



October 26, 2017

Monolithic Power Systems Announces Results for the Third Quarter Ended September 30, 2017

SAN JOSE, Calif., Oct. 26, 2017 (GLOBE NEWSWIRE) -- Monolithic Power Systems, Inc. (MPS) (Nasdaq:MPWR), a leading company in high performance analog solutions, today announced financial results for the quarter ended September 30, 2017.

- | Revenue was \$128.9 million, a 14.9% increase from \$112.2 million for the quarter ended June 30, 2017 and a 21.1% increase from \$106.5 million for the quarter ended September 30, 2016.
- | GAAP gross margin was 55.0%, compared with 54.4% for the quarter ended September 30, 2016.
- | Non-GAAP (1) gross margin was 55.7%, excluding the impact of \$0.5 million for stock-based compensation expense and \$0.5 million for the amortization of acquisition-related intangible assets, compared with 55.3% for the quarter ended September 30, 2016, excluding the impact of \$0.4 million for stock-based compensation expense and \$0.5 million for the amortization of acquisition-related intangible assets.
- | GAAP operating expenses were \$47.0 million, compared with \$42.9 million for the quarter ended September 30, 2016.
- | Non-GAAP (1) operating expenses were \$32.9 million, excluding \$13.5 million for stock-based compensation expense and \$0.6 million for deferred compensation plan expense, compared with \$29.4 million, excluding \$13.1 million for stock-based compensation expense and \$0.4 million for deferred compensation plan expense, for the quarter ended September 30, 2016.
- | GAAP operating income was \$23.8 million, compared with \$15.0 million for the quarter ended September 30, 2016.
- | Non-GAAP (1) operating income was \$38.9 million, excluding \$14.0 million for stock-based compensation expense, \$0.5 million for the amortization of acquisition-related intangible assets and \$0.6 million for deferred compensation plan expense, compared with \$29.4 million, excluding \$13.5 million for stock-based compensation expense, \$0.5 million for the amortization of acquisition-related intangible assets and \$0.4 million for deferred compensation plan expense, for the quarter ended September 30, 2016.
- | GAAP interest and other income, net was \$1.3 million, compared with \$0.8 million for the quarter ended September 30, 2016.
- | Non-GAAP (1) interest and other income, net was \$0.6 million, excluding \$0.7 million for deferred compensation plan income, compared with \$0.3 million, excluding \$0.5 million for deferred compensation plan income, for the quarter ended September 30, 2016.
- | GAAP net income was \$23.6 million and GAAP earnings per share were \$0.54 per diluted share. Comparatively, GAAP net income was \$14.4 million and GAAP earnings per share were \$0.34 per diluted share for the quarter ended September 30, 2016.
- | Non-GAAP (1) net income was \$36.6 million and non-GAAP earnings per share were \$0.84 per diluted share, excluding stock-based compensation expense, amortization of acquisition-related intangible assets, net deferred compensation plan income and related tax effects, compared with non-GAAP net income of \$27.5 million and non-GAAP earnings per share of \$0.66 per diluted share, excluding stock-based compensation income, amortization of acquisition-related intangible assets, net deferred compensation plan income and related tax effects, for the quarter ended September 30, 2016.

The results for the nine months ended September 30, 2017 are as follows:

- | Revenue was \$341.5 million, a 19.8% increase from \$285.0 million for the nine months ended September 30, 2016.
- | GAAP gross margin was 54.8%, compared with 54.2% for the nine months ended September 30, 2016.
- | Non-GAAP (1) gross margin was 55.6%, excluding the impact of \$1.3 million for stock-based compensation expense and \$1.5 million for the amortization of acquisition-related intangible assets, compared with 55.1% for the nine months ended September 30, 2016, excluding the impact of \$1.2 million for stock-based compensation expense and \$1.5 million for the amortization of acquisition-related intangible assets.
- | GAAP operating expenses were \$134.8 million, compared with \$117.5 million for the nine months ended September 30, 2016.
- | Non-GAAP (1) operating expenses were \$93.3 million, excluding \$39.5 million for stock-based compensation expense and \$2.0 million for deferred compensation plan expense, compared with \$83.6 million, excluding \$33.0 million for stock-based compensation expense and \$0.9 million for deferred compensation plan expense, for the nine months ended September 30, 2016.
- | GAAP operating income was \$52.4 million, compared with \$36.9 million for the nine months ended September 30, 2016.

- | Non-GAAP (1) operating income was \$96.7 million, excluding \$40.8 million for stock-based compensation expense, \$1.5 million for the amortization of acquisition-related intangible assets and \$2.0 million for deferred compensation plan expense, compared with \$73.6 million, excluding \$34.3 million for stock-based compensation expense, \$1.5 million for the amortization of acquisition-related intangible assets and \$0.9 million for deferred compensation plan expense, for the nine months ended September 30, 2016.
- | GAAP interest and other income, net was \$3.9 million, compared with \$1.9 million for the nine months ended September 30, 2016.
- | Non-GAAP (1) interest and other income, net was \$2.0 million, excluding \$1.9 million for deferred compensation plan income, compared with \$0.8 million, excluding \$1.1 million for deferred compensation plan income, for the nine months ended September 30, 2016.
- | GAAP net income was \$53.1 million and GAAP earnings per share were \$1.22 per diluted share. Comparatively, GAAP net income was \$36.1 million and GAAP earnings per share were \$0.87 per diluted share for the nine months ended September 30, 2016.
- | Non-GAAP (1) net income was \$91.2 million and non-GAAP earnings per share were \$2.10 per diluted share, excluding stock-based compensation expense, amortization of acquisition-related intangible assets, net deferred compensation plan expense and related tax effects, compared with non-GAAP net income of \$68.8 million and non-GAAP earnings per share of \$1.65 per diluted share, excluding stock-based compensation expense, amortization of acquisition-related intangible assets, net deferred compensation plan income and related tax effects, for the nine months ended September 30, 2016.

The following is a summary of revenue by end market for the periods indicated, estimated based on MPS's assessment of available end market data (in thousands):

End Market	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Consumer	\$ 55,342	\$ 43,646	\$ 134,870	\$ 115,763
Computing and storage	29,020	23,463	74,103	57,157
Industrial	16,348	14,519	46,736	40,542
Automotive	12,857	8,640	38,042	23,906
Communications	15,372	16,188	47,748	47,679
Total	<u>\$ 128,939</u>	<u>\$ 106,456</u>	<u>\$ 341,499</u>	<u>\$ 285,047</u>

The following is a summary of revenue by product family for the periods indicated (in thousands):

Product Family	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
DC to DC	\$ 119,089	\$ 95,615	\$ 312,700	\$ 256,953
Lighting Control	9,850	10,841	28,799	28,094
Total	<u>\$ 128,939</u>	<u>\$ 106,456</u>	<u>\$ 341,499</u>	<u>\$ 285,047</u>

"Thanks to acceptance of our new product offerings and with our shareholders' support, we will continue to invest and deliver outstanding products to our customers and consistent results to our shareholders," said Michael Hsing, CEO and founder of MPS.

Business Outlook

The following are MPS' financial targets for the fourth quarter ending December 31, 2017:

- | Revenue in the range of \$123.0 million to \$129.0 million.
- | GAAP gross margin between 54.4% and 55.4%. Non-GAAP (1) gross margin between 55.2% and 56.2%, which excludes an estimated impact of stock-based compensation expenses of 0.4% and amortization of acquisition-related intangible assets of 0.4%.
- | GAAP research and development ("R&D") and selling, general and administrative ("SG&A") expenses between \$44.0 million and \$48.0 million. Non-GAAP (1) R&D and SG&A expenses between \$31.5 million and \$33.5 million, which excludes an estimate of stock-based compensation expenses in the range of \$12.5 million to \$14.5 million.
- | Total stock-based compensation expense of \$13.0 million to \$15.0 million.
- | Litigation expenses of \$250,000 to \$350,000.
- | Interest and other income, net, of \$600,000 to \$700,000 before foreign exchange gains or losses.

1 Fully diluted shares outstanding between 43.7 million and 44.7 million before shares buybacks.

(1) Non-GAAP net income, non-GAAP earnings per share, non-GAAP gross margin, non-GAAP R&D and SG&A expenses, non-GAAP operating expenses, non-GAAP interest and other income, net and non-GAAP operating income differ from net income, earnings per share, gross margin, R&D and SG&A expenses, operating expenses, interest and other income, net and operating income determined in accordance with Generally Accepted Accounting Principles in the United States (GAAP). Non-GAAP net income and non-GAAP earnings per share exclude the effect of stock-based compensation expense, amortization of acquisition-related intangible assets, deferred compensation plan income/expense and related tax effects. Non-GAAP gross margin excludes the effect of stock-based compensation expense and amortization of acquisition-related intangible assets. Non-GAAP operating expenses exclude the effect of stock-based compensation expense and deferred compensation plan income/expense. Non-GAAP interest and other income, net excludes the effect of deferred compensation plan income/expense. Non-GAAP operating income excludes the effect of stock-based compensation expense, amortization of acquisition-related intangible assets and deferred compensation plan income/expense. Projected non-GAAP gross margin excludes the effect of stock-based compensation expense and amortization of acquisition-related intangible assets. Projected non-GAAP R&D and SG&A expenses exclude the effect of stock-based compensation expense. These non-GAAP financial measures are not prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. A schedule reconciling non-GAAP financial measures is included at the end of this press release. MPS utilizes both GAAP and non-GAAP financial measures to assess what it believes to be its core operating performance and to evaluate and manage its internal business and assist in making financial operating decisions. MPS believes that the inclusion of non-GAAP financial measures, together with GAAP measures, provides investors with an alternative presentation useful to investors' understanding of MPS' core operating results and trends. Additionally, MPS believes that the inclusion of non-GAAP measures, together with GAAP measures, provides investors with an additional dimension of comparability to similar companies. However, investors should be aware that non-GAAP financial measures utilized by other companies are not likely to be comparable in most cases to the non-GAAP financial measures used by MPS.

Conference Call

MPS plans to conduct an investor teleconference covering its quarter ended September 30, 2017 results at 2:00 p.m. PT / 5:00 p.m. ET, October 26, 2017. To access the conference call and the following replay of the conference call, go to <http://ir.monolithicpower.com> and click on the webcast link. From this site, you can listen to the teleconference, assuming that your computer system is configured properly. In addition to the webcast replay, which will be archived for all investors for one year on the MPS website, a phone replay will be available for seven days after the live call at (404) 537-3406, code number 99361573. This press release and any other information related to the call will also be posted on the website.

Safe Harbor Statement

This press release contains, and statements that will be made during the accompanying teleconference will contain, forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including, among other things, (i) projected revenues, GAAP and non-GAAP gross margin, GAAP and non-GAAP R&D and SG&A expenses, stock-based compensation expenses, amortization of acquisition-related intangible assets, litigation expenses, interest and other income and diluted shares outstanding for the quarter ending December 31, 2017, (ii) our outlook for the long-term prospects of the company, including our performance against our business plan, revenue growth in certain of our market segments, our continued investment into R&D, expected revenue growth, customers' acceptance of our new product offerings, the prospects of our new product development, and our expectations regarding market and industry segment trends and prospects, (iii) our ability to penetrate new markets and expand our market share, (iv) the seasonality of our business, (v) our ability to reduce our expenses, and (vi) statements of the assumptions underlying or relating to any statement described in (i), (ii), (iii), (iv), or (v). These forward-looking statements are not historical facts or guarantees of future performance or events, are based on current expectations, estimates, beliefs, assumptions, goals, and objectives, and involve significant known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from the results expressed by these statements. Readers of this press release and listeners to the accompanying conference call are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date hereof. Factors that could cause actual results to differ include, but are not limited to, our ability to attract new customers and retain existing customers; acceptance of, or demand for, MPS' products, in particular the new products launched recently, being different than expected; our ability to efficiently and effectively develop new products and receive a return on our R&D expense investment; competition generally and the increasingly competitive nature of our industry; any market disruptions or interruptions in MPS' schedule of new product development releases; adverse changes in production and testing efficiency of our products; our ability to realize the anticipated benefits of companies and products that we acquire, and our ability to effectively and efficiently integrate these acquired companies and products into our operations; our ability to manage our inventory levels; adverse changes in government regulations in foreign countries where MPS has offices or operations; the effect of catastrophic events; adequate supply of our products from our third-party manufacturing partners; the risks, uncertainties and costs of litigation in which we are involved; the outcome of any upcoming trials, hearings, motions and appeals; the adverse impact on MPS' financial performance if its tax and litigation provisions are inadequate; adverse changes or developments in the semiconductor industry generally, which is cyclical in nature; difficulty in predicting or budgeting for future customer demand and channel inventories, expenses and financial contingencies; the ongoing consolidation of companies in the semiconductor industry; and other important risk factors

identified in MPS' Securities and Exchange Commission (SEC) filings, including, but not limited to, our annual report on Form 10-K filed with the SEC on March 1, 2017 and our quarterly report on Form 10-Q filed with the SEC on July 31, 2017.

The forward-looking statements in this press release and statements made during the accompanying teleconference represent MPS' projections and current expectations, as of the date hereof, not predictions of actual performance. MPS assumes no obligation to update the information in this press release or in the accompanying conference call.

About Monolithic Power Systems

Monolithic Power Systems, Inc. (MPS) provides small, highly energy efficient, easy-to-use power solutions for systems found in industrial applications, telecom infrastructures, cloud computing, automotive, and consumer applications. MPS' mission is to reduce total energy consumption in its customers' systems with green, practical, compact solutions. The company was founded by Michael Hsing in 1997 and is headquartered in San Jose, CA. MPS can be contacted through its website at www.monolithicpower.com or its support offices around the world.

Monolithic Power Systems, MPS, and the MPS logo are registered trademarks of Monolithic Power Systems, Inc. in the U.S. and trademarked in certain other countries.

Contact:

Bernie Blegen
Chief Financial Officer
Monolithic Power Systems, Inc.
408-826-0777
investors@monolithicpower.com

Monolithic Power Systems, Inc.
Condensed Consolidated Balance Sheets
(Unaudited, in thousands, except par value)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 104,424	\$ 112,703
Short-term investments	195,174	155,521
Accounts receivable, net	50,757	34,248
Inventories	99,887	71,469
Other current assets	13,560	9,043
Total current assets	463,802	382,984
Property and equipment, net	100,629	85,171
Long-term investments	5,368	5,354
Goodwill	6,571	6,571
Acquisition-related intangible assets, net	1,464	3,002
Deferred tax assets, net	661	633
Other long-term assets	26,518	27,411
Total assets	\$ 605,013	\$ 511,126
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 21,831	\$ 17,427
Accrued compensation and related benefits	17,458	12,578
Accrued liabilities	26,879	22,916
Total current liabilities	66,168	52,921
Income tax liabilities	4,627	3,870
Other long-term liabilities	28,695	23,219
Total liabilities	99,490	80,010
Commitments and contingencies		
Stockholders' equity:		
Common stock and additional paid-in capital, \$0.001 par value; shares authorized: 150,000; shares issued and outstanding: 41,508 and 40,793 as of September 30, 2017 and December 31, 2016, respectively	364,726	315,969
Retained earnings	140,455	119,362

Accumulated other comprehensive income (loss)		342	(4,215)
Total stockholders' equity		<u>505,523</u>	<u>431,116</u>
Total liabilities and stockholders' equity		<u>\$ 605,013</u>	<u>\$ 511,126</u>

Monolithic Power Systems, Inc.
Condensed Consolidated Statements of Operations
(Unaudited, in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue	\$ 128,939	\$ 106,456	\$ 341,499	\$ 285,047
Cost of revenue	58,083	48,531	154,377	130,686
Gross profit	<u>70,856</u>	<u>57,925</u>	<u>187,122</u>	<u>154,361</u>
Operating expenses:				
Research and development	21,442	20,472	60,629	55,669
Selling, general and administrative	25,255	22,397	73,219	61,696
Litigation expense, net	327	55	903	92
Total operating expenses	<u>47,024</u>	<u>42,924</u>	<u>134,751</u>	<u>117,457</u>
Income from operations	23,832	15,001	52,371	36,904
Interest and other income, net	1,255	780	3,873	1,920
Income before income taxes	25,087	15,781	56,244	38,824
Income tax provision	1,445	1,408	3,112	2,678
Net income	<u>\$ 23,642</u>	<u>\$ 14,373</u>	<u>\$ 53,132</u>	<u>\$ 36,146</u>
Net income per share:				
Basic	\$ 0.57	\$ 0.35	\$ 1.29	\$ 0.90
Diluted	\$ 0.54	\$ 0.34	\$ 1.22	\$ 0.87
Weighted-average shares outstanding:				
Basic	41,458	40,590	41,276	40,335
Diluted	43,486	41,895	43,384	41,752
Cash dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.60	\$ 0.60

SUPPLEMENTAL FINANCIAL INFORMATION
STOCK-BASED COMPENSATION EXPENSE
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cost of revenue	\$ 453	\$ 403	\$ 1,264	\$ 1,217
Research and development	3,838	3,986	11,297	11,001
Selling, general and administrative	9,678	9,127	28,198	22,023
Total stock-based compensation expense	<u>\$ 13,969</u>	<u>\$ 13,516</u>	<u>\$ 40,759</u>	<u>\$ 34,241</u>

RECONCILIATION OF NET INCOME TO NON-GAAP NET INCOME
(Unaudited, in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	<u>\$ 23,642</u>	<u>\$ 14,373</u>	<u>\$ 53,132</u>	<u>\$ 36,146</u>
Net income as a percentage of revenue	18.3%	13.5%	15.6%	12.7%
Adjustments to reconcile net income to non-GAAP net income:				
Stock-based compensation expense	13,969	13,516	40,759	34,241

Amortization of acquisition-related intangible assets	513	513	1,538	1,538
Deferred compensation plan expense (income)	(50)	(70)	90	(218)
Tax effect	(1,519)	(823)	(4,285)	(2,901)
Non-GAAP net income	<u>\$ 36,555</u>	<u>\$ 27,509</u>	<u>\$ 91,234</u>	<u>\$ 68,806</u>
Non-GAAP net income as a percentage of revenue	28.4 %	25.8 %	26.7 %	24.1 %

Non-GAAP net income per share:

Basic	\$ 0.88	\$ 0.68	\$ 2.21	\$ 1.71
Diluted	\$ 0.84	\$ 0.66	\$ 2.10	\$ 1.65

Shares used in the calculation of non-GAAP net income per share:

Basic	41,458	40,590	41,276	40,335
Diluted	43,486	41,895	43,384	41,752

RECONCILIATION OF GROSS MARGIN TO NON-GAAP GROSS MARGIN

(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Gross profit	<u>\$ 70,856</u>	<u>\$ 57,925</u>	<u>\$ 187,122</u>	<u>\$ 154,361</u>
Gross margin	<u>55.0 %</u>	<u>54.4 %</u>	<u>54.8 %</u>	<u>54.2 %</u>
Adjustments to reconcile gross profit to non-GAAP gross profit:				
Stock-based compensation expense	453	403	1,264	1,217
Amortization of acquisition-related intangible assets	513	513	1,538	1,538
Non-GAAP gross profit	<u>\$ 71,822</u>	<u>\$ 58,841</u>	<u>\$ 189,924</u>	<u>\$ 157,116</u>
Non-GAAP gross margin	<u>55.7 %</u>	<u>55.3 %</u>	<u>55.6 %</u>	<u>55.1 %</u>

RECONCILIATION OF OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES

(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Total operating expenses	<u>\$ 47,024</u>	<u>\$ 42,924</u>	<u>\$ 134,751</u>	<u>\$ 117,457</u>
Adjustments to reconcile total operating expenses to non-GAAP total operating expenses:				
Stock-based compensation expense	(13,516)	(13,113)	(39,495)	(33,024)
Deferred compensation plan expense	(585)	(418)	(1,992)	(879)
Non-GAAP operating expenses	<u>\$ 32,923</u>	<u>\$ 29,393</u>	<u>\$ 93,264</u>	<u>\$ 83,554</u>

RECONCILIATION OF OPERATING INCOME TO NON-GAAP OPERATING INCOME

(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Total operating income	<u>\$ 23,832</u>	<u>\$ 15,001</u>	<u>\$ 52,371</u>	<u>\$ 36,904</u>
Operating income as a percentage of revenue	18.5 %	14.1 %	15.3 %	12.9 %
Adjustments to reconcile total operating income to non-GAAP total operating income:				
Stock-based compensation expense	13,969	13,516	40,759	34,241
Amortization of acquisition-related intangible assets	513	513	1,538	1,538
Deferred compensation plan expense	585	418	1,992	879
Non-GAAP operating income	<u>\$ 38,899</u>	<u>\$ 29,448</u>	<u>\$ 96,660</u>	<u>\$ 73,562</u>

Non-GAAP operating income as a percentage of revenue 30.2 % 27.7 % 28.3 % 25.8 %

RECONCILIATION OF INTEREST AND OTHER INCOME, NET, TO NON-GAAP INTEREST AND OTHER INCOME, NET

(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Total interest and other income, net	<u>\$ 1,255</u>	<u>\$ 780</u>	<u>\$ 3,873</u>	<u>\$ 1,920</u>
Adjustments to reconcile interest and other income to non-GAAP interest and other income:				
Deferred compensation plan income	<u>(635)</u>	<u>(488)</u>	<u>(1,902)</u>	<u>(1,097)</u>
Non-GAAP interest and other income, net	<u>\$ 620</u>	<u>\$ 292</u>	<u>\$ 1,971</u>	<u>\$ 823</u>

2017 FOURTH QUARTER OUTLOOK

RECONCILIATION OF GROSS MARGIN TO NON-GAAP GROSS MARGIN

(Unaudited)

	Three Months Ending December 31, 2017	
	Low	High
Gross margin	54.4 %	55.4 %
Adjustments to reconcile gross margin to non-GAAP gross margin:		
Stock-based compensation expense	0.4 %	0.4 %
Amortization of acquisition-related intangible assets	<u>0.4 %</u>	<u>0.4 %</u>
Non-GAAP gross margin	<u>55.2 %</u>	<u>56.2 %</u>

RECONCILIATION OF R&D AND SG&A EXPENSES TO NON-GAAP R&D AND SG&A EXPENSES

(Unaudited, in thousands)

	Three Months Ending December 31, 2017	
	Low	High
R&D and SG&A expense	\$ 44,000	\$ 48,000
Adjustments to reconcile R&D and SG&A expense to non-GAAP R&D and SG&A expense:		
Stock-based compensation expense	<u>(12,500)</u>	<u>(14,500)</u>
Non-GAAP R&D and SG&A expense	<u>\$ 31,500</u>	<u>\$ 33,500</u>

Source: Monolithic Power Systems, Inc.

News Provided by Acquire Media