

Power Integrations Reports Second-Quarter Financial Results

Quarterly revenues were \$106.2 million; GAAP earnings were \$0.09 per diluted share; non-GAAP earnings were \$0.28 per diluted share

SAN JOSE, CALIF. – August 6, 2024 – Power Integrations (NASDAQ: [POWI](#)) today announced financial results for the quarter ended June 30, 2024. Net revenues for the second quarter were \$106.2 million, up 16 percent from the prior quarter and down 14 percent from the second quarter of 2023. GAAP net income for the second quarter was \$4.8 million or \$0.09 per diluted share compared to \$0.07 per diluted share in the prior quarter and \$0.26 per diluted share in the second quarter of 2023. Cash flow from operations for the second quarter was \$17.6 million.

In addition to its GAAP results, the company provided non-GAAP measures that exclude stock-based compensation, amortization of acquisition-related intangible assets and the related tax effects. Non-GAAP net income for the second quarter of 2024 was \$15.9 million or \$0.28 per diluted share compared to \$0.18 per diluted share in the prior quarter and \$0.36 per diluted share in the second quarter of 2023. A reconciliation of GAAP to non-GAAP financial results is included with the tables accompanying this press release.

Stated Balu Balakrishnan, chairman and CEO of Power Integrations: “Second-quarter revenues rebounded as expected, and while demand continues to be soft and visibility is limited, we expect another sequential increase in the third quarter driven by lower distributor inventories and new design wins. We also expect a further increase in our gross margin driven by the favorable dollar/yen exchange rate and higher manufacturing volumes.”

Additional Highlights

- On July 1, 2024, Power Integrations completed its acquisition of the assets of Odyssey Semiconductor Technologies. The transaction is intended to augment the company’s development of high-power gallium-nitride (GaN) switching technology.
- During the second quarter Power Integrations repurchased 164 thousand shares of its common stock for \$11.3 million, completing its repurchase authorization.

- Power Integrations paid a dividend of \$0.20 per share on June 28, 2024; a dividend of \$0.20 per share will be paid on September 30, 2024, to stockholders of record as of August 30, 2024.

Financial Outlook

The company issued the following forecast for the third quarter of 2024:

- Revenues are expected to be \$115 million plus or minus \$5 million.
- GAAP gross margin is expected to be between 53.5 percent and 54.0 percent; non-GAAP gross margin is expected to be between 54.5 percent and 55.0 percent. The difference between GAAP and non-GAAP gross margins is approximately equally attributable to stock-based compensation and amortization of acquisition-related intangible assets.
- GAAP operating expenses are expected to be between \$53.5 million and \$54 million; non-GAAP operating expenses are expected to be between \$44.5 million and \$45 million. Non-GAAP operating expenses are expected to exclude approximately \$9 million of stock-based compensation.

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

Power Integrations management will hold a conference call today at 1:30 p.m. Pacific time. A live webcast of the call will be available on the investor section of the company's website, <http://investors.power.com>. Members of the investment community can access the telephonic conference call by clicking [here](#).

About Power Integrations

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

Note Regarding Use of Non-GAAP Financial Measures

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

Note Regarding Forward-Looking Statements

The above statements regarding the company's forecast for its third-quarter financial performance are forward-looking statements reflecting management's current expectations and beliefs. These statements are based on current information that is, by its nature, subject to rapid and even abrupt change. Due to risks and uncertainties associated with the company's business, actual results could differ materially from those projected or implied by these statements. These risks and uncertainties include, but are not limited to: the company's ability to supply products and its ability to conduct other aspects of its business such as competing for new design wins; changes in global economic and geopolitical conditions, including such factors as inflation, armed conflicts and trade negotiations, which may impact the level of demand for the company's products; potential changes and shifts in customer demand away from end products that utilize the company's integrated circuits to end products that do not incorporate the company's products; the effects of competition, which may cause the company's revenues to decrease or cause the company to decrease its selling prices for its products; unforeseen costs and expenses; and unfavorable fluctuations in component costs or operating expenses resulting from changes in commodity prices and/or exchange rates. In addition, new product introductions and design wins are subject to the risks and uncertainties that typically accompany development and delivery of complex technologies to the marketplace, including product development delays and defects and market acceptance of the new products. These and other risk factors that may cause actual results to differ are more fully explained under the caption "Risk Factors" in the company's most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 12, 2024. The company is under no obligation (and expressly disclaims any obligation) to update or alter its forward-looking statements, whether because of new information, future events or otherwise, except as otherwise required by law.

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

| | Three Months Ended | | | Six Months Ended | |
|---|----------------------|--|----------------------|---|----------------------|
| | <u>June 30, 2024</u> | <u>March 31, 2024</u> | <u>June 30, 2023</u> | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
| NET REVENUES | \$ 106,198 | \$ 91,688 | \$ 123,223 | \$ 197,886 | \$ 229,520 |
| COST OF REVENUES | <u>49,665</u> | <u>43,908</u> | <u>60,377</u> | <u>93,573</u> | <u>112,717</u> |
| GROSS PROFIT | <u>56,533</u> | <u>47,780</u> | <u>62,846</u> | <u>104,313</u> | <u>116,803</u> |
| OPERATING EXPENSES: | | | | | |
| Research and development | 26,047 | 23,225 | 24,517 | 49,272 | 48,498 |
| Sales and marketing | 18,053 | 15,722 | 17,017 | 33,775 | 32,902 |
| General and administrative | 10,475 | 8,363 | 8,671 | 18,838 | 17,005 |
| Total operating expenses | <u>54,575</u> | <u>47,310</u> | <u>50,205</u> | <u>101,885</u> | <u>98,405</u> |
| INCOME FROM OPERATIONS | 1,958 | 470 | 12,641 | 2,428 | 18,398 |
| OTHER INCOME | <u>3,189</u> | <u>3,502</u> | <u>2,714</u> | <u>6,691</u> | <u>4,428</u> |
| INCOME BEFORE INCOME TAXES | 5,147 | 3,972 | 15,355 | 9,119 | 22,826 |
| PROVISION FOR INCOME TAXES | <u>298</u> | <u>18</u> | <u>562</u> | <u>316</u> | <u>1,158</u> |
| NET INCOME | <u>\$ 4,849</u> | <u>\$ 3,954</u> | <u>\$ 14,793</u> | <u>\$ 8,803</u> | <u>\$ 21,668</u> |
| EARNINGS PER SHARE: | | | | | |
| Basic | <u>\$ 0.09</u> | <u>\$ 0.07</u> | <u>\$ 0.26</u> | <u>\$ 0.15</u> | <u>\$ 0.38</u> |
| Diluted | <u>\$ 0.09</u> | <u>\$ 0.07</u> | <u>\$ 0.26</u> | <u>\$ 0.15</u> | <u>\$ 0.38</u> |
| SHARES USED IN PER-SHARE CALCULATION: | | | | | |
| Basic | 56,780 | 56,833 | 57,355 | 56,807 | 57,231 |
| Diluted | 56,984 | 57,132 | 57,669 | 57,104 | 57,654 |
| SUPPLEMENTAL INFORMATION: | | | | | |
| | <u>June 30, 2024</u> | <u>Three Months Ended March 31, 2024</u> | <u>June 30, 2023</u> | <u>Six Months Ended June 30, 2024</u> | <u>June 30, 2023</u> |
| Stock-based compensation expenses included in: | | | | | |
| Cost of revenues | \$ 707 | \$ 346 | \$ 446 | \$ 1,053 | \$ 747 |
| Research and development | 3,885 | 2,425 | 2,429 | 6,310 | 5,097 |
| Sales and marketing | 2,510 | 1,604 | 1,621 | 4,114 | 3,274 |
| General and administrative | 3,933 | 2,039 | 2,256 | 5,972 | 5,002 |
| Total stock-based compensation expense | <u>\$ 11,035</u> | <u>\$ 6,414</u> | <u>\$ 6,752</u> | <u>\$ 17,449</u> | <u>\$ 14,120</u> |
| Cost of revenues includes: | | | | | |
| Amortization of acquisition-related intangible assets | <u>\$ 258</u> | <u>\$ 482</u> | <u>\$ 482</u> | <u>\$ 740</u> | <u>\$ 964</u> |
| REVENUE MIX BY END MARKET | | | | | |
| | <u>June 30, 2024</u> | <u>Three Months Ended March 31, 2024</u> | <u>June 30, 2023</u> | <u>Six Months Ended June 30, 2024</u> | <u>June 30, 2023</u> |
| Communications | 11% | 11% | 28% | 11% | 28% |
| Computer | 14% | 11% | 14% | 13% | 14% |
| Consumer | 42% | 41% | 29% | 41% | 27% |
| Industrial | 33% | 37% | 29% | 35% | 31% |

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

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|------------------|------------------|-------------------|-------------------|
| | June 30, 2024 | March 31, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| RECONCILIATION OF GROSS PROFIT | | | | | |
| GAAP gross profit | \$ 56,533 | \$ 47,780 | \$ 62,846 | \$ 104,313 | \$ 116,803 |
| GAAP gross margin | 53.2% | 52.1% | 51.0% | 52.7% | 50.9% |
| Stock-based compensation included in cost of revenues | 707 | 346 | 446 | 1,053 | 747 |
| Amortization of acquisition-related intangible assets | 258 | 482 | 482 | 740 | 964 |
| Non-GAAP gross profit | <u>\$ 57,498</u> | <u>\$ 48,608</u> | <u>\$ 63,774</u> | <u>\$ 106,106</u> | <u>\$ 118,514</u> |
| Non-GAAP gross margin | 54.1% | 53.0% | 51.8% | 53.6% | 51.6% |
| RECONCILIATION OF OPERATING EXPENSES | | | | | |
| GAAP operating expenses | \$ 54,575 | \$ 47,310 | \$ 50,205 | \$ 101,885 | \$ 98,405 |
| Less: Stock-based compensation expense included in operating expenses | | | | | |
| Research and development | 3,885 | 2,425 | 2,429 | 6,310 | 5,097 |
| Sales and marketing | 2,510 | 1,604 | 1,621 | 4,114 | 3,274 |
| General and administrative | 3,933 | 2,039 | 2,256 | 5,972 | 5,002 |
| Total | <u>10,328</u> | <u>6,068</u> | <u>6,306</u> | <u>16,396</u> | <u>13,373</u> |
| Non-GAAP operating expenses | <u>\$ 44,247</u> | <u>\$ 41,242</u> | <u>\$ 43,899</u> | <u>\$ 85,489</u> | <u>\$ 85,032</u> |
| RECONCILIATION OF INCOME FROM OPERATIONS | | | | | |
| GAAP income from operations | \$ 1,958 | \$ 470 | \$ 12,641 | \$ 2,428 | \$ 18,398 |
| GAAP operating margin | 1.8% | 0.5% | 10.3% | 1.2% | 8.0% |
| Add: Stock-based compensation | 11,035 | 6,414 | 6,752 | 17,449 | 14,120 |
| Amortization of acquisition-related intangible assets | 258 | 482 | 482 | 740 | 964 |
| Non-GAAP income from operations | <u>\$ 13,251</u> | <u>\$ 7,366</u> | <u>\$ 19,875</u> | <u>\$ 20,617</u> | <u>\$ 33,482</u> |
| Non-GAAP operating margin | 12.5% | 8.0% | 16.1% | 10.4% | 14.6% |
| RECONCILIATION OF PROVISION FOR INCOME TAXES | | | | | |
| GAAP provision for income taxes | \$ 298 | \$ 18 | \$ 562 | \$ 316 | \$ 1,158 |
| GAAP effective tax rate | 5.8% | 0.5% | 3.7% | 3.5% | 5.1% |
| Tax effect of adjustments to GAAP results | (269) | (358) | (1,016) | (627) | (1,517) |
| Non-GAAP provision for income taxes | <u>\$ 567</u> | <u>\$ 376</u> | <u>\$ 1,578</u> | <u>\$ 943</u> | <u>\$ 2,675</u> |
| Non-GAAP effective tax rate | 3.4% | 3.5% | 7.0% | 3.5% | 7.1% |
| RECONCILIATION OF NET INCOME PER SHARE (DILUTED) | | | | | |
| GAAP net income | \$ 4,849 | \$ 3,954 | \$ 14,793 | \$ 8,803 | \$ 21,668 |
| Adjustments to GAAP net income | | | | | |
| Stock-based compensation | 11,035 | 6,414 | 6,752 | 17,449 | 14,120 |
| Amortization of acquisition-related intangible assets | 258 | 482 | 482 | 740 | 964 |
| Tax effect of items excluded from non-GAAP results | (269) | (358) | (1,016) | (627) | (1,517) |
| Non-GAAP net income | <u>\$ 15,873</u> | <u>\$ 10,492</u> | <u>\$ 21,011</u> | <u>\$ 26,365</u> | <u>\$ 35,235</u> |
| Average shares outstanding for calculation of non-GAAP net income per share (diluted) | <u>56,984</u> | <u>57,132</u> | <u>57,669</u> | <u>57,104</u> | <u>57,654</u> |
| Non-GAAP net income per share (diluted) | <u>\$ 0.28</u> | <u>\$ 0.18</u> | <u>\$ 0.36</u> | <u>\$ 0.46</u> | <u>\$ 0.61</u> |
| GAAP net income per share (diluted) | <u>\$ 0.09</u> | <u>\$ 0.07</u> | <u>\$ 0.26</u> | <u>\$ 0.15</u> | <u>\$ 0.38</u> |

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

| | <u>June 30, 2024</u> | <u>March 31, 2024</u> | <u>December 31, 2023</u> |
|---|----------------------|-----------------------|--------------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 50,493 | \$ 56,443 | \$ 63,929 |
| Short-term marketable securities | 239,985 | 243,163 | 247,640 |
| Accounts receivable, net | 16,372 | 12,279 | 14,674 |
| Inventories | 169,884 | 167,865 | 163,164 |
| Prepaid expenses and other current assets | <u>23,102</u> | <u>22,714</u> | <u>22,193</u> |
| Total current assets | <u>499,836</u> | <u>502,464</u> | <u>511,600</u> |
| | | | |
| PROPERTY AND EQUIPMENT, net | 153,785 | 159,945 | 164,213 |
| INTANGIBLE ASSETS, net | 3,561 | 3,881 | 4,424 |
| GOODWILL | 91,849 | 91,849 | 91,849 |
| DEFERRED TAX ASSETS | 31,640 | 29,654 | 28,325 |
| OTHER ASSETS | <u>24,089</u> | <u>17,983</u> | <u>19,457</u> |
| Total assets | <u>\$ 804,760</u> | <u>\$ 805,776</u> | <u>\$ 819,868</u> |
| | | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | \$ 24,831 | \$ 27,361 | \$ 26,390 |
| Accrued payroll and related expenses | 13,596 | 11,822 | 13,551 |
| Taxes payable | 827 | 878 | 1,016 |
| Other accrued liabilities | <u>10,970</u> | <u>9,474</u> | <u>7,910</u> |
| Total current liabilities | <u>50,224</u> | <u>49,535</u> | <u>48,867</u> |
| | | | |
| LONG-TERM LIABILITIES: | | | |
| Income taxes payable | 6,237 | 6,193 | 6,244 |
| Other liabilities | <u>17,557</u> | <u>11,870</u> | <u>12,516</u> |
| Total liabilities | <u>74,018</u> | <u>67,598</u> | <u>67,627</u> |
| | | | |
| STOCKHOLDERS' EQUITY: | | | |
| Common stock | 22 | 22 | 23 |
| Additional paid-in capital | - | - | - |
| Accumulated other comprehensive loss | (3,189) | (2,559) | (1,462) |
| Retained earnings | <u>733,909</u> | <u>740,715</u> | <u>753,680</u> |
| Total stockholders' equity | <u>730,742</u> | <u>738,178</u> | <u>752,241</u> |
| Total liabilities and stockholders' equity | <u>\$ 804,760</u> | <u>\$ 805,776</u> | <u>\$ 819,868</u> |

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

| | Three Months Ended | | | Six Months Ended | |
|--|--------------------|----------------|---------------|------------------|---------------|
| | June 30, 2024 | March 31, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Net income | \$ 4,849 | \$ 3,954 | \$ 14,793 | \$ 8,803 | \$ 21,668 |
| Adjustments to reconcile net income to cash provided by operating activities | | | | | |
| Depreciation | 8,391 | 8,715 | 8,692 | 17,106 | 17,653 |
| Amortization of intangible assets | 320 | 543 | 543 | 863 | 1,086 |
| Loss on disposal of property and equipment | - | 8 | 15 | 8 | 22 |
| Stock-based compensation expense | 11,035 | 6,414 | 6,752 | 17,449 | 14,120 |
| Amortization of premium (accretion of discount) on marketable securities | (413) | (496) | 15 | (909) | 419 |
| Deferred income taxes | (2,152) | (1,330) | (2,044) | (3,482) | (2,782) |
| Increase (decrease) in accounts receivable allowance for credit losses | 163 | 163 | - | 326 | (454) |
| Change in operating assets and liabilities: | | | | | |
| Accounts receivable | (4,256) | 2,232 | (11,492) | (2,024) | (10,787) |
| Inventories | (2,019) | (4,701) | (7,297) | (6,720) | (14,321) |
| Prepaid expenses and other assets | 1,226 | 846 | (4,939) | 2,072 | (7,241) |
| Accounts payable | (1,411) | 1,294 | 5,887 | (117) | 8,813 |
| Taxes payable and other accrued liabilities | 1,898 | (1,737) | (4,744) | 161 | (5,430) |
| Net cash provided by operating activities | 17,631 | 15,905 | 6,181 | 33,536 | 22,766 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Purchases of property and equipment | (4,167) | (4,343) | (3,129) | (8,510) | (7,211) |
| Purchases of marketable securities | (27,918) | (49,912) | (73,888) | (77,830) | (110,810) |
| Proceeds from sales and maturities of marketable securities | 31,194 | 54,198 | 75,948 | 85,392 | 98,641 |
| Net cash used in investing activities | (891) | (57) | (1,069) | (948) | (19,380) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Net proceeds from issuance of common stock | - | 2,691 | - | 2,691 | 3,098 |
| Repurchase of common stock | (11,338) | (14,641) | (4,312) | (25,979) | (5,999) |
| Payments of dividends to stockholders | (11,352) | (11,384) | (10,893) | (22,736) | (21,761) |
| Net cash used in financing activities | (22,690) | (23,334) | (15,205) | (46,024) | (24,662) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (5,950) | (7,486) | (10,093) | (13,436) | (21,276) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 56,443 | 63,929 | 94,189 | 63,929 | 105,372 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 50,493 | \$ 56,443 | \$ 84,096 | \$ 50,493 | \$ 84,096 |