are derived is the Cayman Islands, which is a non-taxing jurisdiction. Income earned in other foreign jurisdictions was not material. We have not been granted any incentivized tax rates and do not operate under any tax holidays in any jurisdiction.

Liquidity and Capital Resources

As of March 31, 2024, we had \$299.6 million in cash, cash equivalents and short-term marketable securities, a decrease of \$12.0 million from \$311.6 million as of December 31, 2023. As of March 31, 2024, we had working capital, defined as current assets less current liabilities, of \$452.9 million, a decrease of approximately \$9.8 million from \$462.7 million as of December 31, 2023.

We have a credit agreement with Wells Fargo Bank, National Association (the "Credit Agreement") that provides us with a \$75.0 million revolving line of credit to use for general corporate purposes with a \$20.0 million sub-limit for the issuance of standby and trade letters of credit. The Credit Agreement was amended on June 7, 2021, to provide an alternate borrowing rate as a replacement for LIBOR and extend the termination date from April 30, 2022, to June 7, 2026, with all other terms remaining the same. The Credit Agreement was amended with an effective date of June 28, 2023 to include the Secured Overnight Financing Rates ("SOFR") as interest rate benchmark rates, with all other terms remaining the same. Our ability to borrow under the revolving line of credit is conditioned upon our compliance with specified covenants, including reporting and financial covenants, primarily a minimum liquidity measure and a debt to earnings ratio, with which we are currently in compliance. The Credit Agreement terminates on June 7, 2026; all advances under the revolving line of credit will become due on such date, or earlier in the event of a default. No advances were outstanding under the agreement as of March 31, 2024.

Cash From Operating Activities

Operating activities generated \$15.9 million of cash in the three months ended March 31, 2024. Net income for this period was \$4.0 million; we also incurred depreciation, non-cash stock-based compensation expense, increase in deferred tax assets, accretion of discount on marketable securities, and amortization of intangibles of \$8.7 million, \$6.4 million, \$1.3 million, \$0.5 million and \$0.5 million, respectively. Sources of cash included a \$2.2 million decrease in accounts receivable due to timing of receipts, a \$1.3 million increase in accounts payable (excluding payables related to property and equipment) due to timing of payments and a \$0.8 million decrease in prepaid expenses and other assets. These sources of cash were partially offset by a \$4.7 million increase in inventories due to lower demand during the quarter and a \$1.7 million decrease in taxes payable and accrued liabilities.

Operating activities generated \$16.6 million of cash in the three months ended March 31, 2023. Net income for this period was \$6.9 million; we also incurred depreciation, non-cash stock-based compensation expense, amortization of intangibles and amortization premiums on marketable securities of \$9.0 million, \$7.4 million, \$0.5 million and \$0.4 million, respectively. Sources of cash also included a \$2.9 million increase in accounts payable (excluding payables

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related to property and equipment) due to timing of payments and a \$0.7 million decrease in accounts receivable due to decreased customer shipments. These sources of cash were partially offset by a \$2.3 million decrease in prepaid expenses and other assets, a \$7.0 million increase in inventories due to lower demand during the quarter and a \$0.7 million decrease in taxes payable and accrued liabilities.

Cash From Investing Activities

Our investing activities in the three months ended March 31, 2024 resulted in a \$0.1 million net use of cash, primarily consisting of \$4.3 million used for purchases of property and equipment, (primarily production-related machinery and equipment) partially offset by \$4.3 million from sales and maturities of marketable securities, net of purchases.

Our investing activities in the three months ended March 31, 2023 resulted in \$18.3 million net use of cash, primarily consisting of \$14.2 million used for purchases of marketable securities net of proceeds from maturities, and \$4.1 million used for purchases of property and equipment (primarily production-related machinery and equipment).

Cash From Financing Activities

Our financing activities in the three months ended March 31, 2024 resulted in a \$23.3 million net use of cash, consisting of \$14.6 million for the repurchase of our common stock and \$11.4 million for the payment of dividends to stockholders, partially offset by proceeds of \$2.7 million from the issuance of shares through our employee stock purchase plan.

Our financing activities in the three months ended March 31, 2023 resulted in a \$9.5 million net use of cash, consisting of \$1.7 million for the repurchase of our common stock and \$10.9 million for the payment of dividends to stockholders, partially offset by proceeds of \$3.1 million from the issuance of shares through our employee stock purchase plan.

Dividends

In February 2023, our board of directors declared dividends of \$0.19 per share to be paid to stockholders of record at the end of each quarter in 2023. In October 2023, our board of directors raised the quarterly cash dividend with the declaration of five cash dividends of \$0.20 per share to be paid to stockholders of record at the end of the fourth quarter in 2023 (in lieu of the \$0.19 per share announced in February 2023) and at the end of each quarter in 2024.

A dividend payout of \$11.4 million occurred on March 28, 2024. The declaration of any future cash dividend is at the discretion of the board of directors and will depend on our financial condition, results of operations, capital requirements, business conditions and other factors, as well as a determination that cash dividends are in the best interests of our stockholders.

Stock Repurchases

As of December 31, 2023, we had \$26.0 million remaining under our stock-repurchase program. In the three months ended March 31, 2024, we repurchased approximately 207,000 shares of our common stock for \$14.6 million, leaving \$11.3 million remaining on the repurchase authorization as of March 31, 2024. Authorization of future repurchase programs is at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, business conditions and other factors; the program has no expiration date.

Contractual Commitments

As of March 31, 2024 we had a contractual obligation related to income tax, which consisted primarily of unrecognized tax benefits of approximately \$16.4 million and interest associated with those benefits of approximately \$0.3 million. A portion of the tax obligation is classified as long-term income taxes payable and a portion is recorded in deferred tax assets in our condensed consolidated balance sheet.

As of March 31, 2024, there were no material changes in our contractual commitments from those reported in our Annual Report on Form 10-K for the year ended December 31, 2023.

Other Information

Our cash, cash equivalents and investment balances may change in future periods due to changes in our planned cash outlays, including changes in incremental costs such as direct and integration costs related to future acquisitions.

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Current U.S. tax laws generally allow companies to repatriate accumulated foreign earnings without incurring additional U.S. federal taxes. Accordingly, as of March 31, 2024, our worldwide cash and marketable securities are available to fund capital allocation needs, including capital and internal investments, acquisitions, stock repurchases and/or dividends without incurring additional U.S. federal income taxes.

If our operating results deteriorate in future periods, either as a result of a decrease in customer demand or pricing pressures from our customers or our competitors, or for other reasons, our ability to generate positive cash flow from operations may be jeopardized. In that case, we may be forced to use our cash, cash equivalents and short-term investments, use our current financing or seek additional financing from third parties to fund our operations. We believe that cash generated from operations, together with existing sources of liquidity, will satisfy our projected working capital and other cash requirements for at least the next 12 months. Our uses of cash beyond the next 12 months will depend on many factors, including the general economic environment in which we operate and our ability to generate cash flow from operations, which are uncertain but include funding our operations and additional capital expenditures.

Recent Accounting Pronouncements

Information with respect to this item may be found in Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*, in our Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our interest rate risk and foreign currency exchange risk during the first three months of 2024. For a discussion of our exposure to interest rate risk and foreign currency exchange risk, refer to our market risk disclosures set forth in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of the 2023 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Limitation on Effectiveness of Controls

Any control system, no matter how well designed and operated, can provide only reasonable assurance as to the tested objectives. The design of any control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. The inherent limitations in any control system include the realities that judgments related to decision-making can be faulty, and that reduced effectiveness in controls can occur because of simple errors or mistakes. Due to the inherent limitations in a cost-effective control system, misstatements due to error may occur and may not be detected.

Evaluation of Disclosure Controls and Procedures

Management is required to evaluate our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include controls and procedures designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure. Based on our management’s evaluation (with the participation of our principal executive officer and principal financial officer), our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2024, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information with respect to this item may be found in Note 12, *Legal Proceedings and Contingencies*, in our Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

ITEM 1A. RISK FACTORS

As of the date of this filing, the risk factors have not changed materially from those disclosed in Part I Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2023, which risk factors are incorporated herein by reference in this report from [Item 1A](#) of our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 12, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

In the three months ended March 31, 2024, we repurchased approximately 207,000 of our shares for \$14.6 million, leaving \$11.3 million remaining on our repurchase authorization as of March 31, 2024. The program has no expiration date.

The following table summarizes repurchases of our common stock made under our publicly announced repurchase program during the first quarter of fiscal 2024:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value that May Yet be Repurchased Under the Plans or Program (In millions)</u>
January 1, 2024 to January 31, 2024	243	\$ 74.91	243	\$ 26.0
February 1, 2024 to February 29, 2024	54,143	\$ 71.69	54,143	\$ 22.1
March 1, 2024 to March 31, 2024	152,869	\$ 70.26	152,869	\$ 11.3
Total	<u>207,255</u>		<u>207,255</u>	

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the three months ended March 31, 2024, none of our directors or executive officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

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ITEM 6. EXHIBITS

EXHIBIT NUMBER	Exhibit Description	Incorporation by Reference				
		Form	File Number	Exhibit/Other Reference	Filing Date	Filed Herewith
3.1	Restated Certificate of Incorporation	10-K	000-23441	3.1	2/29/2012	
3.2	Amended and Restated Bylaws	8-K	000-23441	3.1	4/26/2013	
4.2	Reference is made to Exhibits 3.1 to 3.2					
10.1†	Amendment Number Twelve to Wafer Supply Agreement, effective as of February 26, 2024 by Power Integrations International Ltd. and Seiko Epson Corporation					X
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X

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EXHIBIT NUMBER	Exhibit Description	Incorporation by Reference				
		Form	File Number	Exhibit/Other Reference	Filing Date	Filed Herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					

All references in the table above to previously filed documents or descriptions are incorporating those documents and descriptions by reference thereto.

† Portions of this exhibit have been omitted as being immaterial and is the type of information that Power Integrations, Inc. treats as private or confidential.

** The certifications attached as Exhibits 32.1 and 32.2 accompanying this Quarterly Report on Form 10-Q, are not deemed filed with the SEC, and are not to be incorporated by reference into any filing of Power Integrations, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

POWER INTEGRATIONS, INC.

Dated: May 7, 2024

By: /s/ SANDEEP NAYYAR

Sandeep Nayyar

Chief Financial Officer

(Duly Authorized Officer, Principal Financial Officer and Principal Accounting Officer)

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT POWER INTEGRATIONS INC. TREATS AS PRIVATE OR CONFIDENTIAL.

Exhibit 10.1

AMENDMENT NUMBER TWELVE TO WAFER SUPPLY AGREEMENT

This Amendment Number twelve (the "Amendment"), effective as of February 26, 2024 (the "Amendment Effective Date"), amends the Wafer Supply Agreement effective April 1, 2005, as amended by Amendment Number One effective December 19, 2008, Amendment Number Two effective September 13, 2010, Amendment Number Three effective February 1, 2012, Amendment Number Four effective April 1, 2015, Amendment Number Five effective November 2, 2015, Amendment Number Six effective December 8, 2015, Amendment Number Seven effective October 3, 2016, Amendment Number Eight effective November 8, 2016, Amendment Number Nine effective as of October 1, 2017, Amendment Number Ten effective April 26, 2020 (the "Agreement"), and Amendment Number Eleven effective September 16, 2022 (the "Agreement") by and between:

POWER INTEGRATIONS, LTD. d.b.a. POWER INTEGRATIONS INTERNATIONAL, LTD., a Cayman Islands corporation having a place of business at, P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, Cayman Islands ("POWER INTEGRATIONS")

and

SEIKO EPSON CORPORATION, a Japanese corporation having a place of business at 281 Fujimi, Fujimi-machi, Suwa-gun, Nagano-ken, 399-0293 Japan ("SEIKO EPSON").

RECITALS

WHEREAS, pursuant to the terms of the Agreement, PI grants to SEIKO EPSON licenses of certain of PI INTELLECTUAL PROPERTY for the sole purpose of POWER INTEGRATIONS acquiring from SEIKO EPSON the fabrication and supply of WAFERS of certain power IC products; and

WHEREAS, POWER INTEGRATIONS and SEIKO EPSON desire to amend the terms of the Agreement; and

WHEREAS, in accordance with Section 18.10 of the Agreement, the Agreement may be amended only by an instrument in writing duly executed by authorized representatives of SEIKO EPSON and POWER INTEGRATIONS.

Now, THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby amend the Agreement as follows:

AGREEMENT

Add the following new Section to Exhibit F.

1.11 POWER INTEGRATIONS will pay SEIKO EPSON an [***] fee of [***] Japanese Yen [***] for modifications to SEIKO EPSON [***] equipment in the [***] of the SEIKO EPSON Facility by the end of [***]. POWER INTEGRATIONS is not obligated to pay Japan consumption tax for these modifications. In consideration for the [***] fee, SEIKO EPSON will [***] of PI [***] from [***] per month to [***] per month no later than [***]. The [***] per month number will include [***], [***], and [***]. The modifications will be PI INTELLECTUAL PROPERTY. Use of the modified equipment is irrevocably and indefinitely not limited to use for POWER INTEGRATIONS only, as long as capacity for PI [***] is not negatively impacted.

Effective as of the Amendment Effective Date, all references in the Agreement to "the Agreement" or "this Agreement" shall mean the Agreement as amended by this Amendment. Except as expressly amended herein, the terms of the Agreement continue unchanged and shall remain in full force and effect. This Amendment may be executed in one or more counterparts, each of which shall be considered an original, but all of which counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their duly authorized representatives, effective as of the Amendment Effective Date,

SEIKO EPSON CORPORATION

POWER INTEGRATIONS, LTD. d.b.a.
POWER INTEGRATIONS INTERNATIONAL,
LTD.

Signature: /s/ Norimatsu Tsutomu
Name: Norimatsu Tsutomu
Title: Chief Operating Officer

Date: April 15, 2024

Signature: /s/ Sunil Gupta
Name: Sunil Gupta
Title: President

Date: April 22, 2024



CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Balu Balakrishnan certify that:

1. I have reviewed this Form 10-Q of Power Integrations, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2024

By: /s/ BALU BALAKRISHNAN

Balu Balakrishnan
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Sandeep Nayyar, certify that:

1. I have reviewed this Form 10-Q of Power Integrations, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2024

By: /s/ SANDEEP NAYYAR

Sandeep Nayyar
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Power Integrations, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Balu Balakrishnan, Chief Executive Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), certify to the best of my knowledge that:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2024

By: /s/ BALU BALAKRISHNAN

Balu Balakrishnan
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Power Integrations, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sandeep Nayyar, Chief Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”), certify to the best of my knowledge that:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2024

By: /s/ SANDEEP NAYYAR

Sandeep Nayyar
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.
